

1
2 COMMONWEALTH OF PENNSYLVANIA
3 HOUSE OF REPRESENTATIVES
4 APPROPRIATIONS COMMITTEE

5 MAIN CAPITOL
6 ROOM 140
7 HARRISBURG, PENNSYLVANIA

8 BUDGET HEARING
9 DEPARTMENT OF PUBLIC WELFARE

10 WEDNESDAY, FEBRUARY 26, 2014
11 1:07 P.M.

12 BEFORE :

13 HONORABLE WILLIAM F. ADOLPH, JR.,
Majority Chairman

14 HONORABLE KAREN BOBACK

15 HONORABLE JIM CHRISTIANA

16 HONORABLE GARY DAY

17 HONORABLE GORDON DENLINGER

18 HONORABLE BRIAN ELLIS

19 HONORABLE GARTH EVERETT

20 HONORABLE GLEN GRELL

21 HONORABLE SETH GROVE

22 HONORABLE ADAM HARRIS

23 HONORABLE THOMAS KILLION

24 HONORABLE DAVID MILLARD

25 HONORABLE MARK MUSTIO

HONORABLE DONNA OBERLANDER

HONORABLE BERNIE O'NEILL

HONORABLE MICHAEL PEIFER

HONORABLE SCOTT PETRI

HONORABLE JEFF PYLE

HONORABLE CURT SONNEY

HONORABLE JOSEPH MARKOSEK, Minority Chairman

HONORABLE MATTHEW BRADFORD

HONORABLE MICHELLE BROWNLEE

HONORABLE MIKE CARROLL

HONORABLE H. SCOTT CONKLIN

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BEFORE: (cont'd)

HONORABLE MADELEINE DEAN
HONORABLE DEBERAH KULA
HONORABLE TIM MAHONEY
HONORABLE MICHAEL O'BRIEN
HONORABLE CHERELLE PARKER
HONORABLE JOHN SABATINA
HONORABLE STEVEN SANTARSIERO
HONORABLE JAKE WHEATLEY

ALSO PRESENT:

HONORABLE MATT BAKER
HONORABLE PAUL CLYMER
HONORABLE GENE DIGIROLAMO
HONORABLE MATT GABLER
HONORABLE MARK KELLER
HONORABLE STEVE MENTZER
HONORABLE DARYL METCALFE
HONORABLE NICK MICOZZIE
HONORABLE MARGUERITE QUINN
HONORABLE MIKE REGAN
HONORABLE DOM COSTA
HONORABLE PAM DELISSIO
HONORABLE WILLIAM KORTZ
HONORABLE MARK LONGIETTE
HONORABLE DAN MILLER
HONORABLE MIKE SCHLOSSBERG
HONORABLE KEVIN SCHREIBER

DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
DAN CLARK, MAJORITY CHIEF COUNSEL
MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

BRENDA J. PARDUN, RPR
P. O. BOX 278
MAYTOWN, PA 17550
717-426-1596 PHONE/FAX

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1 P R O C E E D I N G S

2 MAJORITY CHAIRMAN ADOLPH: Thank you.
3 Good afternoon, everyone. I'd like to reconvene
4 the House Appropriations Committee budget hearing.

5 This afternoon's hearing is on the
6 Department of Public Welfare. With us today is the
7 secretary of Welfare, Beverly Mackereth.

8 Good afternoon, Madam Secretary.

9 SECRETARY MACKERETH: Good afternoon.

10 MAJORITY CHAIRMAN ADOLPH: And also
11 with her is David Spishock, budget director,
12 Department of Public Welfare.

13 Good afternoon.

14 MR. SPISHOCK: Afternoon, sir.

15 MAJORITY CHAIRMAN ADOLPH: We certainly
16 have a crowd here. I certainly appreciate all the
17 interest and concern.

18 This will be a very informative budget
19 hearing. And in order for it to be productive and
20 effective, I'm just going to go over a couple
21 housekeeping rules. I'd like you to check your
22 cell phones, your iPhones, your iPads, and all the
23 other devices that you may have and turn them off,
24 at least put them on vibrate. They do interfere
25 with the testifiers and also the television

1 coverage.

2 I wish we had more chairs. I
3 apologize. Maybe we can have someone try to
4 accommodate everyone during the course of this. We
5 have scheduled for a two-hour hearing; it may go a
6 little longer. I try to allow all the members of
7 the committee as well as some chairs of standing
8 committees to ask questions. And I know we also
9 have some folks here that have submitted some
10 questions to be asked by members. And it should be
11 a very interesting and informative hearing.

12 As is the custom of Chairman Markosek
13 and I, we have also invited the Health Committee
14 Chairman, Matt Baker; the Human Services Committee
15 chair, Gene DiGirolamo; the Children and Youth
16 Committee chair, Kathy Watson. Thank you for your
17 attendance.

18 I'm going to ask Madam Secretary for
19 some brief opening comments, and we'll get right
20 into the questioning.

21 SECRETARY MACKERETH: That would be
22 great.

23 First off, I just want to take this
24 opportunity, as I look around the room, it is so
25 nice to see so many people who care about this

1 issue, about the DPW budget. So, everybody, thank
2 you so much for coming today. It's really our
3 opportunity to be able to share information, not
4 just with the general assembly but with everyone
5 here as well as. So, thank you.

6 Good afternoon, Chairman Adolph,
7 Chairman Markosek, and members of the Appropriation
8 Committee. Thank you for providing me with the
9 opportunity to talk to you about the Department of
10 Public Welfare budget. I have submitted written
11 testimony to the committee for you to read at your
12 leisure.

13 You know, sitting here in the caucus
14 room brings back a lot of old memories of my time
15 in the general assembly. I actually think it would
16 probably be easier today if I was sitting on that
17 side than where I am. However, it is what it is,
18 and so, again, I am very happy to share information
19 about the Department of Public Welfare's budget.

20 As I'm sure all of you are aware, the
21 Department of Public Welfare budget makes up 39
22 percent of the entire commonwealth's general fund
23 budget. Medicaid, which I know that we will be
24 discussing today, makes up 30 percent of the
25 general fund budget and 77 percent of the entire

1 DPW budget.

2 As you know, I have been the secretary
3 of the Department of Public Welfare for about a
4 year now. Actually, I had been on the job as
5 acting for two weeks prior to the last budget
6 hearing. It has been a challenging, rewarding,
7 and, at times, overwhelming and frustrating first
8 year.

9 Today gives me the opportunity to
10 publicly thank my staff. Believe me, they don't
11 get to hear those words enough. But they are an
12 amazing group of dedicated public servants, and
13 they really do a truly amazing job.

14 Thank you to all of you.

15 DPW provides services to 2.7 million
16 Pennsylvanians. These individuals reside in each
17 and every one of your districts. They are your
18 seniors, your individuals with intellectual and
19 physical disabilities, individuals and families
20 dealing with mental health and substance use,
21 families who are struggling to get by. They are
22 parents who need help parenting their children or
23 their teenager, at-risk children, and those born
24 with special needs.

25 We provide services birth through death

1 to our most vulnerable citizens, all the while
2 ensuring that tax dollars are being spent in the
3 most efficient and effective manner possible.

4 This budget makes strategic investments
5 in the lives of these individuals, moving seniors
6 and individuals with disabilities off of waiting
7 lists to provide them with the services they need.
8 Many will come out of institutional settings and
9 have the supports and services they need to live in
10 their own home and in their own communities.
11 Children will come off the wait list for child
12 care, so their parents can go to work without
13 worrying if their child is being cared for
14 properly.

15 I know as we walk through the questions
16 and answers today, there are times that we will
17 need to agree to disagree, and that's okay, because
18 these issues affect real people's lives, and we
19 need to get it right while continuing to balance
20 the rights of taxpayers who ultimately pay for
21 these services.

22 I welcome the chance to talk about the
23 critical services we provide. And I look forward
24 to providing the committee the answers that you
25 need as you move forward to prepare the

1 Pennsylvania 2014-2015 budget.

2 I also want to make clear to all of you
3 that -- I said this last year, and I'm going to
4 repeat it again this year. Any time that you would
5 like to meet with me or sit down and talk, and
6 those who have asked, we have been there
7 immediately to meet with you. We are here to
8 answer your questions. We are here to provide you
9 with information. And if you don't ask, you're not
10 going to have the answers. So, I'd like to,
11 please, just throw that back on the table as
12 something we see as our responsibility, I see as my
13 responsibility, to each and every one of you.

14 With me today is David Spishock. He is
15 the Department of Public Welfare's fiscal
16 management director and knows more about the DPW
17 budget than anyone.

18 Thank you all so much for the
19 opportunity to testify today. And I am more than
20 happy to take your questions.

21 Thank you.

22 MAJORITY CHAIRMAN ADOLPH: Thank you,
23 Madam Secretary.

24 I have a couple questions which I'm not
25 going to go into an op-ed, I'm just going to get

1 right to the question. My first question is a
2 result of receiving a letter today from you
3 regarding cost savings that your department has
4 implemented over the last several years. Okay.
5 The total savings to the taxpayers, you know, 1.9
6 billion dollars.

7 Could you please explain to this
8 committee what your department has done?

9 SECRETARY MACKERETH: Absolutely. And
10 I'm going to go ahead and start and talk a little
11 bit about the policy part of this, and then I'm
12 going to turn it over to Mr. Spishock to talk with
13 you more about what each of the numbers represent.

14 So, to be begin with, part of our
15 responsibility, as I mentioned in my opening, is to
16 ensure the integrity of the tax dollar, to make
17 sure we are spending every dollar as wisely as we
18 can, as efficiently as we can, and providing the
19 services that our most vulnerable people need.

20 So, through the last -- I think you --
21 you know, we've been talking about waste, fraud,
22 and abuse for a long time, but I'd like to put it
23 in perspective for you, because there will always
24 be people who are out there trying to game the
25 system. But that is not the majority of people.

1 And so, what we find is that most people are doing
2 the right thing. They are not trying to commit
3 waste, fraud, and abuse. However, because those
4 few take advantage of the system, we have to have
5 some protections in place so that the truly
6 vulnerable who are entitled to benefits get it, and
7 those that aren't, don't get it. We call this our
8 Program Integrity. And this has been there for a
9 long time. I'm not going to sit here and say, oh,
10 we -- you know, we're going to take credit for
11 this. Program Integrity has been part of what we
12 do; we're just doing it better.

13 And we're doing it better because we're
14 operationalizing it into what we do every day. So,
15 it's not like a new thing out there. It's
16 something that every worker in every CAO office in
17 every agency that we deal with, it's part of the
18 responsibility, accountability, and to ensure that
19 the dollars are going to the people it should and
20 not the people that it shouldn't.

21 There's several ways we do this. And
22 I'm going to let Dave talk to you about the
23 different savings buckets that we have and how much
24 we've been able to save.

25 Thank you.

1 MR. SPISHOCK: Thank you.

2 We have really three separate areas
3 where we really take a look at fraud, abuse
4 investigations. One of them is our continued
5 interest and work with the office of inspector
6 general, taking a look at field investigations and
7 overpayments. And through the course of the
8 administration, we've saved three hundred thirty-
9 eight million dollars through an increased usage of
10 the OIG inspectors. A lot of that is actual
11 recoveries. A great deal of it is cost avoidance.
12 We will try to save dollars up front, to save the
13 money before it goes out the door, instead of going
14 back and -- paying and chasing the money later on.

15 We saved money through savings and
16 recoveries. A lot of our savings are coming from
17 TPL recoveries with health insurers. We save over
18 seven hundred million dollars by looking at health
19 insurance.

20 Cost avoidance, significant amount of
21 money through our cost avoidance programs, whether
22 we're looking at EBT, out-of-state reviews,
23 compares federal matches. We do provider
24 overpayments and audit recoveries. So, out of
25 1.997 billion during the course of the

1 administration, a good deal of that is actual
2 recoveries, but the bulk of it is from cost
3 avoidance dollars, making sure that we don't pay
4 anything up front and chasing it later.

5 MAJORITY CHAIRMAN ADOLPH: Okay. Which
6 leads me to my second question. We're dealing in
7 tough economic times. Okay. And we're presented
8 here today, by this administration, a budget that
9 increases by over four hundred million dollars.
10 And could you please explain to this committee why
11 such an increase and what has caused it?

12 SECRETARY MACKERETH: Absolutely,
13 Mr. Chairman. I would be happy to.

14 And I think as all of you know, the DPW
15 is -- the total budget for DPW, I believe, this
16 year is projected to be about 32 billion dollars.
17 So -- and that is federal and state dollars, and
18 that, I think maybe for the first time, bypasses
19 the entire commonwealth of Pennsylvania general
20 fund.

21 And as we looked at this budget, the
22 first thing that I'd like to point out to you is we
23 received a letter back in October from the federal
24 government telling us that there is a reduction to
25 our FMAP, and that's their federal match

1 participation. That amounts to three hundred
2 twenty-two million dollars a year.

3 Now, so you know, we immediately picked
4 up the phone, I did, and called CMS, Center for
5 Medicare and Medicaid Services, and I said, What is
6 this and what happened here? And it was a change
7 to a national funding formula. And Mr. Spishock
8 can share more about that, but we immediately took
9 a look at it, contacted, you know, our partners at
10 the Department of Revenue to look at it, because we
11 are very concerned.

12 We have sent a letter back to the
13 federal government, asking them for a review. We
14 have talked to a congressional delegation, asking
15 them to follow back.

16 It is the largest reduction in federal
17 match in thirty years. It's, again, based on a
18 change to a funding formula, and Pennsylvania seems
19 to have lost the most dollars. So, that is a
20 significant part of what you're seeing.

21 The other thing that we're going to
22 talk much more about today is the issue of
23 Medicaid. Medicaid costs continue to increase and
24 always have. This is not a new phenomenon. They
25 go up every year, somewhere between four hundred

1 and five hundred million dollars a year. And we
2 are expected and must make up those funds.

3 There were also costs for the
4 Affordable Care Act, which I'm more than happy to
5 go into, but the bottom line is, when the
6 Affordable Care Act passed, there were seventy
7 mandatory provisions that DPW was required to do,
8 and, yes, the federal government did provide a
9 match to us, but to provide a match of 90 percent
10 on IT, I believe -- am I right, David? Two hundred
11 million dollars?

12 Total funds, two hundred million
13 dollars. We had to pay a 10 percent match on
14 that. Staffing was at 50 percent. So, we're
15 already over that four hundred twenty-eight
16 million, and we could go on and on. I'm going to
17 let Dave fill in some of the blanks, but those are
18 the key areas that have increased the costs for
19 DPW.

20 MR. SPISHOCK: Normally, when we put
21 the budget together, there's really three driving
22 factors for the department. One is the FMAP. Two
23 is any rate changes that occur throughout the year.
24 In the past year, we have budgeted two hundred one
25 million dollars in rate changes across the

1 department as well as eligibility changes. This
2 year, eligibility accounts for 199 million
3 dollars.

4 So just, from the start, the FMAP was,
5 as the secretary said, three hundred twenty-two
6 million dollars. We were about a seven hundred
7 million dollars growth in the program with items
8 that we didn't really have a lot of control over.

9 MAJORITY CHAIRMAN ADOLPH: Little over
10 five hundred fifty million dollars in what the
11 state has to make up in state tax dollars because
12 we lost some federal money; is that correct?

13 SECRETARY MACKERETH: Yes.

14 MAJORITY CHAIRMAN ADOLPH: Various
15 mandates.

16 Thank you.

17 This is a little different from a lot
18 of the budgets that have come before us before
19 because there's a proposal out there that your
20 department has sent to the federal government for
21 approval of waivers or exemptions or however you
22 want to call it. So, we have before us today a
23 proposal that we need to get done by June 30th;
24 however, the federal government has this.

25 And, Madam Secretary, you can be very

1 brief. When was this sent, Healthy Pennsylvania,
2 sent to Washington, D.C.? When do you expect to
3 hear back from them so we'll have a final
4 decision? And how much of this -- of these
5 waivers, in your opinion, will be accepted or
6 rejected by the federal government?

7 SECRETARY MACKERETH: Thank you,
8 Mr. Chairman. And so I am sure there will be more
9 questions about this as we proceed, but I will
10 answer your question specifically.

11 Number one, the waiver was sent last
12 Wednesday. The federal government have a
13 fifteen-day initial period of review. They have a
14 thirty-day public comment period. And then there's
15 another fifteen-day period. We're thinking we'll
16 hear back from them approximately March 6.

17 And so everybody is aware, we have
18 been -- Governor Corbett and I went down to meet
19 with Secretary Sebelius and the group from CMS in
20 April of this past year. And in talking with them
21 then -- actually, it was interesting, because, at
22 that point, their thinking was a little bit
23 differently of what they would allow states to do
24 and what they wouldn't allow states to do. And so,
25 we began to push for some of the reforms that we

1 felt were absolutely necessary.

2 You know, when I was at that meeting,
3 Secretary Sebelius said, "I can't believe that
4 Medicaid makes up 30 percent of your entire general
5 fund budget. We have a problem here." And so,
6 they are working with us.

7 So, for the Healthy PA proposal, we
8 have been in informal conversations, and they have
9 been providing technical assistance since April. I
10 talked to the executive director, I would bet you
11 -- we've become friends. We talk weekly. We can't
12 wait 'til this is done. Or we'll e-mail. My staff
13 has ongoing conversations with staff.

14 The day we sent the proposal down,
15 really, then, begins the negotiation period. We
16 know there's things in there that they don't want,
17 that they're not convinced are the right things.
18 We know that. We sent down what we believe is the
19 right approach for Pennsylvania. And that doesn't
20 mean they're going to throw it out; they're not.

21 We are going to work through what are
22 the pieces that they're comfortable with, what are
23 the pieces that they're willing to negotiate on,
24 and then we'll move forward from there.

25 I have to tell you that Governor

1 Corbett and I share a commitment to ensuring that
2 five hundred thousand Pennsylvanians who are
3 uninsured are covered. That's the bottom line.
4 The federal government, they share that same goal.

5 MAJORITY CHAIRMAN ADOLPH: Okay. Thank
6 you.

7 And my last question, which comes from
8 Pennsylvania residents who -- family members are
9 disabled. And I know we've talked about this
10 briefly, Madam Secretary, in the past. Okay. But
11 what I'm referring to is the Medical Assistance
12 redetermination process. Okay.

