

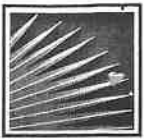
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

| | |
|------------------------|--|
| TO <i>Singleton</i> | DATE <i>this should have been sent to Dir by 10-12-07</i> |
|------------------------|--|

| | | | |
|--|--|------------------|--|
| DIRECTOR'S USE ONLY | | ACTION REQUESTED | |
| 1. LOG NUMBER 000197 | <input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <u>10-19-07</u> | | |
| 2. DATE SIGNED BY DIRECTOR | <input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action | | |
| <i>cc: Deps, Ms. Fortner</i> <i>cleared 2/27/08, e-mail</i> <i>attached.</i> | | | |

| APPROVALS (Only when prepared for director's signature) | APPROVE | * DISAPPROVE (Note reason for disapproval and return to preparer.) | COMMENT |
|--|---------|---|---------|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |



PALMETTO
ADMINISTRATIVE SERVICES

October 8, 2007

*Log: Myers
c: NPS
Emma
Dir. Mr*

RECEIVED

OCT 12 2007

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Emma Forkner
Director
South Carolina Department of Health and Human Services
PO Box 8206
Columbia, South Carolina 29202-8206

Dear Emma,

Thank you for your letter of October 3rd advising me that the proposed acquisition of Physicians Choice by Total Carolina Care is allowable. Effective October 5th, the acquisition has been finalized. All of us at Physicians Choice want to thank you and your staff for your careful and timely review of this matter, and also want to express our sincere appreciation to the Department for allowing us the opportunity to participate in the program.

According to the terms of the acquisition, the owners of Physicians Choice LLC (I was the majority owner) are liable to Total Carolina Care for the results of the financial reconciliations from program startup in January 2006 through September 2007.

In view of uncertainties surrounding the actuarial calculations, I propose a one time settlement of the financial results for this time period. The actuarial process, although diligently applied by staff, could not be fully sensitive to the variety of unintended variables in our population of members when compared to all eligible Medicaid beneficiaries. I should not speak to the opinion of Mike and Beverly on this. However, I can attest to their good faith efforts to address the issues that that we raised.

The tentative reconciliation results for Physicians Choice were mixed -- a lack of savings in the first quarter of operations; savings in excess of contingent funds in the second quarter, and, for the third, had a full case mix adjustment been applied, we believe that additional savings would have been available to share with our network providers.

Nevertheless, given the many uncertainties, we propose, in final settlement, that no savings/gain and no loss be recognized for the entire time period, from January 2006 through September 2007.

I look forward to hearing from you. Of course, I would be pleased to meet with you to discuss this further. Until then, I am


Yours truly,

Francis G. Middleton, M.D.

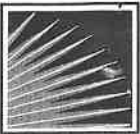
**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

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PALMETTO

ADMINISTRATIVE SERVICES

October 8, 2007

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Director
South Carolina Department of Health and Human Services
PO Box 8206
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*Log: Myers
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Yours truly,

Francis G. Middleton, M.D.

Log # 197 ✓

From: Beverly Hamilton
To: Byron Roberts
Date: 2/27/2008 5:00 PM
Subject: Log Letter 197

I have discussed the issues contained in the above-referenced log letter. No further correspondence is needed on this.

Let me know if you need more details, but I think it is fine to close this log out. Beverly

Beverly G. Hamilton, MHSA
SC Dept. of Health & Human Services
803-898-4502