



TESTIMONY
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON HEALTH

TESTIMONY OF
HOWARD A. KAHN
CEO, L.A. CARE HEALTH PLAN
REGARDING
“LEGISLATIVE HEARING ON DRAFT HEALTH CARE REFORM
LEGISLATION AND THE PUBLIC PLAN OPTION”
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A public entity serving Los Angeles County • 555 West Fifth Street • Los Angeles, CA 90013
telephone 213.694.1250 • facsimile 213.694.1246 • www.lacare.org

Accreditation of Medi-Cal, Healthy Kids and Healthy Families Program.

For a **Healthy Life**

Chairman Pallone, ranking member Deal, members of the committee, as the CEO of L.A. Care Health Plan, America's largest public health plan, I am here to provide information about L.A. Care's model and how our public plan option has worked locally in California for more than a decade.

The need for national health care reform has never been greater. Recently, the public plan option has garnered much of the attention in the health care reform debate with concern from many parties – those concerned that without a public plan option reform won't work and those concerned that a public plan option is a clear path to a government take-over of our health care system. California's experience with public plans can offer insight into how a public health plan option can be cost-effective, preserve choice and competition, and improve quality.

L.A. Care is a fully independent, local public agency and health plan established through enabling legislation by the State of California, and created by the County of Los Angeles to provide Medicaid managed care services to the Temporary Aid for Needy Families (TANF) population. At that time, as now, health care costs were rising steadily, and there were serious budget shortfalls. The expansion of mandatory managed care for this Medicaid population was an effective way to control rising costs, improve quality and access to care for beneficiaries and reduce waste and fraud. L.A. Care opened its doors in 1997, as the local public plan option competing against a private health plan, Health Net of California, Inc.

As included in the discussion draft, L.A. Care strongly supports the concept that public plans can provide choice, transparency, quality and competition. L.A. Care competes locally on a level playing field against our private competitor. In the Medicaid managed care program, plans are required to have enough funding to ensure provider payments for enrollee services and operate under the same rules. Since its inception twelve years ago, L.A. Care has been financially self-sustaining, and has never received any government bailout or special subsidy.

Currently, L.A. Care is serving over 750,000 Medicaid beneficiaries, and has 64 percent of the Medicaid managed care market share in Los Angeles County. The competition between L.A. Care and its competitor Health Net has resulted in better quality care and system efficiencies. For example, as part of efforts to distinguish ourselves in the marketplace, L.A. Care attained an "Excellent" Accreditation from the National Committee for Quality Assurance (NCQA), validation that it is possible to provide quality care to the poorest and most vulnerable in our communities. In addition, childhood immunizations among L.A. Care enrollees have improved from 33% in 1999 to 85% in 2008.

There are seven other public plans like L.A. Care in California that provide comprehensive health care coverage to Medicaid beneficiaries in nine counties, called Two-Plan model counties. In all of these counties, the public plans compete in exactly the same way against private plan competitors. In total, 2.5 million Medicaid beneficiaries are provided health, dental, and vision care services throughout California via the Two-Plan model.

California has other public plan models. Rep. Eshoo is very familiar with another public plan structure, the County Organized Health System, as she served on the San Mateo County Board of Supervisors and the Plan's Board when we started that health plan in the 80's. This type has

been enormously successful in San Mateo County. However, it is not a competitive public plan model.

L.A. Care's provider network includes over 3,500 primary care physicians, 7,000 specialists, 1,800 pharmacies, and 55 hospitals that we contract with directly and through other health plans. This includes private and public hospitals and physician groups, non-profits, for-profits, federally qualified health centers and community clinics. Our subcontracted health plan partners include some of the biggest private health plans – Anthem Blue Cross and Kaiser Permanente – as well as Care 1st and Los Angeles County's Community Health Plan. In addition to Medicaid, L.A. Care operates a CHIP program, a Special Needs Plan for Medicare enrollees, and a subsidized product for low-income children that do not qualify for Medicaid or CHIP.

What makes L.A. Care, a public health plan, different?