13 And I'm sure there's some folks in the
14 room here that are familiar with that process as
15 well. Okay. And it just seems to me, in reviewing
16 these forms, most of the questions, okay, seem
17 unnecessary. There's always a problem in deadlines
18 being met. They seem to get the paperwork to --
19 they get about twenty-four, forty-eight hours to
20 fill it out. There always seems to be a time
21 delay.

22 Some of the questions on the form are:
23 When do you expect to get better? Now, I don't
24 know who's coming up with that question, but it,
25 certainly, at times, to a relative, a care taker,

1 it could be demeaning, you know. Some of these
2 folks with severe disabilities are not going to get
3 better. They're just going to accept their
4 disabilities and live with it. Okay.

5 First of all, is it the state that's
6 sending this out? Or is the state being mandated
7 by the federal government to do this?

8 Some of these folks have been forty,
9 fifty years with these disabilities, and every
10 year, the same time, they get sent these forms.
11 What can we do about it to help these folks?

12 SECRETARY MACKERETH: Mr. Chairman, I
13 have heard that also. And I agree wholeheartedly
14 that if I'm an individual who has a disability and
15 I'm asked year and after year do I still have the
16 same disability, I think I know how I would feel as
17 well. This is a federal requirement that we have
18 this form completed.

19 Another thing that I think is important
20 is, we have millions of people, of individuals, who
21 are served by our CAO offices, our ninety-three CAO
22 offices, every day. And they have a very difficult
23 job. And we need to make sure they have the tools
24 that they need to be able to work smarter, and we
25 are working on upgrading our IT systems, doing more

1 automation, which hopefully will help with some of
2 the other issues that you talked about. But,
3 unfortunately, to have to fill out a
4 redetermination form every year is a process of the
5 federal government.

6 MAJORITY CHAIRMAN ADOLPH: Okay. I
7 have a list of individual cases that I'm going to
8 ask you to see if we can help, because these poor
9 folks are getting all types of answers, and
10 sometimes, being -- after forty years being denied,
11 you know, and then the next day getting a letter
12 saying that they've been accepted. So, it's very
13 complicated. There's a lot of pressure involved,
14 obviously. And I won't take any more of your
15 time.

16 In Delaware County, our staff is -- is
17 extremely helpful, but they are understaffed.
18 Bonnie Gallagher does an absolute fabulous job, but
19 there's not enough Bonnie Gallaghers out there.
20 Okay. And our offices are being overwhelmed with
21 questions from frustrated individuals regarding
22 this. So, whatever you can help us --

23 SECRETARY MACKERETH: Absolutely. And
24 I would like to just say to all the members,
25 please, get me -- if you have situations like this

1 as we're working through the changes to our
2 automation -- I mean, that's part of it. We're
3 upgrading our system. It's going to have more real
4 time data; we'll be able to do a better job, more
5 efficient job. But if there's anybody -- we don't
6 want anybody to go without the service or the
7 benefit they need. Please get it to us, and we'll
8 check it out immediately.

9 MAJORITY CHAIRMAN ADOLPH: Thank you.
10 Chairman Markosek.

11 MINORITY CHAIRMAN MARKOSEK: Thank you,
12 Chairman Adolph.

13 Just a sidebar, for the information of
14 the members, Representative Kevin Schreiber, from
15 York County, is here with us today, a guest.

16 And a former member, Madam Secretary,
17 one your former colleagues, former representative
18 Kathy Mandarino is here with us today as well.

19 Welcome, Secretary, Mr. Spishock.

20 SECRETARY MACKERETH: Thank you.

21 MINORITY CHAIRMAN MARKOSEK: I have
22 just a couple of comments, and partly, really, just
23 to kind of organize my own mind here for a second,
24 so, if you'll bear with me, but I do have a
25 question at the end of that.

1 This year, the governor's budget,
2 overall budget, resorts to several one-time, and we
3 think, unsustainable funding sources, totaling
4 about 1.2 billion dollars to balance the overall
5 general fund budget. However, several of those,
6 which we again feel is unsustainable funding
7 sources, are in your area of the budget.

8 We've counted at least four of them
9 here. One is delaying the payment to managed care
10 organizations; two, shifting expenditures for home-
11 and community-based services from the general fund
12 to the lottery fund; three, redirecting tobacco
13 settlement funds to help fund nursing homes; and,
14 four, banking on the questionable savings from the
15 governor's alternative to Medicaid expansion, which
16 he's called Healthy Pennsylvania. And we've
17 determined that those four come to over seven
18 hundred million in what, again, we feel are
19 unsustainable, one-time funding sources for your
20 department.

21 I'd like to focus a little bit on
22 Healthy PA, the number four there on my list.
23 They're banking on, the administration is banking
24 on a hundred twenty-five million dollars savings
25 from the Healthy PA, which was just recently

1 submitted, as you mentioned, to the federal
2 government, and we think it is unlikely to be
3 approved.

4 Twenty-six other states, I might add,
5 including all of our surrounding states, have opted
6 into Medicaid expansion. Here in Pennsylvania, and
7 we've said this publicly before, the governor is
8 dragging his feet, and about a half a million, as
9 you mentioned those half a million -- of our
10 residents are left out in the cold.

11 We are missing out on federal dollars,
12 more than about seven million dollars per day since
13 January 1st, when this would have gone into effect,
14 had the governor chosen to go that way. We're
15 missing out on real and immediate budget savings
16 from expanding Medicaid, as intended under the
17 federal law. We're missing out on creating about
18 forty thousand family-sustaining jobs in the health
19 care sector alone. And we're also missing out on
20 the economic activity from the infusion of those
21 federal dollars into our economy.

22 And I think it would be in everyone's
23 best interest if Pennsylvania were to opt in to
24 Medicaid expansion now, while the governor pursues
25 his alternative plan, which we think would not even

1 be effective until next year anyway, even if some
2 of it were approved, and we're very skeptical that
3 any of it will be.

4 My question then is, assuming the
5 governor's alternative proposal is not approved,
6 what will happen to your budget?

7 SECRETARY MACKERETH: Okay. Chairman,
8 I think you asked me, like, ten questions in there,
9 so I am really going to try to get through that, if
10 that's okay. If I miss something, please come back
11 around; I would be more than happy to answer it.

12 So, why don't we start -- we'll go
13 ahead and start with the one-time funding. And
14 with the one-time funding -- and I'm going to let
15 the budget director, Dave Spishock, answer some of
16 that -- but what I'd like to tell you, what I'd
17 like to say to you is that we do have some one-time
18 revenue enhancements in there. Okay. But we also
19 have money to make sure that it's paid the
20 following year, and I think that's the important
21 piece.

22 With our Healthy PA initiative, the one
23 twenty-five million is six-months' worth. Next
24 year it's six hundred and sixteen million that will
25 plug those gaps. And so we can -- I'm going to let

1 Dave talk more about that, then I'd like to talk to
2 you more about Healthy PA.

3 MR. SPISHOCK: Yeah. The managed cycle
4 rolls is -- previously we had moved -- we were
5 paying managed care plans on a retrospective basis;
6 we'll pay the June payment in July. A number of
7 years ago, we put a proposal in to then add another
8 month's roll to that where we would pay the May
9 payment in July as well, too.

10 This year, the proposal is -- when we
11 took a look at the increases we had, like I said,
12 we were looking at probably a seven-
13 hundred-million-dollar increase just with the FMAP
14 change in eligibility and rates alone. The thought
15 was, where can we go -- instead of making any type
16 of Draconian cuts to the program, where can we go
17 to generate additional savings. We relied on going
18 back, taking a look at the managed care cycle
19 rolls, to take the April payment that we make, make
20 that payment in July.

21 It's a one-time savings in the current
22 fiscal year. It creates an increase in state funds
23 in the following fiscal year, in '15-'16.

24 However, in looking at the
25 calculations, our calculations, for Healthy PA, we

1 do believe we would be able to save a hundred
2 twenty-five million dollars this year, which will
3 grow to six hundred sixteen million dollars next
4 year, which offsets, then, the increase and
5 expenditures that we would see for the managed care
6 roll.

7 MINORITY CHAIRMAN MARKOSEK: That's
8 assuming it gets approved.

9 MR. SPISHOCK: Yes.

10 MINORITY CHAIRMAN MARKOSEK: Which is a
11 big assumption.

12 Go ahead.

13 SECRETARY MACKERETH: And,
14 Mr. Chairman, I would not say it's a big
15 assumption. I recognize what you're concerned
16 about, and your concerns are very legitimate. We
17 know that the federal government is more than
18 willing to work with us. I mean, I know that. I
19 would not be here telling you that if it wasn't
20 true. They want the same thing that we want. They
21 need to have those individuals insured. So, they
22 will work with us.

23 The parts of the plan that they don't
24 like, they will negotiate; and we will negotiate.

25 So, do I believe they're going to turn

1 around tomorrow and throw the whole thing out? I
2 know that is not the case.

3 So, we will be moving forward under the
4 assumption we're not going to get everything; we
5 know that. But do we want to do the right thing?
6 Absolutely. And so do they. Common goal.

7 The other thing you asked,
8 Mr. Chairman, is about lottery. And I need you to
9 know that the lottery funds -- and I remember when
10 I was in the general assembly, and we were very,
11 very careful that the lottery funds -- that we knew
12 that lottery funds were going to older
13 Pennsylvanians. That remains the case. These
14 funds will go to older Pennsylvanians. And we have
15 to certify that these funds go to older
16 Pennsylvanians.

17 So, it does provide a service to older
18 Pennsylvanians. It does meet what the general
19 assembly intended when they opted to do that. So,
20 I just wanted to tell you that.

21 Now, Healthy PA, okay. Let's -- I'll
22 try to talk with you about this. And I think the
23 most important thing -- and you all, except for,
24 I think, there's one in the room who was able to
25 attend any of the hearings. We had seven public

1 hearings, and we had two webinars to talk about
2 Healthy Pennsylvania. It was all around the
3 commonwealth. And, by law, we were mandated to
4 have two, but we felt that this was such an
5 important issue, and we wanted to hear from
6 everyone, that we were out there. And we received
7 over a thousand comments back, and each of those
8 comments have been answered. And many of the
9 things that we heard were incorporated into changes
10 that we made in Healthy Pennsylvania.

11 And so, I've just got to start by
12 telling you, when the Affordable Care Act was
13 passed -- because there's people on both sides of
14 the issue in this room today, and so, I want to
15 address both as we move forward. When the
16 Affordable Care Act was passed, it doesn't matter
17 if you like it or you don't like it; it's law. And
18 because it's law, there is a portion of it --
19 again, I mentioned the seventy mandatory provisions
20 we had to meet. We've done that. And Pennsylvania
21 did an excellent job to get up to speed with the
22 Affordable Care Act.

23 There was also a part of the law that
24 the higher court reviewed, and the court came back
25 and said, States, we're going to leave this piece

1 to you, and you decide if you want to expand, up to
2 133 percent of the federal poverty, your Medicaid.

3 So, we went to the governor, and we
4 talked to the governor about this. And I think,
5 not in this budget, but in the last budget, you
6 heard what the governor said. And what he said was
7 that Medicaid was not financially sustainable. And
8 I want you to think about why he said that. 2.2
9 million Pennsylvanians are on Medicaid. That is
10 one in six individuals.

11 This year, Medicaid, the cost of
12 Medicaid, will be twenty-three -- it's projected to
13 be twenty-three billion dollars. Think about that
14 in relation to your entire general fund budget,
15 which is, what, twenty-eight -- projected to be, I
16 think, 29.1 billion. One program in
17 Pennsylvania -- and that's federal and state
18 dollars -- is projected to cost almost the same as
19 the entire general fund.

20 Last year, Medicaid was 27 percent of
21 your budget. This year, it is 30 percent of your
22 budget. Our budget, it's 77 percent. So, when
23 people come to us and say, you know, we need this
24 done, and we need that done, and how about this,
25 this is the most significant portion of the DPW

1 budget.

2 Every year, Medicaid increases by about
3 2 percent. This year, with the woodwork -- and the
4 woodwork, I don't like that term, but it's the term
5 that's used -- and those are people who today are
6 eligible for Medical Assistance but, for whatever
7 reason, have chosen not to come into the program.
8 With those individuals, it's going to be at 3.3
9 percent. And that is an increase in your budget
10 every year of four hundred to six hundred million
11 dollars. Medicaid is not financially sustainable.

12 When we took that back to the governor,
13 he said, What are we going to do? What can we do?
14 Because the goal is that there are five hundred
15 thousand people out there, or more, that do not
16 have access to health insurance.

17 And there is one other tweak I've got
18 to tell you about, one other issue that helped --
19 or two other, really. So, when the Affordable Care
20 Act passed, it also said, by 2016, we're not going
21 to give this extra money to hospitals for their
22 uncompensated care. So, for people in this room
23 who say we should have done nothing, the
24 uncompensated care after 2016 begins to decline
25 dramatically to hospitals.

1 Number two, I think, was an unintended
2 consequence of the court decision, but individuals
3 between zero and a hundred percent of poverty, even
4 though they can go onto the federal exchange, they
5 cannot get tax credits. So, the reality are that
6 anybody between zero and a 100 percent of poverty,
7 who are our poorest, get nothing. They can't
8 qualify. They can't afford anything. Zero to 133,
9 they could go onto the exchange, and they can get
10 tax credits.

11 We had to address this, Mr. Chairman.
12 And the way to do it, we felt, was through a
13 private coverage option. It makes sense. It makes
14 sense not to grow the entitlement of Medicaid to
15 the point where we can't -- we can't handle it
16 today financially.

17 MINORITY CHAIRMAN MARKOSEK: Madam
18 Secretary, if I may just get --

19 SECRETARY MACKERETH: Got a lot more to
20 say if you'd like, but go ahead.

21 MINORITY CHAIRMAN MARKOSEK: Just a
22 couple things. First of all, relative to the
23 lottery, I mean the money that you're talking
24 about, yeah, it's senior citizens, but it takes
25 money away from other programs, and there is a

1 limit to what's in that fund.

2 The other thing is, we could have --
3 the governor could have selected Medicaid
4 expansion, even though he had another plan, he
5 could have -- we could already be in the Medicaid
6 expansion and talking about doing some other
7 Healthy PA type plans as well.

8 And then the other thing that I'll just
9 ask, I know you're negotiating with the federal
10 government the governor's Healthy PA idea of a work
11 search that has to go on. Is that something you're
12 negotiating? And the monthly premiums that would
13 be part of healthy PA, is that something that
14 you're negotiating now?

15 When you say you're negotiating, are
16 those things that, you know -- we don't, again,
17 think that much of that's going to get approved,
18 but I'm not the last arbiter on that, and I know
19 you're negotiating, but are those some of things
20 that you're negotiating as well?

21 SECRETARY MACKERETH: Sure. First, I'd
22 like to say, I know and I can tell you, you know,
23 I've met with the governor many times regarding
24 Healthy Pennsylvania, around Medicaid, what it
25 looks like, and we have talked through all possible

1 options.

2 We could not have expanded Medicaid.
3 We could not have done it. We don't have the
4 staff. You heard about just Delaware County and
5 the concerns there. You heard about other forms
6 that may not be as, you know, we might not be
7 processing as quickly as we need to.

8 Nobody took into account when they talk
9 about -- and, Mr. Chairman, you mentioned it. The
10 money that we could have been bringing in to PA,
11 that money is to pay for services. They're not
12 going to write us a check for six hundred million
13 dollars and send it to us. That's not what
14 happens. We pay for the service, and then they
15 reimburse us for that individual who gets health
16 care.

17 And so, they will do that, the same
18 thing, under Healthy PA. We will assume the same
19 savings. We will assume the same economic
20 development. But the realities were -- and believe
21 me, we have -- my staff here are tremendous, and we
22 have looked at is there any way, because we don't
23 want people to go without insurance. It costs more
24 if that happens. It's not about flicking a
25 switch. I wish it was.

1 MINORITY CHAIRMAN MARKOSEK: Yeah. Let
2 me just end --

3 SECRETARY MACKERETH: Can I answer the
4 work search and premium, or would you rather me
5 wait and somebody else --

6 MINORITY CHAIRMAN MARKOSEK: Go ahead,
7 please.

8 SECRETARY MACKERETH: I could do this
9 for days, if you want.

10 MINORITY CHAIRMAN MARKOSEK: You're not
11 alone there.

12 SECRETARY MACKERETH: My representative
13 is shaking his head at me, saying "No."

14 Okay. So, what we're doing is we're
15 encouraging people to get employment. And where we
16 are with the federal government, we are saying, why
17 not? Why not see and provide tools for
18 individuals, so that if they choose -- remember who
19 this population is, too. Healthy, able-bodied
20 individuals who, most likely, are working one job.
21 So, our encouraging employment really is about
22 people who are working twenty hours or less. Who
23 doesn't have to do it? Seniors, individuals with
24 disabilities, children. It leaves a very, very
25 small margin of people who could be working who

1 should.

2 And if you go on to the CMS website,
3 you're going to see in every area there where they
4 talk about how work is a -- such an important part
5 of healthy behavior and how work leads to better
6 health outcomes, physical health, emotional
7 health.

8 You've got to remember that, as your --
9 when you're a kid growing up, as you're a child
10 growing up, you're expected to go to school. As
11 you're an adult, you're expected to work when you
12 can.

13 MINORITY CHAIRMAN MARKOSEK: Madam
14 Secretary --

15 SECRETARY MACKERETH: Our plan gives
16 plenty of room there for changes.

17 MINORITY CHAIRMAN MARKOSEK: I'll just
18 sum up my time here because --

19 SECRETARY MACKERETH: Sure.

20 MINORITY CHAIRMAN MARKOSEK: And I
21 appreciate your answers. We respectfully disagree
22 about Medicaid expansion, and we'll continue to.

23 SECRETARY MACKERETH: That's okay.

24 MINORITY CHAIRMAN MARKOSEK: So,
25 there's plenty of other members here that have a

1 lot of other questions. I'm sure that we'll talk
2 about it.

3 SECRETARY MACKERETH: Thank you,
4 Mr. Chairman.

5 MINORITY CHAIRMAN MARKOSEK: Thank you,
6 Mr. Chairman. I know I took a little extra time.

7 MAJORITY CHAIRMAN ADOLPH: Thank you.
8 There's some seats up front here, if
9 those that are standing want to sit down. And I've
10 requested some more chairs to come into the room.

