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**THE GOVERNOR'S HEALTHCARE CABINET**  
November 15, 2016  
**TESTIMONY OF PROSPECT MEDICAL HOLDINGS, INC.**  
STEPHEN T. O'DELL  
PRESIDENT, COORDINATED REGIONAL CARE

Good morning. Lt. Governor Wyman, Members of the Healthcare Cabinet, my name is Stephen O'Dell and I am the President of Coordinated Regional Care for Prospect Medical Holdings. Prospect Medical Holdings is the new owner of the Greater Waterbury Health Network (Waterbury Hospital) and the Eastern Connecticut Health Network (Manchester Hospital and Rockville Hospitals). I'm here today to testify and offer comments on the Cabinet's proposed recommended strategies for cost containment.

Connecticut is in the top 10 highest Medicaid cost per capita States in the nation at more than \$9,000 per enrollee per year. The highest cost per enrollee States are always at risk for cuts in Federal funding for Medicaid. It is clear that there will continue to be fiscal challenges to the current level of Medicaid and other healthcare funding.

We support the work of the Governor's Healthcare Cabinet and its cost containment study. We are concerned that its proposed solutions do not go far enough or fast enough, particularly with the sudden change in our political landscape. What we need are solutions that get results quickly...and you have the most immediate influence over what is done in Medicaid. Therefore, we come to you today with an immediate solution for your consideration.

We support your recommendation to create Consumer Care Organizations (CCOs): "that are each accountable for the cost of a comprehensive set of services for an attributed population using an approach that holds providers accountable for their quality performance on outcomes, patient access and efficiency". We agree there should be specific governance, payment and quality requirements. All of these are important to ensuring the healthcare, behavioral and social service needs of patients are met or exceeded.

Further, we support your recommendation that CCOs may demonstrate their willingness and capability to assume and manage more advanced forms of alternative payment methods such as population based payment. This establishes the opportunity for providers such as us at Prospect to make available to the State opportunities for immediate improvements in quality and cost.

For example, in order to advance the use of population-based payment, Prospect is willing to immediately accept 95% of what the State currently pays on a per capita basis for each aide category for its Medicaid enrollees. This would guarantee the State an immediate upfront savings of 5% on its Medicaid population served by Prospect providers. If all other Medicaid providers in this State eventually came to make this same guarantee, it would save the citizens of Connecticut approximately \$350,000,000.

How can we make this guarantee? It is through the use of an alternative payment method to our current cost increasing and fragmentation producing fee for service reimbursement system known as population-based payment or capitation. Capitation earned a bad reputation in the Northeast in the 1990s because it became synonymous with “denial of care”. However, with quality controls in place like CCOs and definable quality measures under which Prospect is already excelling in other markets, capitation in the hands of experienced providers is now synonymous with “coordination of care”.

Population-based payment stimulates providers to become immediately and purposefully accountable for the quality and cost of healthcare delivered to populations and provides the means for the investments required to achieve those improvements. We know this based upon the 30 years of experience our organization has as providers assuming and managing capitated payments for more than 310,000 patients, including nearly 80,000 Medicaid patients, 8,000 of whom are Dual Eligibles. Dual Eligibles have the most complex combination of healthcare, social and behavioral health needs and require the greatest care coordination support.

We are but one advocate for this payment system. Brent James is a physician and Chief Quality Officer of Intermountain Healthcare, one of the premier integrated delivery systems in the US. He wrote an outstanding article that was published in the Harvard Business Review in July of this year called “The Case for Capitation”. Under this payment system, he concludes: “physicians...receive significant payment when total costs are reduced, patient satisfaction is increased and quality measures—which guarantee that no physician is withholding beneficial care—improve.” This is exactly what the Governor’s Healthcare Cabinet is trying to achieve.

Not all providers are experienced nor prepared to assume and manage risk based reimbursement. But just because **all** providers are not ready to assume and manage risk-based reimbursement, does not mean that **some** providers are not ready. In 2016, CMS approved 21 organizations nationally to be Next Generation ACOs for Medicare. Next Generation ACOs provide for population based payment within defined quality measures. Prospect is one of those organizations.

This is where the influence of the Governor’s Healthcare Cabinet can be most important. What we need is the power of a positive example of providers taking accountability for the quality and cost of the healthcare provided to patient populations to encourage other providers to prepare for population based payment. The Cabinet can be a powerful force for creating the stimulus for that positive example by supporting population-based payment now for providers who are willing and ready.

The final ingredient necessary to move immediately down this path is a willing, capable and experienced provider—and that is what you have in Prospect Medical Holdings. Prospect owns and operates Eastern Connecticut Health Network and its hospitals in Manchester and Rockville. We also own Waterbury Hospital. We have already clinically integrated our 750 employed and independent physicians and mid-levels through two individual practice associations aligned with our hospitals. We have also been licensed as a Preferred Provider Network under the rules of the Connecticut Insurance Department and we have received our State licenses as a third party administrator and utilization review company. We are ready, willing, capable and experienced to move to population-based payment and provide the power of a positive example of provider accountability for quality and cost of healthcare in Connecticut.

We ask that the Governor's Healthcare Cabinet stand strongly in support of population-based payment for those provider organizations willing and able to manage it.

We thank you for providing us the opportunity to give our input to your deliberations.