

Good afternoon, madam chairperson or mr. chairman, members of the committee.

My name is Ron Christensen. I am with Hope Haven, a nonprofit organization that serves over 500 persons with disabilities in southeast Iowa. I'd like to speak today about some problems and what I believe are unintended consequences that are present within this transition to Managed Care.

A big issue is that the State has put aside its existing process for setting Waiver rates and has instead adopted a new REVENUE based methodology. They call this a "floor" rate. The effect of this change in rate methodology is a substantial cut for many Waiver providers. That would be a cut on EXISTING rates, which are based on fiscal year 2014 costs. In our case, we estimate the rate cut to be about \$168,000 on an annualized basis. Also, the State plans to penalize providers who don't sign contracts with MCOs by introducing a 10% cut to rates for any service recipient who is enrolled with an MCO not contracted with the provider. So following that logic, after having our rates cut \$168,000, if we don't sign disagreeable and in some cases incomplete contracts, we'll get another 10% cut starting January 1<sup>st</sup>. That's a problem.

It's a problem that is statewide, not just with Hope Haven. There are many Waiver providers who will experience substantial reductions in their reimbursement levels as a result of this change in rate setting methodology.

The State offers 2 suggested resolutions to that problem. One is to contact their provider cost unit, explain the problem and see if it can be fixed by them. The second is to negotiate with MCOs to get rates raised to a point where the cut is eliminated for the provider. Over the past 2 weeks we've tried twice, with 2 separate communications to the provider cost unit, to get consideration of this rate issue. There has been absolutely no response to our communications. Nothing.

We've also negotiated with all 4 MCOs to get an acceptable rate level. One MCO has taken the position that the floor rate is the rate, no negotiation. Period. One MCO has signed a contract with us that has rates we can live with. The other two we're still negotiating with.

So here's the deal. Enrollment letters have gone out to all Medicaid recipients. So all those 100s of people served by Hope Haven are turning to us and saying who do you have a contract with. When we tell them, the overwhelming majority are going to switch to the one MCO with whom we have a contract. That's a real problem for the other 3 MCOs and for the State. If any of them don't, barring a compelling reason otherwise, we'll be telling them in January they either have to switch to the one contracted MCO or leave our services. That's because we can't afford the 10% rate cut for serving MCO enrollees we don't have a contract with.

There's a simple fix for this. The State should drop the 10% penalty for serving out of network enrollees. For providers who have floor rates that have resulted in a cut, IMMEDIATELY adjust their rates to remove the cut.

Thank you.