Fact Sheet
Report on Commonwealth Efforts to Assure Quality of Care in a Changing Health Care Environment

HR 185 directed the LB&FC to examine Commonwealth programs and efforts to ensure quality health care in a changing health care environment. Such changes include the repeal of the Certificate of Need program; the growth of managed care; and HealthChoices, the Commonwealth's mandatory managed care program for Medicaid recipients. HR 185 directed the LB&FC to specifically examine efforts to ensure quality of care for individuals with special medical needs.

Pennsylvania hospitals and physicians have continually demonstrated a voluntary commitment to quality care. State and federal agencies and national voluntary accreditation organizations also have a role. Licensing boards within the Pennsylvania Department of State license individual practitioners such as physicians and nurses. The Department of Health licenses health care facilities and home health agencies and serves as the state survey agency for the federal Medicare program. The Departments of Insurance and Health are jointly responsible for issuing certificates of authority to HMOs.

Findings and Conclusions:

- ***Commonwealth agencies are not systematically monitoring major changes in health care delivery.*** Several state agencies monitor elements of the health care delivery system, but none has the focus and staffing to give policymakers the information they need on how changes in the financing and delivery of care are affecting quality. (p. 27)
- ***Important state regulations have not been updated***. HMO regulations have not been substantially revised since 1983. The Department of Health (DOH) is in the process of proposing revisions. (p.40)
- ***The DOH has not set minimum standards for HMO reviews.*** HMOs must undergo external quality reviews every three years, but the DOH has not established minimum standards the HMOs must meet during these reviews. (p. 45)
- ***Managed care plans are influencing medical decisions.*** Recent Commonwealth court decisions have held HMOs liable for corporate negligence and have limited the federal ERISA exemption for employer-sponsored plans. (p. 22)
- ***Not all managed care plans are subject to the quality assurance safeguards in Act 1998-68, and more safeguards are needed.*** Although Act 68 contains new consumer protections, it does not cover all managed care plans (p. 66) or contain protections available in other states' laws and regulations or in model legislation. (pp. 70-75)
- ***Managed care plans have broad discretion in defining "medical necessity."*** Act 68 does not contain criteria for defining "medical necessity," often a factor in determining coverage benefits. (p. 68)
- ***The HealthChoices contracts contain several provisions to help ensure quality of care for individuals with special needs, but implementing these provisions has proven problematic.*** The Department of Public Welfare requires its HealthChoices plans to define medical necessity broadly, to have open enrollments, and to create special units to assist individuals with special needs. These provisions, however, have not always been fully implemented. (p. 86)
- ***The monthly fee DPW pays to plans for providing care is not based on an enrollee's health status.*** HealthChoices plans can incur unanticipated financial risks if they attract patients who need unusually expensive health care. (p. 94)
- ***Obtaining prescription drugs can be difficult for HealthChoices enrollees.*** Problems include restrictive drug formularies, prior authorization requirements, and the unavailability of medications to meet emergency needs. (p. 99)
- ***PA has been more aggressive than most states in requiring individuals with special need to enroll in HMOs.*** PA is one of only 11 states that require disabled individual to participate in Medicaid manage care plans. Many of these 11 states exempt individuals with certain complex medical conditions. PA exempts very few such individuals. (p. 129)

Recommendations: The report contains 21 recommendations (pp. S-11 through S-18), including:

a) The Legislature consider creating an independent commission to monitor and report on how the financing and delivery of health care services are affecting the quality of care in Pennsylvania.
b) HMOs be required to be relicensed every three years, contingent on compliance with quality assurance standards.
c) The DOH update its managed care regulations and promulgate regulations to strengthen the Act 68 provisions, including quality assurance safeguards for plans not subject to the act.
d) The Legislature consider amending Act 68 to require that denials based on medical necessity be made by physicians in a similar specialty, to entitle health care providers to discuss initial denials with plan reviewers, and to make emergency care benefits consistent with Medicare standards. Several other provisions are also discussed.
e) The DPW pay the HealthChoices plans based on an enrollee's health status. Until such time, individuals with complex medical needs should be exempted from mandatory participation in the HealthChoices program.
f) The DPW develop a state ombudsman program to assist individuals with special needs and their providers.
g) The DPW review the appropriateness of HealthChoices formularies and monitor adherence to contract requirements.