



VCU Medical Center

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Sheldon M. Retchin, MD, MSPH

October 14, 2013

Medicaid Innovation and Reform Commission
201 North 9th Street
General Assembly Building
Richmond, Virginia 23219

Dear Chairman Hanger and Members of the Medicaid Innovation and Reform Commission:

Thank you for the opportunity to comment in support of Medicaid reform and expansion in the Commonwealth of Virginia. I write to you on behalf of the VCU Health System, which consists of MCV Hospitals, an 865-bed regional referral center; MCV Physicians, a 600-plus faculty physician practice; Children's Hospital of Richmond at VCU, the region's only full-service children's hospital; and Virginia Premier Health Plan ("Virginia Premier"), a Medicaid managed care organization representing more than 170,000 covered lives in the Commonwealth.

As the largest safety net hospital in the state, VCU Health System-MCV Hospitals experiences firsthand the consequences of inadequate health care coverage. Our hospital's Emergency Department physicians and staff witness on a daily basis the scores of uninsured Virginians who seek care in this setting versus in a primary care physician's office, community health center, or other more cost-effective setting. Last year alone, approximately 41% of the 65,500 visits to our Emergency Department that did not result in an admission were for uninsured patients. Approximately 60% of visits for this population were classified as avoidable – meaning they could have been effectively treated in a primary care setting.

Over 13 years of experience with our Virginia Coordinated Care (VCC) program – an innovative partnership with community physicians implemented to better manage the care of the uninsured patient population – has proven that once uninsured patients are assigned to a primary care "medical home," their emergency department visits and inpatient admissions decline significantly. As reported in the February 2012 issue of *Health Affairs*,¹ after only three years of continuous enrollment in the VCC program, patients experienced a 38% drop in emergency department visits, a 45% drop in inpatient admissions, and an estimated 50% reduction in the cost of care. Perhaps even more importantly, as the program has matured and we have started to focus on the sickest and most "resource intensive" patients, we have also seen a corresponding improvement in clinical outcomes. Specifically, for patients with multiple chronic conditions who are cared for in VCUHS' Complex Care Clinic, we have measured

¹ Bradley, C., Gandhi, S., Neumark, D., Garland, S., Retchin, S., Lessons For Coverage Expansion: A Virginia Primary Care Program For the Uninsured Reduced Utilization And Cut Costs, *Health Affairs* 31, No. 2 (2012): 355.

significant improvements in health outcomes, including improved control of indicators for chronic conditions such as Type II diabetes, hypertension, and high cholesterol. Based on our experience in caring for the very individuals who stand to benefit from an expansion, we feel confident that if appropriate health care coverage is made available to uninsured citizens, similar clinical and care coordination models could be employed by both managed care organizations and health care providers to successfully manage the health outcomes and costs of the newly insured.

Beyond the work that we are engaged in to better manage the care for the uninsured population, the VCU Health System maintains a strong commitment to all of its patients, including the commercially insured, and those insured through governmental payers such as Medicare and Medicaid. There is perhaps no better place to witness the “right care” delivered at the “right time and place” than through the work of our Medicaid managed care organization (MCO), Virginia Premier. Virginia Premier has served as a contracted MCO with the Commonwealth since the inception of Medicaid managed care in Virginia in 1996. The plan now serves over 175,000 citizens of the Commonwealth, and is working diligently to participate in Commonwealth Coordinated Care (the Dual Eligible Demonstration), which will leverage existing community resources to promote independence, consumer choice and person-centered care for a population of highly vulnerable individuals whose care heretofore has been largely uncoordinated. Further, Virginia Premier continues to implement new medical management and medical home initiatives that will allow the plan to successfully coordinate the care for a host of newly eligible individuals, should a Medicaid expansion occur. An example of this can be seen in the Roanoke region, where Virginia Premier plans to open a Medical Home clinic that will serve its enrollees. The Medical Home will imbed outreach, case management, and behavioral health resources into the day-to-day operations of the clinic, and clinic hours will be structured so as to moderate inappropriate ER use by plan members. Virginia Premier ultimately intends to compare outcomes for this operation with the outcomes of standard medical practices that have similar patient acuity levels and disease prevalence. Should this model prove successful – as we believe it will – such a concept could be easily translated and applied to the Medicaid expansion population.

While the VCU Health System has dedicated significant resources to the improvement of capacity, cost, and quality in anticipation of the implementation of health reform, we fear that the great strides we have made in these areas could be compromised by the Commonwealth’s failure to participate in the Medicaid expansion. Indeed, if Virginia does not expand Medicaid, in addition to forfeiting a host of economic benefits, facilities that serve large numbers of uninsured patients (like the VCU Health System) will be placed in a perilous financial situation. As you are aware, the Affordable Care Act contained a number of health care provider payment reductions, and these reductions remain intact despite the U.S. Supreme Court’s decision, which rendered expansion optional. The cuts that promise to be the most impactful on safety net institutions like ours – specifically, the Medicaid Disproportionate Share Hospital (DSH) payment reductions – became effective October 1, 2013 and will impact Virginia, regardless of whether or not the state chooses to expand Medicaid. Although the Medicaid DSH cuts are phased in over a period of six years, the eventual 50% cut to DSH funding could prove catastrophic to safety net hospitals like VCU Health System that are located in states that fail to expand Medicaid.

As you continue to review the progress that the Commonwealth has made in completing the requisite reforms, please be assured that VCU Health System stands ready to assist with bold redesign of the current Medicaid program and mapping out a fiscally prudent path to coverage expansion. We are happy to share the expertise we have gained over the years through the management of existing programs for the most vulnerable of the Commonwealth’s citizens, and I am certain that numerous other innovative health systems throughout Virginia are eager to do the same.

Thank you for your consideration of the VCU Health System's thoughts and concerns on this historically important issue. We look forward to continuing to work with you to improve the health and wellbeing of the Commonwealth's citizens.

Sincerely,

A handwritten signature in black ink that reads "Sheldon Retchin, M.D." The signature is written in a cursive style with a large initial 'S'.

Sheldon M. Retchin, M.D., M.S.P.H.
Senior Vice President for Health Sciences,
Virginia Commonwealth University
Chief Executive Officer, VCU Health System