11 The next question will be by the
12 Republican chair of the Health Committee,
13 Representative Matt Baker.

14 REPRESENTATIVE BAKER: Thank you very
15 much, Mr. Chairman. I really appreciate your
16 inviting me to participate. Our committee has
17 oversight over the Medicaid program, so this is of
18 great concern and import to our committee.

19 Good to see you, Madam Secretary.

20 SECRETARY MACKERETH: Good to see you,
21 too.

22 REPRESENTATIVE BAKER: You by far, not
23 to diminish any other secretary's positions, but,
24 in my opinion, you have a toughest job --

25 SECRETARY MACKERETH: Thank you. I

1 do.

2 REPRESENTATIVE BAKER: -- here in the
3 state government. And you're --

4 SECRETARY MACKERETH: I do. Trust me.

5 REPRESENTATIVE BAKER: Your budget
6 proves it. I mean, you prefaced your remarks by
7 saying, twenty-eight and a half billion dollars,
8 fiscal year '13-'14. Next year, it could go over
9 thirty billion. And that's when you combine the
10 federal, state, and augmentation funds. Pretty
11 significant.

12 With respect to the budget -- and I
13 didn't see anything in the materials -- there could
14 be a potential funding gap, I think, created. It's
15 still an ongoing problem, as I understand it, by
16 the federal government, in a letter I remember
17 reading some time ago concerning the gross receipts
18 tax.

19 SECRETARY MACKERETH: Yes.

20 REPRESENTATIVE BAKER: Has that --
21 could be a couple hundred million dollars or more
22 of great import in terms of a funding gap. Has
23 that been resolved? Is it getting closer to being
24 resolved? Or is that still an ongoing concern and
25 problem?

1 SECRETARY MACKERETH: Chairman Baker,
2 what you reference is the gross receipts tax where
3 we received a letter from the federal AG's office.
4 It was a draft report that was sent to us for
5 comment. We have made a very strong case where we
6 believe that our GRT should be acceptable, but it
7 still remains out there, and we wanted to make sure
8 that the general assembly was alert to that. And
9 that would be in state funds, what, about four
10 hundred million dollars loss.

11 REPRESENTATIVE BAKER: And do you
12 anticipate any timing as to the resolution of
13 that? Or is this going to be an ongoing concern?

14 SECRETARY MACKERETH: It may be
15 ongoing, Mr. Chairman. We just don't know.

16 REPRESENTATIVE BAKER: Okay. Regarding
17 the -- some of the costs, as I understand it,
18 the -- and a lot of people are under the
19 misunderstanding as to what the costs are regarding
20 MA, and the majority of it is elderly, the
21 disabled, nursing home care, hospital funding.
22 It's about 41 percent of total MA population, but
23 they account for about 78 percent of the MA cost.

24 SECRETARY MACKERETH: Correct.

25 REPRESENTATIVE BAKER: And if your

1 proposal before the federal government and CMS is
2 awarded and approved, another, conservatively, half
3 a million people, many of whom will be able-bodied,
4 healthy individuals, will now be eligible. And
5 instead of one in six, we could be looking at one
6 in four people in Pennsylvania.

7 SECRETARY MACKERETH: Well, first off,
8 Mr. Chairman, you're absolutely correct that most
9 of the Medicaid dollars go to seniors and
10 individuals with disabilities. And it is a very
11 significant portion. That is why, in the coming
12 year, our focus will be on long-term care, supports
13 and services, and how do we account for our growing
14 population of seniors.

15 I believe the latest I saw is by, like
16 by -- what is it -- 2020, one in four
17 Pennsylvanians will be seniors. It's huge. So,
18 we've got some significant challenges ahead of us,
19 and we have to address them.

20 As you're talking about the five
21 hundred thousand newly eligible people, they will
22 not come into our traditional Medicaid. In fact,
23 we will take populations out of Medicaid, our all
24 state-funded GA population and our MA population,
25 who will go into the private coverage option. The

1 insurance in the private coverage option is just --
2 it's commercial insurance.

3 Right now, the Affordable Care Act gave
4 us a national standard for insurance benefits.
5 It's called the Essential Health Benefit package.
6 And so, it has to meet certain criteria to even be
7 used. That's why I think all of you have seen that
8 there were people whose insurance was stopped, that
9 was because the insurance they had did not meet
10 that essential benefit package.

11 So, the insurance that the newly
12 eligible individuals will get will be private
13 insurance. They will be in a different -- a whole
14 different bucket. And if the federal dollars,
15 which a hundred percent, then it slowly, gradually
16 goes down in 2020 to 90 percent, and supposed to
17 stay at 90 percent forever -- and yes, we do have
18 concerns whether or not the federal government will
19 be able or will meet that obligation. So, if the
20 dollars are not there, that is a unique program
21 that will not be there.

22 REPRESENTATIVE BAKER: Thank you for
23 that clarification. So, the half a million or more
24 will be --

25 SECRETARY MACKERETH: Private coverage

1 only.

2 REPRESENTATIVE BAKER: Private coverage
3 only. Paid with federal dollars?

4 SECRETARY MACKERETH: Correct. Paid
5 with federal dollars. And the changes to the
6 program that -- the changes to our traditional
7 Medicaid, traditional Medicaid will remain for your
8 most vulnerable people, which I believe it was
9 intended to do, and the dollars from the changes we
10 make go to make up our 10 percent, moving forward
11 with the newly eligible.

12 REPRESENTATIVE BAKER: Terrific.
13 Okay.

14 And I do support the expansion of the
15 human services block grant to all counties. As you
16 know, we fought that battle. We're up to thirty
17 counties now and running. We hope to expand that.
18 And I do support your proposal to do that.

19 SECRETARY MACKERETH: Thank you.

20 REPRESENTATIVE BAKER: The last issue,
21 as I understand it -- and I've had several
22 conversations about this, since the ACA has passed,
23 the federal Affordable Care Act, it's my
24 understanding that two hundred fifty thousand
25 people in Pennsylvania have lost their insurance.

1 And of that, about eighty thousand have gone online
2 to apply, under ACA, to recover and try to be
3 eligible for insurance.

4 And of that eighty thousand, many of
5 whom have not paid their premium yet, this is an
6 ongoing concern and problem, that people in my
7 offices are coming to me, very, very concerned and
8 upset. The ACA is not doing the job that it was
9 intended to do, and we've got a continual problem
10 in people losing their insurance. And I'm
11 concerned that that is going to lead to additional
12 cost to the commonwealth to pick up. Are you
13 concerned about that?

14 SECRETARY MACKERETH: I'm not concerned
15 that there would be additional costs because I
16 don't -- I can't see -- that's not the population
17 that we deal with. What I would tell you is, yes,
18 the Affordable Care Act and the exchange, the
19 federal exchange, has been fraught with problems.
20 And Pennsylvania, we got -- our piece of the
21 exchange, we were ready to go before the first of
22 the year to accept some of those transfers.

23 And, again, we're talking about a
24 different population here, because the population
25 you're talking about are people that lost their

1 insurance because it didn't meet Essential Health
2 Benefit package.

3 So, there are significant problems.
4 And as we walked down the path, looking at our
5 private coverage option, we're keeping all options
6 open to us, because if this exchange does not work,
7 we may have to look at how else do we get private
8 commercial insurance. That's how we're moving
9 forward.

10 REPRESENTATIVE BAKER: Thank you very
11 much. You're doing a terrific job.

12 SECRETARY MACKERETH: Thank you.

13 REPRESENTATIVE BAKER: Keep up the good
14 fight.

15 SECRETARY MACKERETH: Thank you.

16 MAJORITY CHAIRMAN ADOLPH: Thank you,
17 Chairman.

18 I'd like to announce the presence of
19 representatives Regan, Mentzer, and Clymer, who
20 have joined us.

21 And the next question will be asked by
22 Representative Jake Wheatley.

23 REPRESENTATIVE WHEATLEY: Thank you,
24 Mr. Chairman.

25 And good afternoon, Madam Secretary.

1 SECRETARY MACKERETH: Hi. How are
2 you?

3 REPRESENTATIVE WHEATLEY: I'm doing
4 well.

5 SECRETARY MACKERETH: Good.

6 REPRESENTATIVE WHEATLEY: I want to try
7 to get as many questions I can asked to you.

8 SECRETARY MACKERETH: Oh, boy.

9 REPRESENTATIVE WHEATLEY: And I would
10 hope that you would, as best you can, be as direct
11 but as concise as you can because I want don't want
12 the chairman to cut me off.

13 SECRETARY MACKERETH: But if you ask a
14 bunch of them, that's going to be hard.

15 REPRESENTATIVE WHEATLEY: I'm going to
16 do them as best I can, and try to get it.

17 SECRETARY MACKERETH: Go for it.

18 REPRESENTATIVE WHEATLEY: I wanted to
19 go back for a minute. My original intention wasn't
20 to go this way, but since we're having this
21 conversation, back in 2010, when the Affordable
22 Care Act was implemented, there have been some
23 savings that the state has been receiving from
24 that; correct? I mean, we've gotten some moneys
25 and benefits from that --

1 MR. SPISHOCK: Pharmacy rebates that we
2 were getting as part of the managed care plan.

3 REPRESENTATIVE WHEATLEY: So, since
4 2010 to today, can you give me the number what
5 we've gotten back from the passage of that, even
6 though we are still going back and forth with the
7 federal government?

8 MR. SPISHOCK: We do not have that
9 readily available. We can get a chart to you.

10 REPRESENTATIVE WHEATLEY: I have,
11 looking here -- and maybe your number's different
12 than mine -- but we receive three hundred thirty-
13 nine million in the -- estimated for 2014-2015 DPW
14 budget, three hundred twenty-six million estimated
15 for the current year, and four hundred thirteen
16 million that we have already saved from April 2010
17 to June 2013. So, that --

18 MR. SPISHOCK: Seems kind of high, but
19 I don't think our managed care rebates are that
20 high, but we can take a look at that.

21 REPRESENTATIVE WHEATLEY: Yeah. I
22 would like to know if that is the case, because,
23 you know, we're benefiting at some point, we're
24 getting something back from the federal government;
25 right?

1 MR. SPISHOCK: Yes.

2 REPRESENTATIVE WHEATLEY: From the ACA.

3 MR. SPISHOCK: ADA, yes.

4 REPRESENTATIVE WHEATLEY: So, it's not
5 all bad; right? It's not a cloudy day all around;
6 there are some benefits from it.

7 MR. SPISHOCK: Yes.

8 REPRESENTATIVE WHEATLEY: Now, going
9 back to choices people make. I'm looking at a map
10 of all of our surrounding neighbors who have
11 expanded Medicaid, and their citizens are
12 benefiting from that expansion in some form or
13 fashion. We're the only state to our abutting
14 states -- I know there are two in our region that
15 maybe haven't -- but we are the only one abutting
16 our neighbors that haven't expanded.

17 So, tell me, from January of 2014, this
18 year, how much could we have saved if we had
19 expanded? Like right now, how much could we have
20 gotten back from those populations of people I
21 heard the secretary talk about that was MA-eligible
22 that we'll now be consuming? It is my
23 understanding that had we expanded Medicaid 2014
24 like everyone else and still went through our
25 process of negotiating, that we could have had a

1 hundred percent reimbursement for them right now.

2 MR. SPISHOCK: Just a couple of
3 points. When the secretary had mentioned before
4 that we currently have -- we currently have over
5 seventy thousand people in Pennsylvania who are
6 eligible for our current medical systems coverage
7 at the income levels where we're at who are not in
8 the system. They choose not to come into the
9 system.

10 We also -- we just recently received
11 sixty-eight thousand people who went through the
12 federal marketplace, thinking they were buying
13 private coverage who are being transferred to us
14 because they were deemed eligible for Medical
15 Assistance by the federal government.

16 The other piece, when we take a look at
17 it, we have -- I think there's two bills out there
18 to change the name of the Department of Public
19 Welfare because of the stigma of welfare. We can't
20 address the people. We can't get the people into
21 the system now who are eligible for services right
22 now. We want to do everything we can to get people
23 in who are eligible for services.

24 So, when we talk about doing Medicaid
25 expansion and saying that when we flip a switch on

1 on January 2014, we're going to get five hundred
2 thousand people into the system, I just don't see
3 that happening.

4 REPRESENTATIVE WHEATLEY: I don't want
5 to cut you off, but I want to get to the heart of
6 this, because it does say something about
7 Pennsylvania versus New Jersey, New York, Ohio, and
8 West Virginia, that our -- that we -- they can flip
9 a switch and somehow, from 2010 to 2014, be
10 prepared to receive and work with their expansion
11 and we can't. That says something about us.

12 SECRETARY MACKERETH: Well, and it
13 does. And it does. And I think you're right about
14 that.

15 Well, first off, I just would like to
16 say, and this is one of the things that I've
17 learned over the last year, is that if you've seen
18 one Medicaid, one state Medicaid system, you've
19 seen just that, one Medicaid state system, because
20 we all look different. When we were down talking
21 to the secretary, she was shocked that our system
22 was 30 percent of the entire general fund budget.
23 So, we have a system that, through the years, grew
24 and grew and grew.

25 You heard about robust benefits. We

1 had fourteen or more benefit packages. We didn't
2 look like them. Some of them were more prepared
3 than we were. And it's been years and years -- and
4 I'm not going to put the blame on any one
5 administration; it's been for a long time. So, our
6 Medicaid structure just continued to grow.

7 We can't continue to spend between four
8 and six hundred million dollars a year more on our
9 existing Medicaid. That may not have been the
10 case. Some of them don't even have near the people
11 we have.

12 REPRESENTATIVE WHEATLEY: Let me just
13 say this, and I'm going to finish my line --
14 because I know there's plenty of other conversation
15 we're going to have on this -- but it is critical
16 that I understand this. I mean, I grant you what
17 you just said.

18 What I don't understand is a decision
19 that is made from our governor and that you are
20 carrying out that while hundreds and thousands of
21 Pennsylvanians are going without health coverage,
22 we are going to continue to procrastinate and
23 negotiate while other states are benefiting from
24 the federal taxes that we pay and send to the
25 federal government. And so, all of the

1 conversation we've had -- and, by the way, some of
2 these things that I've mentioned around the
3 savings, you plugged into your budget projecting
4 forward. So, it's not like you don't recognize the
5 benefits that are happening because of this law,
6 but, you are unwilling -- when I say "you," I'm not
7 meaning you -- the administration is unwilling to
8 immediately allow for some relief to Pennsylvanians
9 who need coverage.

10 Now, we can negotiate. So, any time --
11 my understanding of this law, any time we could
12 change our plan and move from the expanded one that
13 we have to a more suitable one like Healthy PA, we
14 could have done that, you know, at any time. Why
15 are we procrastinating that we wait a whole year,
16 maybe more, and not have people covered? That's --
17 my only point that I'm making is I think that's a
18 choice that the administration has made, a
19 political choice, that has endangered
20 Pennsylvanians.

21 So, thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN ADOLPH: Thank you.
23 Chairman DiGirolamo.

24 REPRESENTATIVE DIGIROLAMO: Thank you,
25 Mr. Chairman.

1 Madam Secretary, welcome.

2 SECRETARY MACKERETH: Thank you.

3 REPRESENTATIVE DIGIROLAMO: We might at
4 times disagree on issues.

5 SECRETARY MACKERETH: That's okay.

6 REPRESENTATIVE DIGIROLAMO: My favorite
7 saying is, Democracy at Work, but I will never,
8 ever doubt your sincerity, your honesty, your
9 openness --

10 SECRETARY MACKERETH: Thank you.

11 REPRESENTATIVE DIGIROLAMO: -- to work
12 with us and your dedication and hard work, not only
13 for you but the rest of your staff.

14 SECRETARY MACKERETH: Thank you.

15 REPRESENTATIVE DIGIROLAMO: And I very
16 much enjoyed working with them. Because we're
17 going to disagree on a couple of things.

18 SECRETARY MACKERETH: Great way to
19 preface it.

20 REPRESENTATIVE DIGIROLAMO: I was not
21 going to talk about Medicaid or Medicaid expansion,
22 but I can't help myself. On the present Medicaid
23 program, and, you know, a lot of the discussion is
24 about the cost of what Medicaid is, but when you
25 look at the population of the present Medicaid

1 program, almost a million are children, five
2 hundred fifty thousand or so are disabled, two
3 hundred twenty thousand are people who are aged in
4 long-term care, and has been mentioned, there's
5 where the savings, I think, potentially is for a
6 lot of the savings. Almost a hundred thousand are
7 chronically ill adults, and I think the rest of the
8 population I would call moms trying to take care of
9 their babies.

10 And, you know, I know we need to focus
11 on the cost, but I think it's important for all of
12 us to remember that Medicaid is absolutely life
13 saving and critically important for all that
14 population, and we have to remember that, and -- I
15 didn't want to get into that, but I just thought it
16 important to bring that up.

17 And what I'd like to focus on is the
18 human service block grant.

19 SECRETARY MACKERETH: Sure.

20 REPRESENTATIVE DIGIROLAMO: And I have
21 a copy of the report that you put out recently --

22 SECRETARY MACKERETH: Um-hum.

23 REPRESENTATIVE DIGIROLAMO: -- on Act
24 80 of the human service block grants? I don't know
25 if you have a copy.

1 SECRETARY MACKERETH: I don't have it
2 with me.

3 REPRESENTATIVE DIGIROLAMO: And it's a
4 very nice report. And as I look through the pages,
5 the one question that I have is, you have all the
6 statistics and how it's doing, and my one question
7 is, compared to what? We have nothing to compare
8 what you have in this report to from the prior
9 year.

10 And as we have the discussion about
11 maybe some of the providers are coming around and
12 starting to change their mind on the block grant,
13 I'm going to refer to a letter just a couple weeks
14 ago that was sent to Chairman Adolph, and I believe
15 all the other members, Democrat and Republican, got
16 it. And the letter's from the Behavioral Health,
17 Intellectual Disability, and Autism Coalition of
18 Pennsylvania.

19 And letter, the first paragraph says:
20 We are contacting you because we have serious
21 concerns about the implementation and evaluation of
22 the pilot block grant program.

23 And that's mental health, that's
24 intellectual disabilities, and as I talk to the
25 people who provide drug and alcohol services around

1 the state of Pennsylvania, they have similar and
2 identical concerns.

