

**Testimony Provided for HR 590 Public Hearing September 21, 2016**  
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**Pyramid Healthcare, Inc.**

My name is Jason Hendricks, and I am the Chief Operating Officer of Pyramid Healthcare, Inc. Pyramid is one of the largest private providers of behavioral health services in PA. We have 11 residential facilities with over 700 detoxification and rehabilitation beds. We have a network of 41 drug free and/or medication assisted outpatient behavioral healthcare offices across PA. We treat thousands of clients each day.

In addition, we have two central call centers that take over 200,000 calls per year from people seeking treatment.

I am also presenting on behalf of the Pennsylvania Rehabilitation and Community Providers Association (RCPA), of which we are one of over 300 members.

I want to call your attention to several issues that we see as significant contributors to the drug/opioid crisis in Pennsylvania. First, there are not enough treatment beds in the state. In the six months from January, 2016 to June, 2016, our call center turned away over 4,000 people due to a lack of beds. This will number over 8,000 for the year. During that same period, we were able to accept about 5,000 people in treatment. Thus, it is almost the case that for every two people who call, we only have the capacity to treat one. We try to place callers with other providers, but they are generally full as well.

People want treatment, there is just not enough system capacity to serve them. The problem is accelerating.

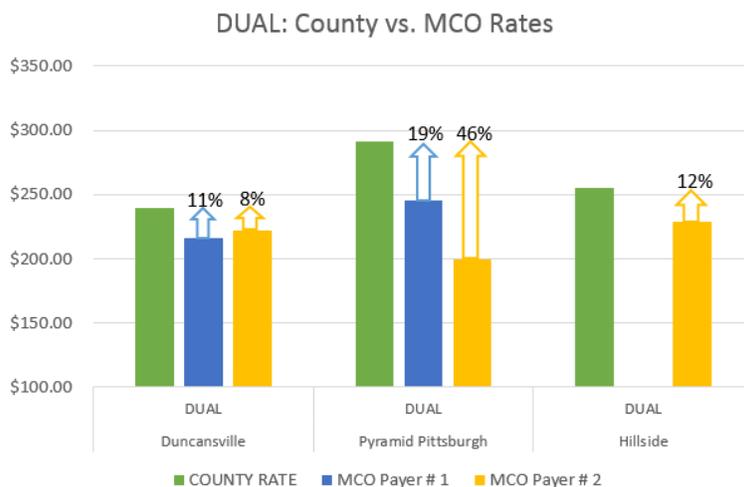
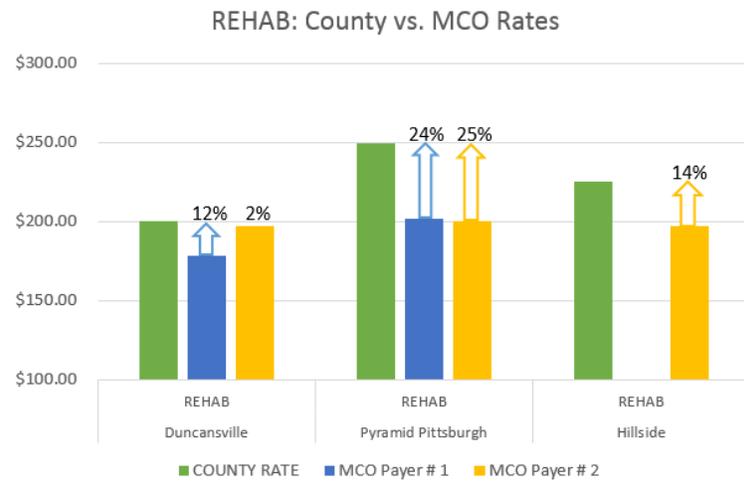
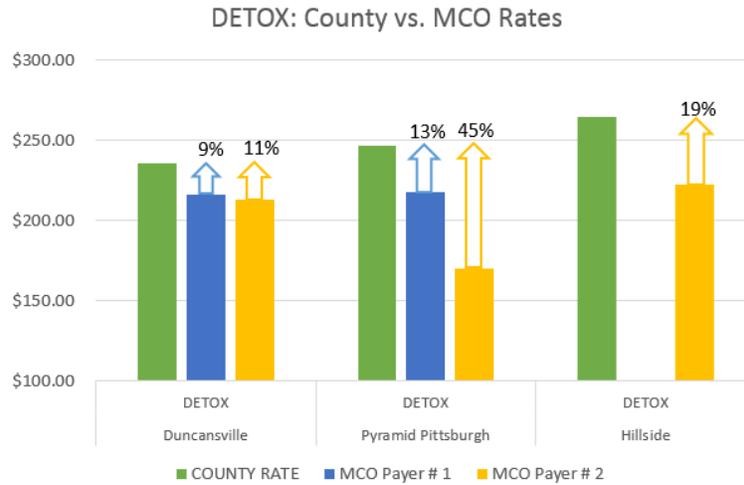
However, due to the fact that behavioral health Managed Care Organizations (MCO's) are paid on a capitated basis, they seem, generally, to have little motivation to support increases in treatment capacity, as this will increase their costs. Once more, the single county authorities seem just as ambivalent in many cases to capacity expansion.

The second issue has to deal with the rates paid by counties and providers for services, and in particular residential facility rates.

As you are no doubt aware, the behavioral health portion of the medical assistance program in PA is carved out and managed by Managed Care companies (MCO's). Each year the Single County Authorities have providers complete an analysis of their costs to determine a cost-based payment rate. Unfortunately, the MCO's, in most cases, do not

honor that rate and pay rates which are below the cost of care. This problem has become more pronounced over time.

I have detailed a sample of this problem in graph form below, showing the difference between county (cost based) rates and MCO rates.



Given that MCO's are paying rates BELOW cost, providers are not willing to create more beds/capacity to fill the demand. Additionally, when not fully reimbursed for the full cost of treatment, providers are not able to provide a quality or continuum of care that can result in the best outcomes for the client. Here are some suggested solutions:

1. Require OMHSAS to ensure that MCO's and Single County Authorities pay, at a minimum, the cost of care, which would include the cost of development of new services
2. Include additional budget monies which would 1) help offset the cost of development of new services 2) provide for fair and equitable provider rates and 3) help treat more people. I believe this would be in the form of additional monies for DDAP/Single County Authorities, and most importantly, additional treatment monies in the MCO capitation payments.

Thank you for the opportunity to testify today.