- L.A. Care has a local Board of Governors that is focused on the needs of community health, not profits. L.A. Care answers to stakeholders, not stockholders. Its 13-member Board is comprised of representatives from public and private hospitals, federally-qualified health centers (FQHC) and community clinics, private doctors, Los Angeles County, and enrollees. In fact, our enrollees elect two members to the Board of Governors, resulting in a strong consumer voice in our governance.
- L.A. Care conducts business in an open and transparent way. As a public agency, we are subject to California's public meeting laws, which mean that all Board and committee meetings are open to the public. The public must be notified in advance, and must have the opportunity to provide comment. This makes L.A. Care accountable to our enrollees and stakeholders.
- This accountability extends deep into the community. We have a robust system of committees designed to solicit and receive feedback from across L.A. County. This includes 11 committees made up of enrollees, over 350 people, who advocate for their communities, bring problems and barriers to our attention, and promote health education and information to their friends, families, and neighbors.
- L.A. Care's enabling legislation mandates that part of L.A. Care's mission is to protect and strengthen the safety net. When Medicaid managed care was introduced in California there was a concern that the FQHCs, safety net clinics and public hospitals would lose their only patients with health coverage. Through several strategies, including investing in the safety net and helping clinics with better marketing and customer service programs, over 20 percent of L.A. Care's enrollees are enrolled with federally-qualified health centers, community or county clinics as their primary care home. In Los Angeles County, large numbers of uninsured will remain so even with the most ambitious health care reform proposals. The safety net will continue to be a vital part of the health care system and will continue to need support.

- Public plans like L.A. Care protect consumer choice. Since L.A. Care has been in existence, two for-profit private health plans and one non-profit private health plan serving this population in Los Angeles have gone out of business; L.A. Care's stability has ensured that Medicaid beneficiaries throughout Los Angeles County continue to have continuity and a choice in doctors and health plans.
- Public plans raise the bar on performance and quality in their local markets. L.A. Care was the first California health plan without a hospital affiliation to be accredited as a Continuing Medical Education provider. As a result, we offer a steady calendar of provider education opportunities in childhood obesity, asthma, and mental health that have improved provider practices and quality of care. Currently, our Family Resource Center offers culturally-sensitive health education classes and services to over 1200 people a month, of which 85% are not L.A. Care enrollees, but community members.

While a working definition of a public plan option is still being developed, I recommend that the creation of a monolithic national public plan be avoided. Health care is at its core local. As we already know, bigger plans do not necessarily save on costs any more effectively than local or regional plans, nor should a large national public plan expect to. The costs of private health insurance and Medicare have continued to rise, despite the fact that large, national health insurers and employers have significant bargaining power.

In addition, under all current reform proposals in Congress, health care will continue to be delivered through local markets, which vary in terms of population, competition, infrastructure, community need and medical culture. These needs can be incredibly complex. For example, L.A. Care's Call Center can help enrollees in up to 32 languages; our member materials are available in ten languages, Braille, Audio CD, and Large Print. We offer provider directories to our enrollees that have information on language and disability access. This is necessary to deliver quality care for our low-income enrollees amidst L.A.'s diversity.

California recognized years ago the need to lower costs and improve quality, and developed local public plan options for Medicaid that have been supported by each successive administration, both Republican and Democrat.

With regards to the Health Insurance Exchange, L.A. Care supports the proposal that allows states to create their own exchange in lieu of a national insurance exchange. L.A. Care appreciates the recognition that Medicaid beneficiaries have special needs, and so are not included in the Exchange for the first four years of operation. However, L.A. Care would strongly recommend excluding Medicaid completely from the Health Insurance Exchange. The federal and state governments pay the entire bill for Medicaid and need to retain the oversight and control of the services for a variety of medical and social reasons. Medicaid beneficiaries are among the most vulnerable populations to care for and present unique challenges in care coordination and require a different set of benefits than is customarily offered in commercial plans. Those challenges, which go beyond health care, will make guaranteeing access and quality care next to impossible, if included in the Exchange, with regards to social services coordination and support.

Finally, I know I speak for Medicaid plans across the country when I say, we also appreciate that the draft includes section 1843, equalizing drug rebates in Medicaid. This provision will help ensure that health plans can continue providing comprehensive, coordinated care services for our enrollees and we applaud your leadership on this issue.

To conclude, we support those ideas that build on California's over twenty years of experience in improving quality while containing costs through competitive public plans, namely:

- State, regional, or local public plans that meet the same criteria as private plans and compete equally;
- Public plans or similar entities that have transparent governance, and respond to their stakeholders and local communities;
- Public plans or similar entities that support the public and private safety net, and reinvest their margins back into the community.

California's local public plans are a successful model that should be considered. Let's build on what's working in health care and focus on fixing what's broken.