3 I would love to get you a copy of this
4 letter -- I'm going to get you a copy -- because
5 they ask, I believe, nine questions that I -- the
6 questions and concerns that I have. And just a
7 couple of them, when you look at this report, the
8 annual report should include data on services
9 delivered prior to the implementation of the block
10 grant. I mean, how do we evaluate how this block
11 grant is working when we don't have any information
12 on the prior year?

13 DPW's annual report should include data
14 on specific services delivered. The impact on the
15 services and people in the program giving up funds
16 should be reported by DPW. I mean, this report is
17 glowing. And, you know, you've got stuff in here
18 and they added and they did this and they did that,
19 but if you add onto a program, and you expand a
20 program, you've got to use additional dollars from
21 somewhere. Where are those additional dollars
22 coming this from? I mean, you cannot tell with
23 that report.

24 Number of individuals served, and we
25 talked about that a little bit. I mean, you've got

1 a really nice chart of all the twenty initial
2 counties that were in the block grant program,
3 number of members served. I mean, where's the
4 prior data? Is that more or less that were served
5 prior to the block grant?

6 I mean, I come from a business
7 background, and, you know, you start a new program,
8 if you do something different, you've got to be
9 able to evaluate what was before and if it's
10 working or if it's not working.

11 I mean, the administration money, I
12 mean, I've got a really serious concern, and that
13 was one of the questions, how much additional money
14 is going into administration? And if I go -- and
15 I'll just take one county in particular, I'll just
16 go to Allegheny County -- and the chart that you
17 have for the county, and it says, the
18 administrative costs are included in each of the
19 categorical allocations, however, are reported in
20 the human service development fund category.

21 I mean, we can't break out the administrative money
22 and see how it's being used. I mean, are counties,
23 I don't know, hiring more people? Are they taking
24 money away from critical services to hire people?
25 I mean, is that part? We can't tell.

1 I mean, there are a lot of questions
2 that I -- and been no secret, I don't like block
3 granting of human services. I just don't think you
4 should be forced to pit these people to fight
5 amongst each other for these critical services.
6 And might I remind everybody that the money was cut
7 10 percent three years ago, so they're doing this
8 block grant with 10 percent less money, which was
9 about eighty-seven or eighty-eight million
10 dollars. That -- I want to give you a copy of the
11 letter. I'm going to give you an opportunity to
12 respond, but --

13 SECRETARY MACKERETH: Good.

14 REPRESENTATIVE DIGIROLAMO: This letter
15 is really good. I mean, it really asks the eight
16 or nine questions that I think we need answered.
17 We have to evaluate how this is working.

18 Let me ask the first question, is it --
19 the administration, are you going to expand the
20 block grant in this year's budget? I mean, I think
21 you have thirty counties in it now. Do you
22 anticipate language in one of the bills to expand
23 the block grant further than the thirty counties?

24 SECRETARY MACKERETH: Representative,
25 first, you're right. We -- we've got to keep

1 working on this one, as you know, because my
2 perspective on it is really from the perspective of
3 having been back in the county for three years when
4 I left the general assembly, and then, as the
5 deputy secretary for the Office of Children, Youth,
6 and Families, I got to travel all over the
7 commonwealth and meet with various counties. I saw
8 a lot of the same issues and concerns I had when I
9 was back in York in these counties -- I hate to
10 call out York, but I saw the same thing.

11 Let me first say that the block grant
12 is not a program, and maybe that's the first area
13 that might be helpful if it's understood. It's a
14 funding mechanism. And a funding mechanism means
15 that this is just a way to get the dollars to the
16 county without them having to put it in different
17 silos. And there are -- I agree with you. There
18 are some counties that are going to do a really
19 good job, Mr. Chairman, and there are other
20 counties that may not.

21 When I was a human services director in
22 York, I called Estelle Richman, who was one of my
23 predecessors, and said, Could you please allow me
24 to use the funds I'm not using here, here?

25 And just to give you an example, let's

1 talk about child welfare case, something I know
2 very well. In a child welfare case, most of our
3 children in Pennsylvania are being placed because
4 of parents' drug and alcohol. The second highest
5 reason why children end up in placement is because
6 of mental health. Why wouldn't we address that
7 from a wholistic perspective?

8 Why -- you know, I remember a day in
9 York County where our mental health filed -- no
10 children and youth sued mental health -- talk about
11 costs -- sued mental health to pay for a child who
12 was neglected and had mental health issues. It
13 doesn't make sense.

14 If I have extra money in one category
15 and it can meet the needs, my issue was, really,
16 why not? So, I know; we have to talk more about
17 this.

18 As far as administratively, every
19 county has a cost allocation report. Every county
20 should have that pulled out. And we really need to
21 look at county allocation for human services,
22 because, to be honest with you, we send a
23 tremendous amount of money to counties for human
24 services, and not all of it is spent as efficiently
25 as it needs to. And we do pay for things all the

1 way from human services all the way up to county
2 commissioners' offices. So, there's a lot more to
3 this issue that I think is something that the
4 general assembly and our office can address.

5 You asked about why we don't have
6 data. We don't have all the data we need because
7 nobody really took into account -- and it's not
8 about people served; it's about quality, it's about
9 what did we do, outcomes. If we're just counting
10 people, that's not going to get us to anything that
11 is meaningful.

12 And as far as the 10 percent, I'll tell
13 you what, Representative, if there are concerns out
14 there, I haven't heard them. When I've traveled to
15 counties, I've said, Has this been a problem for
16 you? I'm not hearing it has.

17 REPRESENTATIVE DIGIROLAMO: As far as
18 expanding, the question about do you --

19 SECRETARY MACKERETH: We would love to
20 open it up to any county who is willing to get in,
21 who is able to come in, and who is prepared to do
22 so. Yes.

23 REPRESENTATIVE DIGIROLAMO: Do you
24 anticipate doing that in some language in one of
25 the budget bills to open it up?

1 SECRETARY MACKERETH: I figure your
2 best friends could do that, so --

3 REPRESENTATIVE DIGIROLAMO: The one
4 point that you just made to me is a reasonable
5 point about lapse money going over and counties
6 being forced, but that, to me, is a simple change,
7 administratively, and allowing the counties to use
8 the money in the following fiscal year. I actually
9 have a house bill, House Bill 806, and we moved it
10 out of committee, and, you know, it's been sitting
11 for a while, that would actually allow the counties
12 to do that.

13 And I'm going to close with this, Madam
14 Secretary. I'm going to get you a copy of the
15 letter. Have you seen this letter?

16 SECRETARY MACKERETH: I have not. And,
17 you know, that would be very helpful, if, when
18 things come in that you think we would benefit from
19 seeing, if you send it over to us, or if the
20 providers that have concerns contact us, we can
21 talk with them. We can intervene -- we won't
22 intervene, but we would sit down with counties and
23 help negotiate, work with them. That's part of our
24 responsibility.

25 REPRESENTATIVE DIGIROLAMO: We need to

1 have a comparison on how this is working. I don't
2 know how you can evaluate something unless you can
3 compare to the prior year. I mean, I just don't
4 know how you can just say it's working if there's
5 no information to compare it to to how it was
6 working before.

7 There's nine questions here. I mean,
8 I'd --

9 MAJORITY CHAIRMAN ADOLPH:

10 Mr. Chairman, we are not going to get into those
11 nine questions right now.

12 REPRESENTATIVE DIGIROLAMO: Oh, no, not
13 right now. But I'm going -- I'd ask the secretary
14 to give us answers if I give you the letter --

15 SECRETARY MACKERETH: Absolutely.

16 MAJORITY CHAIRMAN ADOLPH: That
17 would --

18 REPRESENTATIVE DIGIROLAMO: Thank you,
19 Mr. Chairman.

20 MAJORITY CHAIRMAN ADOLPH: Thank you,
21 very much.

22 For the information of the members and
23 for the folks here, we have about fifteen members
24 now that have some questions. I know this is an
25 important topic. I am going to try to ask you,

1 please, keep your questions short and your answers
2 as short as possible.

3 SECRETARY MACKERETH: You got it.

4 MAJORITY CHAIRMAN ADOLPH: And I'm
5 going to ask the members, if your question has
6 already been asked, don't rephrase it. Thank you.

7 Representative Kula.

8 REPRESENTATIVE KULA: Thank you,
9 Mr. Chairman.

10 Good afternoon.

11 SECRETARY MACKERETH: Good afternoon.

12 REPRESENTATIVE KULA: And I can tell
13 you, I will win Chairman Adolph's roadie award
14 today. So, I know everyone is going to be on the
15 subject that we've been on thus far, but there is
16 one little question I want to sneak in before it
17 gets any further along.

18 I saw in the budget that there is
19 dedicated funding to remove two thousand eight
20 hundred ninety-five children from the child care
21 subsidy waiting list. And my question is, does --
22 I mean, the way that stands, will it eliminate the
23 waiting list, or are you foreseeing there is still
24 going to be an enormous number on that waiting
25 list?

1 SECRETARY MACKERETH: Representative,
2 first, thank you for the question. And, actually,
3 the way the waiting list works is there will always
4 be people coming on to the waiting list, however,
5 that should eliminate the existing list, but people
6 will continue -- children will continue to come
7 on. But we're in very good shape with our child
8 care waiting list.

9 REPRESENTATIVE KULA: That's good to
10 hear. This allows people -- you know, parents to
11 work and --

12 SECRETARY MACKERETH: It does.

13 REPRESENTATIVE KULA: -- be assured
14 that their children are cared for.

15 Thank you very much.

16 SECRETARY MACKERETH: Thank you.

17 REPRESENTATIVE KULA: Thank you,
18 Mr. Chairman. I told you.

19 MAJORITY CHAIRMAN ADOLPH: Thank both
20 of you.

21 Representative Scott Petri.

22 REPRESENTATIVE PETRI: Well, thank you,
23 Mr. Chairman. I probably won't win an award, but I
24 won't go over the time limit. I promise.

25 I want to hit three brief areas, but

1 before I do so, I would really be remiss if I did
2 not thank you and Representative Watson for the
3 significant work that was done on child abuse.
4 There are many, many others to thank, but -- and we
5 can't name them all, one sitting next to you, Cathy
6 Utz. Absolutely. But it's probably, quite
7 frankly, the most important work we've done --

8 SECRETARY MACKERETH: I agree.

9 REPRESENTATIVE PETRI: -- in quite a
10 long time, and I know you share that thought.

11 First area, on Representative Kula's
12 question, I'd like you to think about whether it's
13 time to eliminate the third-party providers and put
14 the function back where it was before, processing
15 these forms and the like through CCIS, put it into
16 the county, particularly if we're going to fund the
17 counties with more workers, this is something I
18 believe -- and I might be naive -- that they would
19 be able to handle. It would be much more
20 seamless. It would eliminate some duplication.

21 And I don't know if you want to respond
22 to that, but it's something we ought to look at.

23 SECRETARY MACKERETH: Sure. And,
24 Representative, thank you so much.

25 You know, we already have begun that

1 process of condensing the number that we have.
2 We've gone from fifty-nine to forty-one and
3 reinvested the dollars back into the system. And I
4 think we're always open to continue to look.

5 REPRESENTATIVE PETRI: Thank you.

6 Second area I wanted to cover was on
7 the ACCESS program. And I know you're highly aware
8 and everybody's aware of what's going on, but I
9 want to encourage all the three departments --
10 Insurance, DPW, and Department of Education -- this
11 ACCESS funding for our schools is really becoming a
12 problem in a cash-flow sense.

13 And there are two areas that I think
14 really need to be addressed. One is, the provider
15 reports. I'm being told by school districts they
16 cannot match the student, the claim, with the
17 check, still. And so, I think the provider reports
18 have to get better so that they can understand what
19 has been paid, what hasn't been paid. These are
20 federal dollars. I know we all want to draw them
21 down.

22 And then we're going to have to deal at
23 some point in time with this insurance denial. I
24 can envision a circumstance where there's going to
25 be some insurance company that won't write a letter

1 that says we don't provide coverage for these
2 in-school programs, and the question's going to be,
3 What do we do? Do we leave the claim open and we
4 don't compensate?

5 It's my understanding that there is no
6 insurance company in Pennsylvania, or probably in
7 the country, that pays for services for
8 special-needs students in the classroom. Now, I
9 might be wrong about that, but that's my
10 understanding. So, this whole idea that the
11 federal government is requiring you to jump all
12 these hoops, in my opinion, is government at its
13 most nonsensical, but --

14 SECRETARY MACKERETH: Can I, just very
15 quickly --

16 REPRESENTATIVE PETRI: Sure.

17 SECRETARY MACKERETH: We are processing
18 the payments right now, so all should be aware of
19 that. We will check on the provider reports. I
20 was not -- I had not heard that, so I appreciate
21 that.

22 There are nine of the ten largest
23 insurance companies who have already agreed and
24 signed off, so we are moving forward. We just have
25 one more to get. And then they have to sign off

1 that's saying that they're not going to be able to
2 pay that claim, and then we're able to move
3 forward. And you need to let your school districts
4 know that they must request the money from the
5 Department of Ed. So, it's not going to just come
6 to the districts without them requesting.

7 REPRESENTATIVE PETRI: Thank you for
8 that tip. I'll make sure that the school districts
9 know, and I'm sure they're listening anyway.

10 Last issue is the outlier policy. Last
11 year, through your good offices, we were able to
12 resolve something for shared living. Shared living
13 is a program where parents have children, mostly
14 adult children, living in three-person group
15 homes. It saves the department about twenty-five
16 thousand dollars per person. It's wonderful
17 because the parents get to see their child living
18 independently, knowing that someday they're going
19 to close their eyes, but because of the way the
20 program is structured, it falls into that outlier
21 policy. And we resolved the life sharing services
22 last year.

23 But the question is, is there another
24 way to deal with this, or do they have to go
25 through this process where they're denied full

1 coverage and then they have to fight to get it back
2 because the department looks at it and says, oh,
3 this is a cost saver for us, let's do this?

4 SECRETARY MACKERETH: I'm not aware of
5 that issue either. I -- see, I have great staff.
6 They don't have to come tell me everything. Thank
7 goodness. But we will take a look at that for
8 you.

9 Also, shared living is going to be part
10 of the discussions as we move forward with the
11 long-term care commission.

12 REPRESENTATIVE PETRI: Fantastic.

13 And I thank the secretary for all your
14 time. Thank you.

15 SECRETARY MACKERETH: Thank you.

16 MAJORITY CHAIRMAN ADOLPH: Thank you,
17 Representative.

18 Representative Brownlee.

19 REPRESENTATIVE BROWNLEE: Thank you,
20 Mr. Chairman.

21 Good afternoon, Madam Secretary.

22 SECRETARY MACKERETH: Good afternoon.

23 REPRESENTATIVE BROWNLEE: I think I
24 want to focus on the AAAs and the Centers for
25 Independent Living and other community-based

1 providers. As you know and most people know, they
2 do a great work in keeping people at home and
3 giving supports to people with intellectual
4 disabilities, physical disabilities, and seniors to
5 be able to stay in a comfortable setting at home.

6 So, I have a question regarding the
7 cost-of-living adjustments for these
8 community-based providers. Can you tell us, does
9 this budget -- where in this budget is the terms
10 for providing a cost-of-living adjustment to these
11 providers, number one? And if so, does it compare
12 to nursing homes and other providers that give
13 institutional care?

14 Next question, when was the last time
15 any of the community service providers received a
16 cost-of-living adjustment or increase?

17 SECRETARY MACKERETH: Okay. Thank you,
18 Representative. I'll try to answer as much of the
19 question as I can, see if Mr. Spishock can add in
20 then. If there's something we missed, we'll
21 definitely get back to you.

22 I first want to tell you that we -- the
23 providers are our partners, and we cannot do the
24 work that we have to do, we can't keep people safe
25 in the community, we can't improve quality of life

1 for anybody unless we value our providers, so we
2 understand that.

3 In my opening, I mentioned that in this
4 budget, we have made strategic investments in
5 individuals. And that was done on purpose. We
6 decided that we had to get people off of the wait
7 list. People that were getting -- most of the
8 people on the waiting list get some service, but
9 they're not getting the service they need or the
10 quality or the amount of service they need. So,
11 our strategic investment was in that person,
12 getting them off of the wait list and getting them
13 the service in the home and community that they
14 need. So, that's what we chose this year to do.

15 And so, it's my understanding that
16 there's --

17 MR. SPISHOCK: A lot of the rates that
18 we pay the providers are really based on the fee
19 schedule. We will take a look at the fee schedule
20 over the course of the year, just to make sure that
21 we are paying actually sound rates to providers.
22 For a number of providers this year, there was
23 nothing specific in the budget for an adjustment to
24 the rates; however, we do look at this on an
25 ongoing basis, just to make sure that the cost to

1 providers are within that rate range.

2 REPRESENTATIVE BROWNLEE: Okay. Are
3 you developing a process to create a fair rate for
4 the service providers?

5 SECRETARY MACKERETH: And that's what
6 Mr. Spishock was saying. We do have that now. For
7 every provider, it has to be an actuarially sound
8 rate. And there's a range. And we try to keep it
9 as close to, you know, the middle as we can do, but
10 it must be within that range. And that is our
11 commitment.

12 REPRESENTATIVE BROWNLEE: Okay.

13 Next question. I'm part of the -- I'm
14 a member of the Children and Youth Committee here
15 in the House, and with the leadership of our
16 chairman, Watson, who is here, and Chairman Bishop
17 Williams, who is not here, we did a series package
18 of bills regarding child protection, and that was a
19 direct result of the PA task force that issued its
20 report in November of 2013.

21 So, I know the governor signed a
22 package of bills. One had to do with expanding
23 mandated reporters and such, trying to get rid of
24 the backlogs that have traditionally plagued the
25 system.

1 In your budget, does your ask reflect
2 the need for this additional legislation, these
3 additional acts?

4 SECRETARY MACKERETH: And,
5 Representative, I'd like to thank you for bringing
6 that up. I was fortunate enough to have been part
7 of the task force, so I sat with them, listening to
8 testimony and as part of every meeting. It was a
9 tremendous, tremendous experience.

10 I'd also like to thank the general
11 assembly. I would say this is probably the fastest
12 I've seen a group of bills that were so important
13 be worked on. Cathy Utz, from my office, was at
14 the table with staff from the House and Senate.
15 Everybody did a tremendous job. And having the
16 governor sign this into law was just amazing, and
17 the changes that were made to the child protective
18 services were long overdue.

