

COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS SENATE
STATE HOUSE, BOSTON 02133-1053

SENATOR RICHARD T. MOORE
WORCESTER AND NORFOLK DISTRICT
ROOM 111
TEL: (617) 722-1420
FAX: (617) 722-1944
richard.moore@state.ma.us
www.senatormoore.com

CHAIRMAN:
JOINT COMMITTEE ON HEALTH CARE FINANCING
COMMITTEES ON:
BILLS IN THIRD READING
POST AUDIT AND OVERSIGHT
HIGHER EDUCATION
BONDING, CAPITAL EXPENDITURES & STATE ASSETS

November 14, 2005

His Excellency Mitt Romney
Governor of the Commonwealth
State House – Room 360
Boston, MA 02133

Dear Governor Romney:

For the better part of 2005, the Division of Health Care Finance and Policy has been led by either a part-time commissioner (while Commissioner Paul Cote served as Acting DPH Commissioner in addition to his DHCFP duties) or an acting commissioner (since Paul Cote was permanently appointed to lead DPH). While both Mr. Cote and Mr. McCabe are capable individuals, the Division of Health Care Finance and Policy needs full-time, permanent leadership and adequate personnel and resources to fulfill its important mission.

One of the most important activities of the Division of Health Care Finance and Policy is administering the Uncompensated Care Pool, a fund that reimburses hospitals and community health centers for services provided to underinsured individuals. In view of the importance of the Pool as a key component of the health care safety net, and given the increasing cost of the Pool in recent years, this role must be viewed as among the Division's highest priorities.

I was particularly dismayed by the Inspector General's report entitled "Ongoing Review of the Uncompensated Care Pool pursuant to Chapter 240 of the Acts of 2004," dated November 2005. As you know, Chapter 240 became law without executive approval. However, the results of the Inspector General's review clearly justify the General Court's insistence on proper oversight of the hundreds of millions of dollars in this program. His report **"identified several areas of weakness in the Pool's current administrative system as well as outside factors that can and should be remedied in order to better monitor and control costs, ensure appropriate levels of treatment, and safeguard against overpayments."**

Of special concern is the portion of the report that states:

“The Legislature has provided the Division of Health Care Finance and Policy with broad authority to implement effective controls on pool operations and has expressly directed the division to do so. However, the division has not yet complied with many of these legislative directives. When the Legislature instituted the prospective payment system in 2003, for example, it did so with the express recognition that the prospective payment system was not intended to be a permanent system, describing its inequities and requiring the administration to submit a plan by October 2003 to reform the underlying pool system. No such plan was ever forwarded that addressed the legislative mandate of instituting effective utilization controls and claims management with the pool. Instead the administration chose to go forward in a different direction and recently proposed eliminating the pool and replacing it with a subsidized insurance program for the poor. While it is certainly within the administration’s prerogatives to make such a proposal, the administration nevertheless has a continuing obligation to fulfill its statutory responsibilities to address the pool’s outstanding problems.”

Another important issue that deserves immediate attention is that between October 1, 2002 and March 7, 2005, 13% of pool patients who received services were eligible for MassHealth but never applied. This deficiency has cost the Commonwealth millions of dollars in lost federal matching Medicaid funding. Is it possible that this failure to maximize federal reimbursements, as you promised you would do, will result in a lower base for federal aid in future years multiplying the impact of this oversight?

It is imperative, in my opinion, that you and Secretary Murphy take immediate action to appoint a highly qualified, permanent commissioner for the Division of Health Care Finance and Policy, and that the new commissioner be directed to implement the Inspector General’s recommendations.

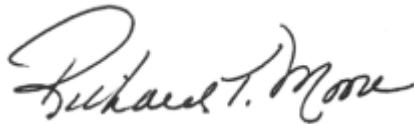
Specifically, according to the Inspector General, the Division of Health Care Finance and Policy:

- Has failed to follow legislative mandates and take steps to improve the administration and financial oversight of the Uncompensated Care Pool (Page 9).
- Should immediately implement the Legislature’s 2003 mandates and properly enforce them. Following the other recommendations in the report – including creating utilization cost controls, enforcing enrollment and eligibility rules, reviewing all charges and creating a transparent payment system – will also help the pool become a more effective health care payer.
- Should conduct in-depth electronic claims reviews, which most other payers regularly perform before payment. An effective claims review would allow the division to analyze data and reject inappropriate claims.
- Should follow the example of other health care payers and set negotiated rates for all medical procedures, tests, services, and equipment; monitor and control pharmacy rates so it can scrutinize claims to detect and avoid overcharges; and provide reimbursement on a straight forward transactional system to provide for consistency, accountability, control and a fair representation of costs and services.

- Should institute safeguards to prevent overuse of medical services and enforce medical necessity criteria.
- Should establish and enforce guidelines defining clinically appropriate and medically necessary medical care for a full range of treatments, and develop a utilization review system to ensure that hospitals follow those guidelines in order to receive reimbursement.
- Ensure that the new Virtual Gateway screening system determines those Pool applicants eligible for MassHealth and automatically enroll for coverage by conducting an in-depth performance review of the Virtual Gateway system to test its effectiveness in identifying MassHealth-eligible recipients and in addressing ongoing practical problems faced by hospital employees in complying with eligibility documentation.
- Should more closely review emergency bad debt claims and develop clear policies for hospitals to follow when they submit bad debt claims.
- Should adopt specific controls on mental health and substance abuse services to ensure that the appropriate level of treatment and medications are being provided, and that clinical outcomes are being collected and reviewed.
- Should audit the effectiveness of and, if appropriate, recommend reforms in the prospective payment system, and fully implement the mandates spelled out by the Legislature in 2003.

As we move forward with health care reform, I believe that the Division of Health Care Finance and Policy, under leadership specifically charged with implementing the Inspector General's recommendations, would help to achieve significant improvements in the administration of the Commonwealth's safety net care system. If the Legislature is to undertake statutory reforms in health care, we need to be convinced that the administration is fully prepared to implement those reforms even when they may have initially proposed different policy options. An important step in that regard would be to follow through on the recommendations of the Inspector General.

Sincerely,

A handwritten signature in cursive script that reads "Richard T. Moore".

RICHARD T. MOORE

Senate Chair

Committee on Health Care Financing

cc: Secretary Timothy Murphy, EOHHS
Senate President Robert E. Travaglini
Speaker of the House Salvatore DiMasi
Inspector General Gregory Sullivan