19 What you're talking about is our IT
20 system. Those dollars are in the budget. Again,
21 long overdue. We have an extremely antiquated
22 child welfare IT system.

23 The other piece you're talking about is
24 whether or not counties will be able to meet the
25 needs of the new legislation. And I appreciate

1 that the general assembly saw that it would not
2 work to put everything in there to be done
3 immediately, so it's -- you know, some things are
4 due six months out; it's phased in.

5 Deputy Secretary Utz has been meeting
6 with counties. She has a stakeholder group of
7 eighty-three people who are meeting to talk about
8 how to go about this. We have put in twenty-eight
9 million dollars additional for counties that we
10 believe will meet the need. And, again, we
11 appreciate all the work everyone did on that
12 package of bills.

13 REPRESENTATIVE BROWNLEE: Thank you.
14 Thank you, Madam.

15 Thank you, Chairman.

16 MAJORITY CHAIRMAN ADOLPH: Thank you.
17 Thank you.

18 Representative Gary Day.

19 REPRESENTATIVE DAY: Thank you,
20 Mr. Chairman.

21 Thank you for being here. You do a
22 great job with a tough service to the commonwealth.

23 SECRETARY MACKERETH: Thank you.

24 REPRESENTATIVE DAY: First, I'd like to
25 thank you and the administration as a whole for

1 realizing that federal money is not free money, and
2 I appreciate that thought process, taking the time
3 to analyze, negotiate, and plan ahead is kind of
4 a -- instead of going after that political carrot
5 of dangling money, it's a breath of fresh air.
6 It's what we do in the private sector. We analyze,
7 plan ahead, and bringing that to this process, I
8 think, is a very prudent way to manage and plan for
9 the future and future budgets as we sit here every
10 year, struggling with the budgets of decisions past
11 in many cases.

12 Several years ago, the commonwealth
13 invested significantly in a county-by-county system
14 to assist Pennsylvanians' Network of Care, it's
15 called, and to assist people with behavioral health
16 issues. This Network of Care is administered by
17 your department, provides quick, easy, useful
18 information for agencies and providers really for
19 the people who need these services. And, you know,
20 many times these services, I believe, are a small
21 price to pay to aid Pennsylvanians to avoid future
22 costs. Another smart, efficient way to spend money
23 in the commonwealth to avoid future costs.

24 So, my question is, you know, are you
25 committed to stay with that? Are you committed to

1 use that in the 2014-'15 budget, promote it with
2 county agencies, support its access? I have one
3 quick follow-up question after that answer.

4 SECRETARY MACKERETH: And,
5 Representative, thank you. And thank you for your
6 nice comments, because I don't think you're going
7 to like my answer.

8 I need to say that Network of Care is
9 an excellent service. However -- and we have been
10 funding it. However, we did meet with the counties
11 this past year, and, again, you will hear me say
12 over and over again, we're reviewing things. We
13 review this. Because one of our strategic focus
14 areas at DPW -- we have three -- one is back to
15 basics, relooking at every program and everything
16 we do to see if we're doing it the right way, if
17 it's cost effective, if it's efficient; number two,
18 communication, talking with everybody, sharing
19 information; number three, accountability. That's
20 what our focus is.

21 As we began down the back-to-basics
22 path and really looked at it, we brought all the
23 counties together. The counties, many of them have
24 done their own systems, and so they have not been
25 utilizing this.

1 Now, it's my understanding that
2 probation and parole do use the system, and I would
3 suggest that they take a look at it, because if
4 they're -- if that community would like to, but, to
5 be honest, we can't continue to fund something
6 that's not being utilized anymore, even though it
7 is a great service. So, I hope that, you know, one
8 of our sister agencies will pick up on it.

9 REPRESENTATIVE DAY: I'll probably have
10 some follow-up questions, maybe take you up on that
11 offer to meet with you to talk about that issue
12 some more --

13 SECRETARY MACKERETH: I would be happy
14 to.

15 REPRESENTATIVE DAY: -- to learn more
16 about that issue.

17 My follow-up question was exactly that.
18 I was going to ask you if you would support and
19 facilitate parole and probation for using the
20 system.

21 SECRETARY MACKERETH: We absolutely can
22 do that. We have stuff that's worked with Network
23 of Care for quite some time. And, again, it's
24 nothing against Network of Care; it's just the
25 counties opted to do some of their own stuff.

1 REPRESENTATIVE DAY: Okay. Just wanted
2 to ask you a question that was away from all the
3 heavy swinging --

4 SECRETARY MACKERETH: Appreciate it.
5 Thank you.

6 REPRESENTATIVE DAY: -- on the big
7 issues and everything, but it's something that's
8 important to me and I thought was valuable to
9 Pennsylvania. Thank you.

10 Thank you for your answer.

11 And thank you, Mr. Chairman.

12 MAJORITY CHAIRMAN ADOLPH: Thank you,
13 Representative.

14 Representative Cherelle Parker.

15 REPRESENTATIVE PARKER: Thank you,
16 Mr. Chair.

17 And hello, Madam Secretary.

18 SECRETARY MACKERETH: Good afternoon, I
19 guess.

20 REPRESENTATIVE PARKER: Madam
21 Secretary, I want to go back to an issue that
22 Chairman Adolph referenced earlier today, and it
23 was regarding the potential understaffing of some
24 of our County Assistance Offices. We have tens of
25 thousands of Pennsylvanians who are relying on

1 home- and community-based services, and you
2 referenced that constituency earlier, and they're
3 trying to stay home versus going into nursing
4 homes.

5 But, apparently, and I know we've been
6 experiencing this quite frequently in the city of
7 Philadelphia, and at first I thought it was just
8 sort of my region. I'm in the northwest section of
9 Philadelphia, so our office is off of Chelton and
10 Wayne Avenue. But in talking with colleagues
11 across the city, apparently they've been getting
12 the same kind of complaints, and that is recipients
13 have been seeing their benefits terminated
14 improperly as a result of County Assistance Offices
15 losing or not processing renewal or appeal
16 paperwork correctly. And when folks have
17 responded, none of them have said that any of this
18 has been done maliciously, as was referenced
19 earlier by Chairman Adolph, but many are
20 speculating that it's the possible understaffing.
21 And in some cases, they have noted that it's led to
22 a decline in health for some vulnerable
23 Pennsylvanians, and in Philadelphians in
24 particular, in this case.

25 Tell me, was this the first time that

1 you're hearing this? I mean, particularly in the
2 southeastern region. Is this a new issue that's
3 being brought to your attention?

4 SECRETARY MACKERETH: Representative,
5 thank you so much for the question. And, no, it is
6 not the first time I've heard it, but I think it's
7 important to keep it in perspective, because I said
8 it once and I'm going to repeat this, millions of
9 Pennsylvanians access our CAO offices and send in
10 applications every day. So, with millions going
11 into our ninety-three offices, I can tell you,
12 there will -- you know, it's humans. There will
13 also be human error, and we know that.

14 In Philadelphia, we have worked very,
15 very closely with our CAO offices. We have worked
16 very closely with our advocacy groups. And
17 whenever we hear of a problem, we immediately jump
18 on it, get involved, figure it out. And that's not
19 the way to do it.

20 Now, we are, again, as I mentioned,
21 working on efficiencies that will help our staff to
22 be able to do a more efficient job. And that's
23 really when we get our IT system up to where it
24 needs to be.

25 So, we have plans in place.

1 We're looking at what every other state does, what
2 models could we steal that make sense for
3 Pennsylvania, that would work in Pennsylvania. And
4 so, we're going to continue to get better and
5 better, but it is a struggle.

6 But I do want to keep perspective,
7 because with millions coming through, we will
8 always have some that there's a problem. And
9 that's not acceptable. It's just reality. And we
10 will stay on top of that to make sure nobody's
11 harmed.

12 REPRESENTATIVE PARKER: And, Madam
13 Secretary, I want you to know I agree with you
14 wholeheartedly, and you're right, with millions,
15 and humor error is natural. But it's like when I
16 hear you talk about how much sort of -- how much
17 the Medicaid patients are costing from sort of all
18 of the constituency groups that you mentioned, the
19 impact that it's having on the budget, and I think
20 about, when you mentioned three hundred million
21 dollars and preventing welfare fraud, and it
22 wouldn't matter if it was one dollar in taxpayer
23 money, you know, that we were able to ward out
24 waste, fraud, and abuse, we should save it and stop
25 it wherever we find it. But what I'm actually sort

1 of advocating for is that the department work as
2 passionately and be as committed and dedicated to
3 warding out any types of unintended sort of
4 accidents as it relates to enrolling people in
5 these much needed programs and that you use that
6 same fervor and trying to be accurate in the city
7 of Philadelphia.

8 SECRETARY MACKERETH: And I do want to
9 assure you that we are, and we work at that every
10 single day.

11 REPRESENTATIVE PARKER: Thank you.

12 The next question -- and I wanted to go
13 back to this for the record because it's something
14 I ask every year. You mentioned that the renaming
15 bill is over in the Senate, and Lord knows, I hope
16 the big chamber moves the bill soon. You know,
17 we've spoken, and we'll see that -- we'll see that
18 soon.

19 But with that in mind, I need for you
20 to tell me the impact that cash grants have on --
21 that is the TANF recipient -- cash grants
22 specifically, the impact it has on DPW's budget.
23 And I just want to make sure I have this correct
24 for the record. Medicaid comprises 30 percent of
25 the general fund budget, and Medicaid comprises 77

1 percent of DPW's budget.

2 Why is it always important for me to
3 get this issue on a record, every year,
4 particularly during the election year is because,
5 you know, we know that the term "welfare," it
6 becomes a very polarizing platform for many people
7 who are seeking a public office, and although we
8 don't say it, when we say "welfare," the fictitious
9 character comes in our minds, and we know what she
10 looks like, and where she lives, and how many
11 children, and that she's just lazy, and she's home,
12 and she's collecting cash, and, you know, she just
13 doesn't want to work.

14 Tell me, if you will, the number in
15 terms of the dollar amount of cash assistance
16 Pennsylvanians receive.

17 SECRETARY MACKERETH: Well, I can tell
18 you in terms of how many individuals, and then
19 perhaps Dave Spishock can tell you in terms of
20 dollars.

21 So -- and I want you to know that, you
22 know, we've looked at this, too. And out of 2.7
23 million Pennsylvanians whose lives we touch at DPW,
24 a hundred and sixty-eight thousand receive cash
25 assistance. And that's why -- you know, we do talk

1 about the Department of Welfare and welfare, and
2 all we see is those -- is the minority, the few
3 that take advantage or the few that are on cash
4 assistance. And that's always been -- that's what
5 you hear. And what we need to begin talking about
6 is our growing population of seniors, our
7 individuals on disabilities, the people that are
8 our most vulnerable that we serve every single
9 day. We support that.

10 REPRESENTATIVE PARKER: And, Madam
11 Secretary, I just want to interrupt quickly,
12 because I know the chairman, you know, the
13 stopwatch is going. You just gave me a 2.7
14 million, you noted, and a hundred sixty-eight
15 thousand, but I'll tell you what I was looking for,
16 do you have a percentage? Because I made my notes,
17 Medicaid comprises 77 percent of DPW's budget.
18 What percentage does cash grants comprise of DPW's
19 budget?

20 Now, I have a figure here, but I'm not
21 sure if it's accurate, so I'd rather hear it
22 directly from you.

23 MR. SPISHOCK: Don't have that. I know
24 that cash grants in state dollars, about sixty
25 million out of our total budget request. I'm not

1 sure on a percentage basis, what that would equate
2 to on a percentage basis.

3 REPRESENTATIVE PARKER: Okay. Well,
4 Madam Secretary, if you can just forward to
5 Chairman Adolph and Chairman Markosek that actual
6 number.

7 Now, what I'm looking at here tells me
8 that cash grants account for only one-half of 1
9 percent, and when I saw one-half of 1 percent, I
10 thought, wow, you know, hear so much about this
11 program and that it's such an overwhelming burden
12 on DPW's budget, I was just surprised, and I
13 thought that was incorrect. So if you could
14 forward that information to the chair --

15 SECRETARY MACKERETH: Absolutely.

16 REPRESENTATIVE PARKER: -- I'd greatly
17 appreciate it.

18 In addition to that, if you could
19 forward to the chairmen a map of what the Medicaid
20 recipient looks like in the commonwealth of
21 Pennsylvania, based on all of the sixty-seven
22 counties. And why do I ask for this every year,
23 Madam Secretary? It is because I think it is very
24 important, whether it be the senior constituency
25 and/or children or people overall with

1 disabilities, that we see where they live, who's
2 receiving the Medical Assistance, who's receiving
3 the cash grants, and also break it down by
4 demographics, so that we know ethnically sort of
5 where we are, along with regionally. And it helps
6 us when we're working on shaping public policy in
7 this body.

8 Thank you. Absolutely. Thank you.

9 MAJORITY CHAIRMAN ADOLPH: Thank you.
10 I can assure the representative that she is in the
11 big chamber.

12 REPRESENTATIVE PARKER: Thank you,
13 Mr. Chair.

14 MAJORITY CHAIRMAN ADOLPH:
15 Representative Glen Grell.

16 REPRESENTATIVE GRELL: Thank you,
17 Mr. Chairman.

18 Madam Secretary, thank you. Thank you
19 for being here. Thank you for your hard work and
20 all that of all of your staff. I'd be much more
21 glowing in my praise, but it would eat into my
22 time.

23 SECRETARY MACKERETH: Oh, go ahead.
24 I'm sorry.

25 REPRESENTATIVE GRELL: Last week, I

1 participated with the Pennsylvania Health Care
2 Association in an event releasing two reports
3 dealing with the financial situation facing our
4 long-term nursing facilities. One of them dealt
5 with the profit margins, the very small profit
6 margins that these facilities have, especially
7 those that deal with large volumes of Medicaid
8 patients. The second one deals with reimbursement
9 rates for these facilities, and actually concluded
10 that, for Medicaid resident's, nursing facilities,
11 on average, lose twenty-six dollars per day for
12 those residents. And I would ask you to look
13 carefully at those reports in the coming months as
14 we work on this budget.

15 But the specific question, last year, I
16 recall, I believe, that there was an additional ten
17 million dollars put into the long-term care line
18 item to provide a little bit of extra reimbursement
19 to nursing facilities that have a population of
20 over 75 percent Medicaid. And my question is, is
21 that -- I was unable to discern from the budget
22 proposal whether that is in this year or not. If
23 it's not in, I would ask that you work with us to
24 revisit that, because I don't think the problem has
25 gone away, but I wasn't able to figure out whether

1 the number is there or not.

2 SECRETARY MACKERETH: Representative,
3 first, I'd like to tell you that, you know, we
4 recognize that nursing facilities are part of the
5 continuum of care for many of our older
6 Pennsylvanians, and, again, I gave you the
7 statistics earlier about where we will be as the
8 years go. And as part of our long-term care
9 commission, they are part of that group. And we
10 will be listening to all the different aspects of
11 supports and services that are necessary for our
12 growing population.

13 This year, we did make strategic
14 investments, as I said to one of the
15 representatives, in our individuals. So, the
16 dollars are going for seniors to get out of nursing
17 facilities and institutions into home- and
18 community-based services. However, we have put
19 twenty-five million dollars in the budget
20 for nursing facilities. And this will be for all,
21 so it's not just the ten million for a set group.
22 It will be for all. So, that is in there.

23 REPRESENTATIVE GRELL: That's an
24 additional twenty-five million or that's --

25 SECRETARY MACKERETH: The ten million

1 is not -- the ten million is no longer in there,
2 but twenty-five million is in our budget for them.

3 REPRESENTATIVE GRELL: So is that --

4 MR. SPISHOCK: For all providers.

5 SECRETARY MACKERETH: All providers.

6 REPRESENTATIVE GRELL: Is that a
7 fifteen-million-dollar increase or --

8 MR. SPISHOCK: The line item for the
9 ten million dollars was really a supplemental
10 payment to a certain group of providers. The
11 twenty-five million dollars represents the state
12 funds, which will be a rate increase mainly for
13 nursing facilities, to all nursing facility
14 providers.

15 REPRESENTATIVE GRELL: Okay. I may
16 seek some additional clarification on that.

17 SECRETARY MACKERETH: Absolutely.

18 REPRESENTATIVE GRELL: But I appreciate
19 the answer and appreciate the fine work you're
20 doing.

21 Thank you, Mr. Chairman.

22 SECRETARY MACKERETH: Thank you.

23 MAJORITY CHAIRMAN ADOLPH: Thank you,
24 Representative.

25 Representative Dean.

1 REPRESENTATIVE DEAN: Thank you,
2 Mr. Chairman.

3 Good afternoon, Secretary.

4 SECRETARY MACKERETH: Hi. Good
5 afternoon.

6 REPRESENTATIVE DEAN: Good afternoon,
7 Director. Good to be with you.

8 And while there's so much we could be
9 talking about because there's so much good work
10 your department does, I will focus on the historic
11 opportunity that is in front of us that many of us
12 have been talking about, and that is the
13 opportunity for Medicaid expansion.

14 So, what I want to try to clear the fog
15 on is what many people are asking me. In light of
16 the new law and in light of the opportunity that it
17 is in Pennsylvania, as even identified by the
18 governor -- the governor says, his own Healthy PA
19 plan is to -- one of its goals, main goals, is to
20 create access to health care for a half a million
21 uninsured Pennsylvanians. Within that population
22 are forty-seven thousand uninsured veterans, maybe
23 half of whom could get insurance through the
24 expanded Medicaid coverage.

25 Part of his goals is to match benefits

1 to health care needs. And we know that the needs
2 are great. If you meet people who are sitting in
3 Pennsylvania, uninsured, they're very often working
4 people who just simply can't afford insurance.
5 They don't qualify under the current Medicaid.
6 They aren't eligible for the subsidy. They fall
7 within that gap.

8 And so, I guess my fundamental question
9 is when you take the positives, which would be the
10 accessing to health care coverage for a half a
11 million Pennsylvanians, so it's that human cost,
12 and you add to it the state savings we would
13 realize in the budget we're talking about and going
14 to be voting on this very June, state budget
15 savings would be three hundred million dollars or
16 more for the folks that we are covering that would
17 be eligible then in the expanded coverage if we
18 would go that route.

19 The economic benefits, the estimate of
20 forty thousand jobs. The dollars benefits, the
21 estimate of federal dollars, our federal tax
22 dollars, that are going to other states to insure
23 folks that are not flowing here because we are, as
24 some have called us, the island of the uninsured,
25 seven million dollars a day. We're fifty-seven

1 days into this year. I have a ticker running in my
2 office. That's four hundred and fifteen million
3 dollars that we forfeited.

4 Now, not every dollar of that would be
5 captured, to your earlier points. It would be when
6 the services are actually accrued and we become
7 responsible for reimbursement of those. But it is
8 real money, 100 percent federal dollars.

9 If you weigh all that out, how is it
10 that the governor -- I'm pleased he's put in his
11 Healthy PA program. I'm very glad he's applied for
12 his waiver, two hundred nineteen pages worth of
13 application finally submitted to the government,
14 and I know we have some time before we'll hear back
15 on your negotiations.

16 How can we justify what the governor
17 has said to those five hundred thousand folks,
18 which is wait?

19 SECRETARY MACKERETH: Representative,
20 thank you very much. And I'm going to try not
21 repeat answers I've already said because the
22 chairman's looking at me.

23 So, again, I've got to first say that
24 Governor Corbett and I share your commitment to
25 ensuring that five hundred thousand-plus -- because

1 we know it's more than that -- individuals have
2 access to quality, affordable health care. So,
3 that, I've got to put on the table first.

4 Again, you can't ignore the facts. I
5 don't know -- there's a couple things. One, no
6 where in any study that we saw that would take into
7 account costs, and there are costs associated with
8 doing this: staffing costs, more IT costs.

9 Number two, as we said earlier, we
10 can't flick a switch. We can't do something before
11 we're able to do it, or it will be a disaster. And
12 that's definitely been a concern of ours.

13 REPRESENTATIVE DEAN: But under Healthy
14 PA, it will be, if the government says --

15 SECRETARY MACKERETH: Under MA -- we
16 can't do -- we could not do MA expansion. We could
17 not bring -- you heard -- it's interesting, because
18 I wonder sometimes if we're disconnecting. The way
19 that Medicaid expansion would work is the same way
20 as Medicaid works today; therefore, what we're
21 talking about is the potential for -- which we
22 don't believe it will happen because, as my budget
23 director said, we have seventy thousand now who
24 could come into the program and aren't because of
25 welfare as a stigma. But we have five hundred

1 thousand individuals, applications, that would come
2 through our ninety-three CAOs. You heard the
3 chairman, you heard other members say, you're
4 losing papers, there's problems, things aren't
5 getting processed. So, again --

6 REPRESENTATIVE DEAN: To be fair,
7 they're all not going to arrive day one.

8 SECRETARY MACKERETH: They will not.

9 REPRESENTATIVE DEAN: And it is 100
10 percent for the first three years, 100 percent
11 federal dollars.

12 SECRETARY MACKERETH: Absolutely.

13 REPRESENTATIVE DEAN: Regardless of the
14 processing of the paperwork. And we also know that
15 in Pennsylvania, we operate -- Medicaid operates
16 through private managed care organizations, so it's
17 not this "other." It is private managed care.

18 SECRETARY MACKERETH: Okay. And we'll
19 be able to debate this, and I would be happy to sit
20 down with you and go through it.

21 REPRESENTATIVE DEAN: I'm going to take
22 you up on that opportunity.

23 SECRETARY MACKERETH: Right, because we
24 could be here forever. But there's a couple other
25 things. One of the things that we talked about and

1 that we're looking at is sustainability for this
2 program, financial sustainability. We can't come
3 back to the table two years, five years. I don't
4 think that, as an Appropriations Committee, you can
5 withstand anywhere between four- and
6 six-hundred-million-dollars increases in this
7 program every year.

8 We also -- you mentioned about the
9 ACCESS. We are also concerned that just giving
10 somebody a card, an insurance card, is not going to
11 get them the care that they need. And I want you
12 to think about this for a minute. We've heard, and
13 it was also brought up in the Senate hearing, about
14 the doctors who will not accept MA. And there are
15 doctors that will not. So, it is -- it was not as
16 easy as flick a switch and we've got this huge
17 system that will be able to handle the demands of
18 population that will go in.

19 REPRESENTATIVE DEAN: I just have to
20 respectfully say, I don't think it's satisfactory
21 to say we're not going to flip that switch because
22 we're afraid too many people will be eligible and
23 will seek care.

24 Let me --

25 SECRETARY MACKERETH: No, what I'm

1 saying is, financially, it won't be sustainable.

2 REPRESENTATIVE DEAN: One other thing I
3 wanted to mention --

4 MAJORITY CHAIRMAN ADOLPH: All right.
5 Let's move on.

6 REPRESENTATIVE DEAN: One quick
7 question, please, may I ask one quick question?

8 MAJORITY CHAIRMAN ADOLPH: Let me
9 finish. Let me finish.

10 I allowed you to ask the question
11 that's been asked three times before.

12 REPRESENTATIVE DEAN: I asked it
13 differently.

14 MAJORITY CHAIRMAN ADOLPH: Please let
15 me finish. Okay?

16 The secretary has answered the question
17 three times on Medicaid expansion, why this
18 administration chose to go with Healthy PA. We may
19 disagree with that decision, but you have to accept
20 her answers; you may disagree, but please don't
21 talk over her.

22 Lastly, ask one question and then we'll
23 proceed.

24 REPRESENTATIVE DEAN: My apologies for
25 speaking over you. I sincerely apologize.

1 My other question is simply, while we
2 seek the waiver application, why did the
3 governor -- or did the governor, did you and he
4 consider filing the one-page opt-in that would have
5 gotten us within expanded Medicaid coverage as of
6 January the 1st? Was that a discussion?

7 SECRETARY MACKERETH: I think, if you
8 recall, not this past budget but the budget address
9 of the governor's over a year ago, the governor
10 talked about that before he could do anything, that
11 we needed to have reforms and flexibility. And you
12 can't forget that reforms are critical. If we
13 don't reform our current Medicaid system, again, it
14 remains financially unsustainable for
15 Pennsylvania. So, the reforms we -- you know, I
16 guess we could have just said, Okay, we'll just do
17 it and what the heck. We weren't willing to do
18 that because, for us, we have to look at
19 Pennsylvania ten years down the road, twenty years
20 down the road, and we have to make sure that we're
21 meeting the needs of all Pennsylvanians, and that's
22 what we were trying to do.

23 We did our homework. We looked at what
24 Medicaid looks like today, and we were not in a
25 position to move forward without reform. And

1 that's what we had to do first. So, our 1115
2 waiver, it talks about reform.

3 It also talks about something else. It
4 talks about personal responsibility. It talks
5 about health outcomes. We don't talk about that
6 today in Medicaid. We have to, because without
7 good health outcomes, what are we doing with the
8 dollars? So, it talks about good health outcomes,
9 individual responsibility. People have to care
10 about their health care; they have to go to the
11 doctor. Today, we pay for a lot of things people
12 don't use because they don't go.

13 So, we took everything into account.
14 We went back. We did our homework. And I believe
15 we did a really good job figuring out how do we
16 sustain Medicaid and health insurance for our most
17 vulnerable in Pennsylvania today and twenty years
18 from now. So, whether we agree or disagree -- and
19 that's okay to do, because this is so important
20 that a debate is critical, but we've had this
21 debate for over a year. And we went down a path we
22 thought would get us where we needed to be. It's a
23 Pennsylvania solution. It's something that we
24 believe the federal government will accept. And we
25 believe it's the right thing for the future of

1 Pennsylvania.

2 REPRESENTATIVE DEAN: I appreciate all
3 your sincerity on that. I urge the governor to opt
4 in today.

5 SECRETARY MACKERETH: Thank you.

6 MAJORITY CHAIRMAN ADOLPH: Thank you,
7 Representative.

8 Representative Oberlander.

9 REPRESENTATIVE OBERLANDER: Thank you,
10 Chairman.

11 Good afternoon, Secretary. It's always
12 a pleasure to see you.

13 SECRETARY MACKERETH: You, too.

14 REPRESENTATIVE OBERLANDER: I'm going
15 to change the direction a bit. I want to commend
16 you on your hard work in identifying waste, fraud,
17 and abuse. You've done a great job, and
18 specifically in the area of Medical Assistance,
19 transportation, the methadone changes have really
20 saved a lot, as you're well aware.

21 My concern is that Medical Assistance
22 transportation program continues to grow, and the
23 estimations are that there will be an additional
24 five hundred sixty thousand trips for this fiscal
25 year, an additional six hundred ten thousand trips

1 for 2014 fiscal year, which comes up with almost
2 ten million one-way trips.

3 We continue to hear from counties that
4 their ability to provide this public transportation
5 is declining as a result of their fiscal strains.

6 And I'm wondering, as utilization
7 continues to grow, what steps is the department
8 taking to create efficiencies? And how is this --
9 the change in the private-vehicle allowance, has
10 that had any impact on this?

11 SECRETARY MACKERETH: Couple questions
12 in there. First off, you know, when I was back in
13 York County as the executive director of Human
14 Services, this was my biggest headache, so I do
15 understand. And you know, the federal rules, many
16 of them, require us to provide transportation. So,
17 as part of that, we are trying to work through how
18 to create a system that meets the needs of the
19 federal government and also the people of
20 Pennsylvania.

21 And the change in methadone, we're
22 still looking at it. We're still doing reviews.
23 And we will continue to see. And I'll tell you
24 what, honestly, that's come off -- that had come
25 off my priority list with healthy PA and the

1 Affordable Care Act, and I think we can bump that
2 back up and take a look at that this coming year.
3 So, we will look at that.

4 I think what you're talking about as
5 far as the private, is it the med-evac issue? Is
6 that what you're talking about?

7 REPRESENTATIVE OBERLANDER: No, it was,
8 if I choose to use my private vehicle, I used to be
9 provided a subsidy of twenty-five cents per mile,
10 and I believe it was reduced to twelve cents. My
11 concern is that that would then push people into
12 the more expensive transportation options, where if
13 we were to pay that bigger amount per mile, maybe
14 we wouldn't have so many using the other systems.

15 SECRETARY MACKERETH: Let us take a
16 look at this and get back to you.

17 Do you have anything to add?

18 MR. SPISHOCK: I was just going to say,
19 we did make the change to reduce the reimbursement
20 rate, but we really haven't looked at the -- we can
21 go back. We may have looked at the utilization
22 between them to see is it more cost effective to do
23 that or not. But we can go back and take a look
24 and provide you some information on that.

25 REPRESENTATIVE OBERLANDER: I certainly

1 appreciate that.

2 And, again, thank you for your good
3 work.

4 SECRETARY MACKERETH: Thank you.

5 REPRESENTATIVE OBERLANDER: Thank you,
6 Mr. Chairman.

7 MAJORITY CHAIRMAN ADOLPH: Thank you,
8 Representative.

9 Representative Matt Bradford.

10 REPRESENTATIVE BRADFORD: Thank you,
11 Chairman.

12 Secretary, if I could, I wanted to
13 follow up with you briefly on Representative Dean's
14 point about kind of the choreography of going into
15 Medicaid expansion on a parallel track. If the
16 governor believes long-term Medicaid is not
17 sustainable, why can't we expand Medicaid yesterday
18 and continue to negotiate on a parallel track?
19 Sustainability is not affected one bit by a program
20 that's a hundred percent refundable. Everyone gets
21 covered immediately. The costs are absorbed by the
22 feds immediately. We stop subsidizing our neighbor
23 states. And, meanwhile, the governor can get
24 involved in the engineering of his plan.

25 MR. SPISHOCK: Could I just make one

1 point? I just want to say, the first couple years,
2 we do --it's 100 percent federal funds. The FMAP
3 starts to drop, and it drops slightly. It will
4 drop to 95 percent in four years. In four years,
5 when it drops down to 95 percent, that's --

6 REPRESENTATIVE BRADFORD: Healthy PA
7 will be approved or not by then. And I don't mean
8 to talk over you, but I know time's short.

9 Why can't we go into Medicaid
10 yesterday, through expansion, and negotiate Healthy
11 PA on a going-forward basis or at the end of the
12 three-year window? There's nothing preventing
13 that.

14 MR. SPISHOCK: And our waiver was a
15 total package. To take a look at -- we wanted to
16 do everything in one package: the expansion for
17 healthy PA, the reforms to the program, the premium
18 payments, the work incentives. We wanted to do
19 that as one package, not to take bits and pieces of
20 it, to implement one piece here, one piece there.

21 REPRESENTATIVE BRADFORD: Respectfully,
22 though, the answer was sustainability.
23 Sustainability, 100 percent paid for yesterday,
24 half a million Pennsylvanians are insured.
25 Instead, we're playing politics going forward on a

1 program. Sustainability is divorced from 100
2 percent federally funded yesterday.

3 SECRETARY MACKERETH: And,
4 Representative, I would respectfully disagree;
5 there is nothing political about this. This is an
6 issue regarding ensuring access to more
7 Pennsylvanians to health care in a way that's
8 sustainable for the taxpayers. Without the reform,
9 I don't see how we could have done that. Plus, we
10 don't have -- we don't have the staff. It takes
11 six months. They're in the budget for this year,
12 and I hope all will approve it, but we're talking
13 about significant staffing of over -- I think the
14 number's around seven hundred individuals, to get
15 up and running to be able to handle any of this.
16 We were not prepared nor set up to handle the
17 influx in volume of Medicaid. We just weren't.

18 REPRESENTATIVE BRADFORD: Respectfully,
19 Secretary -- and I'm going to move on because I
20 don't want to ask the same question twice -- it
21 strains credulity to honestly believe that a bill
22 that was passed in 2010 that the current governor
23 litigated for years at the cost of thousands, ten
24 of thousands, hundred of thousands of dollars,
25 taxpayers' dollars, to now say, four years later,

1 that we didn't know. It is laughable. It doesn't
2 pass any test.

3 The fact that we could expand
4 yesterday, a half a million Pennsylvanians are
5 being denied health coverage to play a political
6 game, to say we didn't take part in Medicaid
7 expansion. The people deserve it, want it, and it
8 was the right thing to do.

9 MAJORITY CHAIRMAN ADOLPH:
10 Representative, let's move on. Your op-ed has been
11 noted.

12 REPRESENTATIVE BRADFORD: Understood.
13 I appreciate your op-ed.

14 All right. On the issue of waste,
15 fraud, and abuse --

16 SECRETARY MACKERETH: Yes.

17 REPRESENTATIVE BRADFORD: -- I think
18 you deserve a lot of credit for saying that the
19 department needs to be renamed, because, obviously,
20 there's a lot more that your department does than
21 welfare. And welfare is a coded term. And we all
22 know people use it for political purposes and
23 divisive purposes and nasty reasons. And it serves
24 a certain purpose.

25 So, let's talk about waste, fraud, and

1 abuse. You provided a letter, correspondence to
2 Chairman Markosek, and I know you provided it to
3 Chairman Adolph as well. And there's these numbers
4 that serve certain purposes, and I notice that the
5 term "cost avoidance" is used interchangeably from
6 "waste, fraud, and abuse." And we had this
7 discussion with your predecessor, who had a lot of
8 ideas about waste, fraud, and abuse, and it played
9 out in a lot of strange and crazy ways in this
10 commonwealth.

11 So, tell me, what part of that saving
12 was waste? What part was fraud? What part was
13 abuse?

14 MR. SPISHOCK: We don't break it out by
15 waste, fraud, and abuse. We do break it out by
16 regular cost avoidance, recoveries, and projected
17 savings. I mean, a lot of our dollars are cost
18 avoidance. When we implement several provisions --
19 we talk about the drug testing in the counties, we
20 may have had four recipients that were denied
21 because of the drug test; however, we've seen some
22 pretty significant reductions going forward.

23 REPRESENTATIVE BRADFORD: How much have
24 we saved by drug testing?

25 SECRETARY MACKERETH: For the four

1 recipients, or for the projections of how many
2 people may not have come into the system because
3 they didn't want to take the drug test? And we
4 can --

5 REPRESENTATIVE BRADFORD: How do you
6 quantify that?

7 SECRETARY MACKERETH: Representative,
8 these are formulas that the federal government
9 allows us to use in order to determine cost
10 avoidance. When we're catching things on the front
11 end, we have to have some way to be able to share
12 that information. And we're building things so
13 that we can catch it on the front end. Because the
14 one thing we don't want, it costs us more if people
15 come in, then we find it later on, then we go out
16 and do our investigation. So, we're trying to
17 catch it as people come in.

18 And, again, that's why we think that
19 we're doing a very good job in keeping some of the
20 fraud -- and I think a lot of that probably is
21 fraud -- out of our system. Now, not completely.
22 We have case after case that's being investigated,
23 but we still think we're doing a very good job with
24 that.

25 REPRESENTATIVE BRADFORD: Do you have

1 any breakdown in terms of criminal or civil?

2 SECRETARY MACKERETH: We have, what,
3 the three hundred and twenty-eight million that was
4 reported to the OIG that they're reporting.

5 REPRESENTATIVE BRADFORD: And how many
6 of those were resulted in prosecutions?

7 SECRETARY MACKERETH: Excuse me? What?

8 REPRESENTATIVE BRADFORD: How many
9 prosecutions?

10 MR. SPISHOCK: I think from the
11 OIG recoveries, we had actual recoveries of ninety-
12 seven and a half million dollars. We had avoidance
13 of 233.7 million dollars. And then program
14 disqualifications of 6.7 million --

15 REPRESENTATIVE BRADFORD: I'm sorry.
16 My question was prosecutions.

17 MR. SPISHOCK: We'd have to
18 double-check with the OIG on that.

19 REPRESENTATIVE BRADFORD: And I would
20 also wonder what convictions are. Could you also
21 get me that number?

22 SECRETARY MACKERETH: Um-hum.

23 REPRESENTATIVE BRADFORD: Okay. I will
24 say, one of the concerns I have, cost avoidance
25 could mean everything from -- cost avoidance is

1 costs the state didn't incur.

2 Secretary Alexander received quite a
3 bit of hard criticism in August of 2012 when he
4 dropped eighty-eight thousand children from Medical
5 Assistance, largely over paperwork errors. And
6 there were savings at this point that resulted and
7 viewed as great for the commonwealth, and we
8 dropped children with cancer off and all kinds of
9 things. It was a mess.

10 Are those savings being counted towards
11 the number that you're today trumpeting?

12 MR. SPISHOCK: No.

13 REPRESENTATIVE BRADFORD: They're not.

14 SECRETARY MACKERETH: No.

15 MR. SPISHOCK: No.

16 REPRESENTATIVE BRADFORD: Is that Act
17 22 savings being counted?

18 MR. SPISHOCK: Not in -- no.

19 REPRESENTATIVE BRADFORD: No savings
20 from the costs.

21 MR. SPISHOCK: No.

22 SECRETARY MACKERETH: Huh-uh.

23 REPRESENTATIVE BRADFORD: I would like
24 to see your breakdown at 1.9 billion. If you could
25 provide that to the committee, that would be great.

1 SECRETARY MACKERETH: Absolutely, we
2 have that.

3 REPRESENTATIVE BRADFORD: In the
4 interest on moving on, because I know you've got
5 limited time, my third and final point is the issue
6 of payments to our managed care providers. It's
7 almost four hundred million, almost half a billion
8 dollars, is a tremendous amount of money that we're
9 going to be saving. It sounds fabulous if we save
10 that kind of money.

11 If we're on an accrual system, as
12 opposed to a cash system, could we actually,
13 honestly say that we're not incurring those
14 liabilities? I mean, aren't all we're doing is
15 we're going to make eleven payments instead of
16 twelve payments this year to our managed care
17 providers?

18 MR. SPISHOCK: Yes.

19 REPRESENTATIVE BRADFORD: So, the
20 following year, we either make thirteen payments?

21 MR. SPISHOCK: We make twelve payment
22 the next year.

23 REPRESENTATIVE BRADFORD: And then some
24 day, at the end of the universe, we make the
25 thirteenth payment that's been --

1 MR. SPISHOCK: Thirteenth payment.

2 REPRESENTATIVE BRADFORD: I mean, is
3 that really how we're getting a half billion
4 dollars? That's fiscally conservative budgeting?

5 MR. SPISHOCK: That's the third time
6 we've probably done that in the past eight years.

7 REPRESENTATIVE BRADFORD: I don't think
8 it was a good idea any of those times.

9 SECRETARY MACKERETH: But we will have
10 the dollars, with Healthy PA, with our savings for
11 Healthy PA, to make up those dollars. So, it's not
12 like --

13 REPRESENTATIVE BRADFORD: We could have
14 them with Medicaid expansion yesterday. And I will
15 conclude with that.

16 Thank you, Secretary.

17 Thank you, Mr. Chairman.

18 SECRETARY MACKERETH: Thank you.

19 MAJORITY CHAIRMAN ADOLPH: Thank you,
20 representative.

21 Representative Brian Ellis.

22 REPRESENTATIVE ELLIS: Thank you,
23 Mr. Chairman.

24 Madam Secretary, you started off --

25 SECRETARY MACKERETH: Good to see you.

1 REPRESENTATIVE ELLIS: Good to see you
2 as well.

3 You started off saying that you thought
4 it might be easier over here. And I'm sure, now
5 two hours plus later, you're definitely nodding
6 your head that it would be easier over here.

7 SECRETARY MACKERETH: Absolutely. I'll
8 go sit over there for a while.

9 REPRESENTATIVE ELLIS: Well, I'll say
10 that for any of us that worked with you, we are
11 very happy to have you over there.

12 SECRETARY MACKERETH: Thank you.

13 REPRESENTATIVE ELLIS: And what you've
14 done with the department, it is a difficult task
15 for every secretary that ever sits at that table,
16 Republican or Democrat. And so we're glad to have
17 you.

18 SECRETARY MACKERETH: Thank you.

19 REPRESENTATIVE ELLIS: Now, one of the
20 areas I want to go into real quick, obviously
21 important across the commonwealth, is child care.

22 SECRETARY MACKERETH: Um-hum.

23 REPRESENTATIVE ELLIS: And, you know,
24 whether, you know, you're from the upper end of the
25 economic spectrum or if you're, you know, on the

1 lower end, child care is something that is needed.
2 My wife and I could not have gotten to this point
3 without child care. We had, at times, subsidized
4 and, some times, private, but what this
5 administration did last year was acknowledged that
6 one of the most important things we can do is to
7 make sure that the quality of the education
8 providers that are in the child care field are
9 growing.

10 And we put in money in the budget last
11 year to make sure that there was tuition assistance
12 for -- because moving from step two to step three
13 is really based on who's providing the child care.

14 Can you talk a little bit about what
15 we're doing in this budget to continue to move
16 child care forward in Pennsylvania?

17 SECRETARY MACKERETH: Yes.
18 Representative, first off, thank you for the nice
19 comments. I appreciate it.

20 But, yes, we do continue to fund
21 tuition assistance at the same level that we did
22 last year. And what you're talking about as far as
23 quality is our Rising Stars, which is part of our
24 Keystone Stars initiative. And we believe that
25 government funds need to go to quality. So, we

1 continue to make -- so, same funding as last year
2 for that.

3 REPRESENTATIVE ELLIS: So, you will
4 continue to invest in that?

5 SECRETARY MACKERETH: Right. Again,
6 this year, just so you're aware, again, strategic
7 investment in individuals, and so, our investment
8 this year is to get our children off the waiting
9 list and get them that into care.

10 REPRESENTATIVE ELLIS: Get them into
11 care, but, at the same time, increasing --

12 SECRETARY MACKERETH: Increase quality.

13 REPRESENTATIVE ELLIS: Increasing from
14 star two to star three as many facilities as
15 possible.

16 SECRETARY MACKERETH: Absolutely.

17 REPRESENTATIVE ELLIS: Okay. Thank you
18 very much for your time. And thank you for all you
19 do.

20 SECRETARY MACKERETH: Thank you.

21 MAJORITY CHAIRMAN ADOLPH: Thank you.
22 Representative Santarsiero.

23 REPRESENTATIVE SANTARSIERO: Thank you,
24 Mr. Chairman.

25 Over here, Madam Secretary.

1 SECRETARY MACKERETH: Sorry.

2 REPRESENTATIVE SANTARSIERO: That's
3 okay.

4 SECRETARY MACKERETH: It's getting
5 late.

6 REPRESENTATIVE SANTARSIERO: Yeah, I
7 hear you. I'll try to be as quick as possible.

8 Welcome back.

9 And Mr. Spishock, welcome back.

10 SECRETARY MACKERETH: Thank you.

11 REPRESENTATIVE SANTARSIERO: I just
12 want to start, very briefly, with a request to
13 follow up on what Representative DiGirolamo was
14 asking earlier, and it should be a pretty easy
15 one.

16 This report that he was referencing
17 has -- the tables he was referring to, just so you
18 can see, because I know you can't see from there,
19 but just so I can make it a little more clear, the
20 first one is just a table of folks who were served
21 under the block grant program, so it should be
22 pretty easy to get the data about past years to
23 compared to that. So, if you could do that for us,
24 that would be great.

25 SECRETARY MACKERETH: Sure.

1 REPRESENTATIVE SANTARSIERO: And the
2 second piece is an analysis of the participating
3 counties with respect to allocations and
4 expenditures. And, again, you should be able to
5 get previous data in terms of money that went under
6 the old silo approach to those different counties,
7 so we can compare those as well. That would be a
8 help. Okay. So, if you could follow up with that,
9 we'd be grateful.

10 SECRETARY MACKERETH: Um-hum.

11 REPRESENTATIVE SANTARSIERO: Thank
12 you.

13 You talked before about the process
14 with the federal government with the Healthy PA
15 plan, the waiver you've put in. And you mentioned
16 the fact that it's going to take a while and
17 there's going to be a negotiation and you're
18 probably not going to get everything you want.

19 Do you have a sense of, based on your
20 discussions with the federal government and
21 Secretary Sebelius, how long that process is going
22 to take?

23 SECRETARY MACKERETH: Yes,
24 Representative. So, first, we don't have a
25 specific time frame. What we do know is that they

1 have fifteen days to review and they've assigned it
2 or are assigning it to a project manager. They
3 have a thirty-day public comment period. So, if
4 anybody would like to give public comment, you
5 should feel free to do so. They have another
6 fifteen days after that to do their final review.

7 Once they've heard the public comment,
8 during that time, we continue -- so we don't start,
9 we continue to have conversations with the federal
10 government around the proposal and what -- what
11 they like, what they think won't work, and
12 negotiate.

13 REPRESENTATIVE SANTARSIERO: Okay. And
14 any sense of how long that negotiations going to
15 take?

16 SECRETARY MACKERETH: No, but I love to
17 have letters of support from the general assembly.
18 I bet that would speed it up.

19 REPRESENTATIVE SANTARSIERO: Well, I'm
20 asking because, obviously, that's going to have an
21 impact on our budgeting, right?

22 Now, you said that right now the
23 governor's budgeting, I think, a hundred twenty-
24 four million dollars.

25 SECRETARY MACKERETH: Twenty-five.

1 REPRESENTATIVE SANTARSIERO: Twenty-
2 five. Don't want to forget that extra million.

3 SECRETARY MACKERETH: Huh-uh.

4 REPRESENTATIVE SANTARSIERO: In savings
5 as the consequence of Healthy PA. If you don't get
6 everything you want, and I think, you know, again,
7 you've acknowledged that you probably won't get
8 everything you want and what he's proposing, how is
9 that going to impact that hundred and twenty-five
10 million dollars?

11 SECRETARY MACKERETH: It should not
12 impact that a hundred and twenty-five million at
13 all, because the portions in which we see savings
14 are things that we have talked to the federal
15 government about. There may be some tweaks, but,
16 basically, we think that that's a very good number.

17 REPRESENTATIVE SANTARSIERO: So, you
18 think you're going to get that whole hundred and
19 twenty-five million dollars.

20 MR. SPISHOCK: Yes.

21 SECRETARY MACKERETH: Yes.

22 REPRESENTATIVE SANTARSIERO: All right.
23 You've been talking about the four-
24 hundred to six-hundred-million-dollar cost
25 increase. Is that the additional cost in

1 Medicare, Medicaid --

2 SECRETARY MACKERETH: Every year.

3 REPRESENTATIVE SANTARSIERO: -- caused
4 by woodwork effect? Is that what that is?

5 SECRETARY MACKERETH: Well, for this
6 year, it's going to be -- it may be higher if the
7 people that are considered woodwork come in. That
8 is historic.

9 MR. SPISHOCK: And that's the
10 department number. That's our total department
11 budget increase, about four hundred to six hundred
12 million, not --

13 REPRESENTATIVE SANTARSIERO: Yeah. And
14 I'm just trying to get an understanding. I mean,
15 what part of that is the woodwork? Because I had
16 taken your previous testimony earlier today to say
17 that was largely attributable to more people now
18 coming into the system.

19 MR. SPISHOCK: Our woodwork number is
20 about a hundred thirty-one million dollars.

21 REPRESENTATIVE SANTARSIERO: A hundred
22 thirty-one million. Okay.

23 You know, it strikes me as a bit
24 strange. You know, the last year we were here we
25 talked about the cost of Medicaid expansion, and

1 the administration was putting that cost at around
2 four billion dollars, and I think we agreed, when
3 we had this discussion back and forth, that about
4 1.6 billion of that is attributable to increased
5 eligibility under the Affordable Care Act and,
6 therefore, that's not really a cost that would have
7 anything to do with expansion because that was
8 going to be borne anyway by virtue of increased
9 eligibility.

10 We're now talking about another a
11 hundred thirty, a hundred forty million or so of
12 woodwork effect costs. And I think we probably
13 will differ on that in terms of what the total nut
14 is on that. We think the number is closer to
15 something like the four to six hundred million
16 dollars a year. And, again, those are costs
17 associated with people who are eligible under the
18 Affordable Care Act now, regardless of Medicaid
19 expansion.

20 But it was those costs which were the
21 reason a year ago why the administration was not
22 inclined, at that point, to do Medicaid expansion.
23 Now, it's a year later, and we have this waiver
24 proposal, and we're hearing that, you know, one of
25 the problems in response to Representative

1 Bradford's questioning of why you can't
2 simultaneously go forward with Medicaid expansion
3 is because you're not prepared to do so.

4 You know, to Representative Bradford's
5 point, it's four years now. The costs are largely
6 going to be there anyway. And, in the meantime,
7 we've got these five hundred thousand
8 Pennsylvanians who are going without health
9 benefit.

10 Now, I take you at your word that, you
11 know, you're interested in getting those folks
12 insured in some manner, but, candidly, there is no
13 reason why we can't go forward with that now. You,
14 to your own admission, state that you don't know
15 how long it's going to take to negotiate this deal
16 with the federal government, and at the end of the
17 day, frankly, I don't think any of us in this room
18 can say with any certainty whether you will be able
19 to reach a deal with the federal government. We
20 could well be back here a year from now or two
21 years from now without that having been
22 consummated, and having lost two more years of
23 moving forward with something that's out there
24 right now that can insure those five hundred
25 thousand Pennsylvanians who have gone without

1 health care now for years, a hundred thousand of
2 whom were thrown out of the adultBasic program when
3 that was ended.

4 Madam Secretary, I implore you to talk
5 to the governor, to review this and move forward on
6 the expansion now. There is nothing that prohibits
7 you from having those discussions with the federal
8 government and negotiating your plan. But in the
9 event that that doesn't happen -- and you've
10 admitted and we've all seen there's no way anyone
11 can assure us that that can happen -- those five
12 hundred thousand Pennsylvanians need to be covered,
13 and the sooner we step forward and pursue that
14 path, the sooner they will be covered. And I think
15 it's incumbent upon all of us to make sure that
16 happens.

17 Thank you.

18 SECRETARY MACKERETH: Thank you.

19 MAJORITY CHAIRMAN ADOLPH:
20 Representative Dave Millard.

21 REPRESENTATIVE MILLARD: Thank you,
22 Mr. Chairman.

23 Good afternoon, Secretary.

24 SECRETARY MACKERETH: Good afternoon.

25 REPRESENTATIVE MILLARD: Always nice to

1 see you.

2 SECRETARY MACKERETH: You, too. Thank
3 you.

4 REPRESENTATIVE MILLARD: Before I ask
5 some questions here, I just want to commend you and
6 your department for the great job that you do.
7 Back in my district, a lot of the clientele that
8 come into my office, some of the concerns deal with
9 your office. We have your office on speed dial.
10 They always answer. They're always helpful. And
11 at the end of the day, I always like to think that
12 we gave somebody a good night's rest. So, thank
13 you.

14 SECRETARY MACKERETH: Thank you.

15 REPRESENTATIVE MILLARD: The questions
16 that I'm going to ask you, Madam Secretary, are
17 concerning the balancing incentive program, and
18 these questions are from the Independent Living
19 Council here in the commonwealth. It says that the
20 proposed budget includes 75.3 million in savings
21 from a 2 percent increase in federal Medical
22 Assistance funds for increasing community-based
23 service and supports.

24 The first question is, where's
25 Pennsylvania at in comparison to other states in

1 the proportion of home- and community-based care
2 compared to institutional care?

3 SECRETARY MACKERETH: Representative, I
4 can tell you we're not where I'd like to see us.
5 The balancing incentive grant, I believe, is for
6 states that are below the 50 percent. And so,
7 that's why we are applying for it. We have to do
8 better. And we hope to do better. And that will
9 move us along.

10 There's three different issues that we
11 have to do. There's no wrong door with that.
12 There's single assessment, which we'll need, and
13 conflict-free case management. Those are the three
14 areas. And our hope is to create the system that
15 can get us moving in the right direction.

16 REPRESENTATIVE MILLARD: Okay.
17 Secondly, where is DPW at in terms of applying
18 federal rebalancing incentives offered under the
19 Affordable Care Act?

20 SECRETARY MACKERETH: That is it.

21 REPRESENTATIVE MILLARD: That is it.

22 SECRETARY MACKERETH: Yes,
23 Representative. And that is -- and that's the
24 seventy-five million that we're requesting.

25 REPRESENTATIVE MILLARD: Okay.

1 SECRETARY MACKERETH: And that is under
2 the Affordable Care Act.

3 REPRESENTATIVE MILLARD: And then the
4 final is where is Pennsylvania at in terms of
5 applying for these funds compared to other states?
6 And how long are these increased funds available?

7 MR. SPISHOCK: We should have our -- we
8 have the application complete. It's in the final
9 review. We should be submitting our application to
10 the federal government within the next couple of
11 weeks.

12 The funds will be available in '14-'15,
13 and for one quarter. They will end September
14 2015.

15 REPRESENTATIVE MILLARD: Okay. And I
16 guess my last comment is, we've heard a lot of
17 comments today about, you know, the state accepting
18 the federal dollars to join in the Affordable Care
19 Act and everything else, and you've explained early
20 on that it comes at a cost. So, to encapsulate
21 this, would you indicate to me whether my comment
22 is correct or incorrect: There are no free
23 dollars.

24 SECRETARY MACKERETH: That is correct.

25 REPRESENTATIVE MILLARD: Thank you.

1 Thank you, Madam Secretary.

2 Thank you, Mr. Chairman.

3 SECRETARY MACKERETH: Thank you.

4 MAJORITY CHAIRMAN ADOLPH: Thank you,
5 Representative.

6 Representative Mike Carroll.

7 REPRESENTATIVE CARROLL: Thank you,
8 Mr. Chairman.

9 Madam Secretary, I do not envy you in
10 your position, in your role today.

11 SECRETARY MACKERETH: Some days I don't
12 envy me either, but that's okay.

13 REPRESENTATIVE CARROLL: It is quite
14 the challenge. I don't envy you in your role.

15 SECRETARY MACKERETH: Thank you.

16 REPRESENTATIVE CARROLL: I have
17 listened intently over the course of the last two
18 and a half hours or so to the conversation, and, I
19 guess, just from a ten-thousand-foot perspective,
20 I'm having trouble reconciling the comments that
21 I've heard with respect to the governor and the
22 administration and the department's desire to
23 ensure the five hundred thousand folks and then to
24 do everything in a single package. I think it
25 might have been the budget director who used that

1 phrase "a single package."

2 And I just can't -- I'd like to know if
3 you could explain to me what the rationale is for
4 that "single package" decision. Why not take
5 advantage of the program that's offered as a result
6 of the Affordable Care Act with respect to the 100
7 percent reimbursement and move forward with a
8 Healthy PA program and make adjustments midstream
9 as has been done in this building time after time
10 after time?

11 SECRETARY MACKERETH: First off, I
12 don't know if it keeps getting lost, but we do --
13 from a practical perspective, it's not about
14 flipping a switch. We need to have -- we've put in
15 the budget for seven hundred positions to be able
16 to handle the workload in our ninety-three CAO
17 offices. We are working on our IT system. We're
18 not where we need to be.

19 Again, when I said, if you see one
20 Medicare -- Medicaid system, you've seen one state
21 Medicaid system. They all look different. Our
22 system, we had some things that we needed to fix.
23 We've had a lot of things that we needed to fix.
24 And believe me, we're not the only state, because
25 most states have some very similar problems that we

1 have had. They have less people. They have less
2 seniors. Many have less individuals with
3 disabilities. So, again, we look very different.

4 Our benefit package was robust. There
5 was -- we were spending a lot of dollars. Thirty
6 percent of the general fund budget goes to MA. We
7 have to reform. The governor said two years ago,
8 we need to reform, and we need flexibility to do
9 some things.

10 If we continue to do what we've always
11 done, with no good health outcomes, with no
12 personal responsibility, we're going to get the
13 same results, which is we just continue to spend
14 money. I don't think that's acceptable to the
15 people of Pennsylvania. I think they want to see
16 better health outcomes. We want people to go to
17 the doctor.

18 In our benefit package, we have said
19 that individuals can go to the doctor, their
20 primary care physician, as many times as they need
21 to, because we want to push people to the doctor.
22 We want them to have relationships with their
23 doctor.

24 Again, in Medicaid, our provider base
25 is much more refined than it will be under a

1 private coverage option where we're going to have
2 much more access to docs for individuals. We're
3 talking about a different population of people
4 there.

5 Again, you know, I feel like I am a
6 broken record. I mean, we can go through this --
7 and I would be happy to sit down with you. I'd be
8 happy to come to your caucus and sit down and talk
9 with you all about why we're doing what we're doing
10 and how it makes sense. So, I'm just going to
11 throw that out there to you.

12 REPRESENTATIVE CARROLL: All right. In
13 addition to changing the name of the department,
14 I think we ought to think about changing the name
15 of the Medicaid assistance we provide to seniors,
16 because this conversation related to Medicaid
17 includes that universe of folks and that financial
18 obligation that is tremendously significant in
19 terms of the global discussion of Medical
20 Assistance.

21 And then, just one other observation.
22 You know, it seems to me that some of the folks
23 that you are concerned about coming into the County
24 Assistance Offices, it seems to me some of those
25 folks would end up in the Medical Assistance

1 program by virtue of a computer transaction
2 relative to the exchanges. And so, I'm not certain
3 that every single one of those folks would show up
4 at the County Assistance Office. Some of those
5 folks might actually get enrolled by virtue of a
6 transaction in the community.

7 SECRETARY MACKERETH: And they may very
8 well. And so, we have concerns about that as well,
9 because we have -- I don't know. I think the last
10 figure I heard -- which probably is inaccurate,
11 guys -- but about sixty-eight thousand applications
12 which the federal government is not able to send to
13 us because it's not working.

14 REPRESENTATIVE CARROLL: And I'll end
15 with just a -- if we could have a short discussion
16 about the FMAP and the three hundred twenty-two
17 million dollars that the commonwealth will receive
18 in terms of reduction this coming fiscal year.

19 As I understand it, the commonwealth
20 was made aware of that last fall, sometime around
21 September or October.

22 MR. SPISHOCK: Well, not the current
23 FMAP. We received a preliminary FMAP back last
24 fall, which had us at 53 percent federal, which is
25 what we based our initial budget request on.

1 This October, we revised the current
2 projections, which shows us at the 51.82.

3 REPRESENTATIVE CARROLL: But the
4 reality is that we knew last fall that there was
5 going to be a reduction in terms of the --

6 SECRETARY MACKERETH: Not the size we
7 did. Our preliminary number was 53 percent.

8 REPRESENTATIVE CARROLL: And as I
9 understand it, the FMAP number changes year over
10 year. And some years we do a little bit better,
11 and some years we do a little bit less.

12 MR. SPISHOCK: We've been dropping
13 pretty consistently. It's usually based on your
14 per capita income tax. And the feds for this year
15 rebased how they calculate per capita. It's a
16 significant -- as we said, it's a significant drop
17 for us. Percentage-wise, we're probably --
18 Delaware probably had the biggest decrease;
19 dollar-wise, Pennsylvania had the biggest decrease
20 in dollars.

21 REPRESENTATIVE CARROLL: Yeah. I did
22 look at the states, and there were a handful of
23 states that were in the category with us in terms
24 of having a large percentage drop, and then a few
25 states that did well comparatively speaking.

1 But, I guess, you know, when I think
2 about the hit that we were expecting to take with
3 respect to the FMAP numbers that we had a sense of
4 beginning last fall, and then you fold on top of
5 that decision relative to the expansion of the
6 Medical Assistance, it makes me wonder, again, if
7 it wouldn't have been a wise move to recalibrate
8 the decision, especially in light of the
9 information relative to the FMAP percentages.

10 And I guess I don't expect you to
11 answer that, but it seems to me that, given the
12 decision that was made with respect to not, you
13 know, expanding Medicaid, that the FMAP component
14 probably should have brought us to a point where we
15 recalibrated.

16 I don't know if you care to offer an
17 opinion on that, Madam.

18 SECRETARY MACKERETH: Representative, I
19 would just say that the FMAP recalculation and
20 knowing that is the funding formula change moving
21 forward creates more pause than ever in a system
22 that is already -- we're overspending, and now with
23 a reduction in three hundred twenty-two million
24 from this year forward, that makes us even more
25 nervous about expanding a system that today can't

1 be financially sustained.

2 REPRESENTATIVE CARROLL: But that
3 formula that -- that data that's used in that
4 formula will change every four, five years, as I
5 understand it, and that percentage is a new
6 percentage. Each fall we get that percentage.

7 SECRETARY MACKERETH: According to
8 CMS's formula wasn't changed for many, many years.

9 MR. SPISHOCK: Yes, the per capita does
10 not change. It probably hasn't changed in twenty
11 years.

12 SECRETARY MACKERETH: Yep. They've
13 been waiting twenty years to be able to change
14 this. And Pennsylvania fared worse, again, dollar
15 wise, than any other state in the nation.

16 REPRESENTATIVE CARROLL: This time.

17 SECRETARY MACKERETH: This time. But,
18 for us, three hundred twenty-two million out of our
19 budget, when our budget continues to grow because
20 of Medicaid and the current population, is scary.

21 REPRESENTATIVE CARROLL: Fair enough.

22 And that brings me back to the decision
23 relative to the 100 percent reimbursement. And I
24 understand at FMAP contribution percentages are
25 different from the Affordable Care Act, but the

1 reality is, is that we're living in a universe with
2 both of those variables in play, and it seems to me
3 that probably we should have recalibrated as a
4 result of the knowledge related to FMAP.

5 And I'll stop there.

6 SECRETARY MACKERETH: Thank you,
7 Representative.

8 REPRESENTATIVE CARROLL: Thank you.

9 MAJORITY CHAIRMAN ADOLPH: Thank you,
10 Representative.

11 Representative Curt Sonney.

12 REPRESENTATIVE SONNEY: Thank you,
13 Mr. Chairman.

14 Madam Secretary, good to see you.

15 SECRETARY MACKERETH: Good to see you,
16 too.

17 REPRESENTATIVE SONNEY: And I'm going
18 to be brief.

19 I just want to touch base real quick,
20 when you talked a little bit about long-term living
21 and nursing homes, especially.

22 SECRETARY MACKERETH: Yes.

23 REPRESENTATIVE SONNEY: And the need to
24 basically keep as many individuals out of those
25 nursing homes as we can. Of course, we know that

1 we have existing programs in place that can help
2 these elder citizens to be able to remain at home
3 longer, and, of course, these are individuals that
4 do qualify, as far as their condition, to be placed
5 in a nursing home, but yet, with the proper support
6 and services, they can remain in their homes much
7 longer, which obviously saves us all money.

8 SECRETARY MACKERETH: Not always, but
9 go ahead.

10 REPRESENTATIVE SONNEY: But you had
11 mentioned that the department is looking at
12 expanding those types of services.

13 SECRETARY MACKERETH: Yes. Over the
14 next year, with our long-term care commission, we
15 will be looking at the entire continuum of services
16 to meet the needs of our growing senior
17 population. So, we're going to be looking at
18 everything, all home-, community-based, and
19 certainly nursing facility -- and nurse facility --
20 if you're eligible for that, there's other
21 opportunities like LIFE programs, things like that,
22 shared living, all those kinds of things.

23 REPRESENTATIVE SONNEY: Yes.

24 SECRETARY MACKERETH: Yes.

25 REPRESENTATIVE SONNEY: And,

1 specifically, on the LIFE programs --

2 SECRETARY MACKERETH: Yes.

3 REPRESENTATIVE SONNEY: Do you believe
4 that -- and not just the LIFE programs, but in
5 similar programs, do you believe that we have the
6 infrastructure in place throughout the state to be
7 able to provide services, you know, to a wide area
8 of the commonwealth, for those individuals that
9 would like to receive those services?

10 SECRETARY MACKERETH: Well, we are
11 relooking at that.

12 MR. SPISHOCK: We're looking at a
13 distribution of slots as part of the program. In
14 the current budget, we have eight hundred slots,
15 which actually is an increase of two hundred over
16 what's projected growth for the fiscal year, but we
17 want to look at redistributing those slots where
18 they are in the -- there's some areas of the
19 commonwealth that do not have LIFE providers that
20 may be looking to implement a LIFE provider, we'd
21 look to redistribute those slots, where
22 appropriate.

23 REPRESENTATIVE SONNEY: And I do have
24 some specific concerns about that that I've been
25 hearing from local providers.

1 SECRETARY MACKERETH: Okay. And we
2 would love to hear them.

3 REPRESENTATIVE SONNEY: And I would
4 love to meet with you. I wrote you a letter about
5 a month ago, and, quite frankly, I realize that you
6 couldn't find a busier time of the year to get in
7 touch with you.

8 SECRETARY MACKERETH: I'll make sure
9 you get your response back.

10 REPRESENTATIVE SONNEY: But I wanted to
11 get on the record and get in line for a personal
12 meeting with you so that we could discuss some of
13 those issues.

14 SECRETARY MACKERETH: Okay. Thank
15 you.

16 REPRESENTATIVE SONNEY: Thank you.
17 Thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN ADOLPH: Thank you,
19 Representative.

20 Representative Seth Grove.

21 REPRESENTATIVE GROVE: Thank you,
22 Mr. Chairman.

23 Secretary, always good to see you.

24 SECRETARY MACKERETH: Always good to
25 see you.

1 REPRESENTATIVE GROVE: You're looking
2 lovely today.

3 SECRETARY MACKERETH: Thank you.

4 REPRESENTATIVE GROVE: David, you also.

5 MR. SPISHOCK: Thank you.

6 SECRETARY MACKERETH: I love you, Seth.

7 REPRESENTATIVE GROVE: Definitely in a
8 manly way.

9 I want to start off with a discussion
10 about the argument of entering into Medicaid
11 expansion and then negotiate. To me, it makes
12 absolutely no sense to completely give away all
13 your negotiating position, and, obviously, it's so
14 critical to get our budget under control. You've
15 discussed the numbers. It's not looking good to
16 just continue to do the things we've been doing in
17 welfare.

18 Can you comment on why the federal
19 government, if we expand it -- obviously they want
20 us to expand -- why they would ever try to
21 negotiate with us.

22 SECRETARY MACKERETH: I think that's
23 certainly part of what went into the decision to
24 move down the path that we have. We need to make
25 sure we get reform to our current system. Without

1 reform, there is no way to move forward. You can't
2 throw five hundred thousand people in a system that
3 needs to be reformed and that is not financially
4 sustainable.

5 So, do I believe that the federal
6 government would just -- I mean, I think they would
7 have been very happy for us to just expand. I'm
8 not sure we have gotten the reform that we need.

9 REPRESENTATIVE GROVE: I absolutely
10 agree with you.

11 And looking at those reforms, one of my
12 colleagues that's not on Appropriations brought up
13 that the Office of Inspector General was looking at
14 a 4 percent decrease, and his worry is we'll lose
15 nineteen welfare fraud investigators, who -- each
16 one of them brings in about 1.1 million dollars of
17 reduction, between overpayments and trying to find
18 that fraud. The worry is, without those
19 investigators, we won't continue to ensure that
20 those taxpayer dollars will be used for what
21 they're supposed to be used for.

22 Can we get a commitment maybe to try to
23 find a way to maintain their line item to make sure
24 we don't use those welfare fraud investigators?

25 SECRETARY MACKERETH: I need to check

1 into that, Representative Grove, because I'm not
2 sure that -- I didn't realize that we were -- it's
3 not our line item; it's theirs.

4 But I can tell you that the partnership
5 that we have with the inspector general's office
6 has been tremendous, and we have sat down, we've
7 worked with them. We've talked through how, when
8 they're in any home or doing any kind of
9 investigation, they can take that opportunity and
10 look for, you know, if children are in the home,
11 what's going on. So, we have a tremendous respect
12 for the work they do on our behalf. In fact, many
13 of the inspector generals sit in our CAO offices so
14 they're there for us to talk with all the time.

15 REPRESENTATIVE GROVE: Great.

16 Couple of lightning round questions.
17 I'll ask short, you answer short, and we'll get
18 through this.

19 SECRETARY MACKERETH: Right.

20 REPRESENTATIVE GROVE: It's my
21 understanding that child care providers contracted
22 with the state since 1990 have had their rates
23 frozen. New providers coming into the system have
24 gotten a new rate.

25 Is the department looking at trying to

1 correct that inequity?

2 SECRETARY MACKERETH: Actually, as one
3 of the other reps brought up, we are paying for
4 quality now. So, the dollars will go and the
5 dollars continue to go for providers to move up
6 and, for higher quality, from level two to level
7 three or level four in our Rising Stars program.

8 REPRESENTATIVE GROVE: Great.

9 Office of Long-Term Living waiver
10 reimbursement has separate rates for RNs and LPNs.
11 Basically, there's increasing reliance on LPN
12 service. According to the Bureau of Labor
13 Statistics, the number of LPNs working in PA has
14 decreased over 5 percent since 2009, and the number
15 of LPNs in PA are much more limited than RNs.

16 Has there been efforts to assist
17 providers in attracting and retaining LPNs?

18 SECRETARY MACKERETH: Representative, I
19 would tell you that it's really up to the providers
20 to get out there and attract the level of employees
21 that they need to have. They have not brought that
22 at least to my attention, and even though I'm
23 sure -- you know, they may have talked to one of my
24 staff members, but it really is up to them to
25 recruit for providers.

1 before, if we had a letter of support, I bet it
2 would speed up the process of getting Healthy PA
3 through the federal government.

4 But, I also would say, you know, call
5 us. If people come in to meet with you about
6 issues, we hear from people every day about we need
7 this, we need rate increases, we need this, this,
8 this, all the time. Call us. Let's sit down and
9 talk it through. Let's figure out what's really
10 going on. I think that's important. If we're all
11 on the same page, it's going to help.

12 REPRESENTATIVE GROVE: Appreciate that.

13 SECRETARY MACKERETH: Thank you.

14 REPRESENTATIVE GROVE: Thank you.

15 Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN ADOLPH: I got good
17 news for you, that was the last member with
18 questions.

19 SECRETARY MACKERETH: And my rep did
20 great.

21 MAJORITY CHAIRMAN ADOLPH: We had
22 originally scheduled the Department of General
23 Services to be in here at 3:30. We're going to try
24 to keep him somewhat on time, probably be about
25 fifteen, twenty minutes late for them.

1 Madam Secretary, Mr. Spishock, thank
2 you so much for being here. I knew going into this
3 hearing, because of the amount of both federal and
4 state tax dollars that are spent on this budget,
5 but also because of the population that we're
6 talking about, because of those that are the most
7 needy citizens, we have to get it right.

8 And I'm happy to hear that the
9 department has made an effort, based upon previous
10 auditor general findings, to make sure that, you
11 know, there is no waste or abuse or fraud. Not
12 everybody goes to jail that wastes money, but we
13 have to correct it, to make sure those that are
14 most needy get the most money that they can.

15 Also, you know, even those that voted
16 for the Affordable Care Act and that administration
17 has made the decision to delay some of their
18 provisions of the Affordable Care Act, whether it
19 was for small businesses or whether it was for
20 large businesses, whether it was reporting health
21 care costs on W-2s. There's always delays in
22 implementing legislation.

23 I don't know if Healthy PA is the
24 answer. I'm not an expert. I'm hoping that the
25 federal government does respond. I certainly would

1 have wished that we could have gotten it down there
2 faster, obviously. I don't think you disagree.

3 SECRETARY MACKERETH: No.

4 MAJORITY CHAIRMAN ADOLPH: But it was a
5 big change put upon us. But it's a little over, I
6 guess, eleven billion dollars in state tax dollars
7 that we have to make a decision how we spend it and
8 make sure that it's sustainable for those that need
9 it the most over the next several years.

10 We do have some problems out there, you
11 know, and you have a big challenge. And there's
12 some people here from the Arc of Pennsylvania that
13 have some problems that they shared with us today,
14 and, you know, these care givers that have
15 sacrificed their entire lives to take care of those
16 loved ones, and if they did not do it, they would
17 have been a big financial burden on the
18 commonwealth. So, we need to help those families
19 out.

20 Thank you so much. I hope we hear from
21 the federal government as soon as possible. You
22 know, I have a feeling there's going to be some
23 tweaks. We're going to have to get back to work,
24 because we need to get this budget done, and,
25 hopefully, we can get Healthy PA or some version of

1 it going so we can take care of these folks.

2 SECRETARY MACKERETH: Absolutely.

3 MAJORITY CHAIRMAN ADOLPH: Thank you
4 very much.

5 SECRETARY MACKERETH: Thank you so
6 much, Mr. Chairman.

7 MAJORITY CHAIRMAN ADOLPH: The next
8 hearing will reconvene at 3:50.

9 Thank you.

10 (Whereupon, the hearing concluded at
11 3:43 p.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that I was present upon the hearing of the above-entitled matter and there reported stenographically the proceedings had and the testimony produced; and I further certify that the foregoing is a true and correct transcript of my said stenographic notes.

BRENDA J. PARDUN, RPR
Court Reporter
Notary Public