

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Bowling	5-17-07

DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER	000723	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	
2. DATE SIGNED BY DIRECTOR	CC: Singleton Cleared 6/18/07, letter attached.	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <u>5-28-07</u> <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action	

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

MAY 16 2007

Department of Health & Human Services
OFFICE OF THE DIRECTOR

RECEIVED

May 11, 2007

MAY 16 2007

Susan B. Bowling, Acting Director

State of South Carolina

South Carolina Department of Health and Human Services

1801 Main Street, 11th Floor

Columbia, SC 29201

MEDICAL SERVICES

DHHS

Dear Mrs. Bowling,

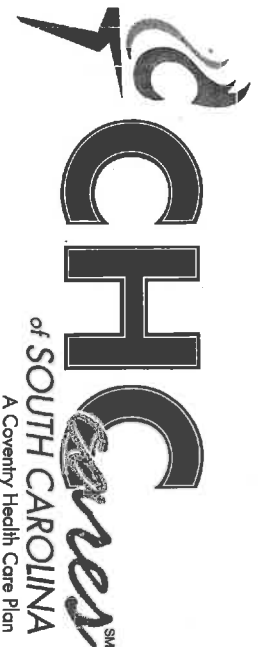
RE: Network Certification Approval

Log: Bowling
"app. 12/06"
C: Singleton

CHCcares of South Carolina is excited to become the third managed care organization to serve the State's Medicaid population. We continue to work diligently to provide a comprehensive provider network to meet the diverse health care needs of South Carolinians. In doing so, we have submitted to SCDHHS our initial network submission for review and approval, which we are confident meets adequacy and access requirements for our initial target regions.

Preliminary feedback from SCDHHS staff suggests that our subsequent network approval may be compromised based on not having two pediatric sub-specialty types under contract within the state. The two specialties, pediatric cardiology and pediatric surgery, have been the most difficult to secure in-state provider agreements.

CHCcares is contracted with Savannah Children's Heart Center in Savannah, Georgia for the provision of pediatric cardiology services. While CHCcares does not currently have a contract with a provider for pediatric surgery, we have a full complement of general and specialty surgery providers (agreements) in the Richland/Orangeburg area that can be utilized to cover this specialty requirement. Additionally, we are in the process of finalizing terms with the Medical College of Georgia which include pediatric surgery and cardiology physicians as a component of its provider panel. We are asking for your approval of CHCcares network submission based on coverage for pediatric cardiology and surgery as described above and further detailed in the enclosed Pediatric Subspecialty Coverage Plan.



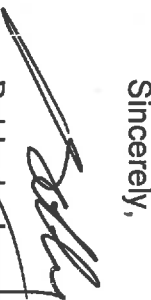

A modified version of the Pediatric Subspecialty Coverage Plan was previously submitted to your staff on May 2, 2007 for review. We have included a discussion on our contracting attempts and initiatives employed to secure contracts with core providers for pediatric cardiology and surgery services in the state. The plan detail gives greater weight to the contracting difficulties we have experienced to date. However, we remain committed and supportive of the State and its managed care initiatives.

We recognize your agency's need to ensure beneficiary access to care through the completion of the network certification process and the requirement that MCOs have all provider specialties secured prior to go live. However, CHCcares full implementation and go-live continues to be impeded by provider reluctance to contract with new MCOs, regardless of reimbursement rates offered above the Medicaid fee schedule. This is especially true for in-state providers who cover pediatric cardiology and surgery, which are the only outstanding specialties preventing CHCcares from completing the network certification process. This issue has been a distraction and diverted resources from our target go live date of June 2007.

I am available for an on-site meeting or telephonically to discuss further at your convenience. I can be reached at (313)465-1518 or via cell phone at (248)318-2434 at any time.

We appreciate any attention and resolution you can give to this matter, as we are anxious to begin servicing the South Carolina Medicaid population.

Sincerely,

Bobby L. Jones
Chief Executive Officer

Cc: Fran Soistman, EVP – Coventry Health Care, Inc.
Jan Hodges, CEO – Coventry State Health Care Business



CHCares of South Carolina Coverage Approach for Select Pediatric Subspecialties

Background

CHCares Network Management staff have worked for the past year in the market to identify traditional Medicaid providers for inclusion in its initial South Carolina Medicaid network. Central contracting efforts have focused on Richland and Orangeburg counties for our initial start-up. General provider receptiveness has been mixed based on a variance of attitudes toward managed care.

Contracting efforts for pediatric subspecialties, specifically pediatric surgery and cardiology, have proven to be the most difficult specialties to secure. Efforts to secure contracts with pediatric cardiologists and surgeons have included:

- Medical University of South Carolina (MUSC): MUSC hospital system was contacted on numerous occasions to secure a contract that would cover all specialty types, with emphasis on transplants, pediatric surgery and pediatric cardiology. Feedback from MUSC was that they were unwilling to negotiate with any new health plans given their existing relationship with Select Health. MUSC covers both pediatric cardiology and pediatric surgery in the Charleston County area.
- University Specialty Clinics (USC): Contract negotiations began with USC in September 2006. USC initially requested 120% of the current Medicaid fee schedule for reimbursement during these initial discussions. CHCares subsequently agreed to this reimbursement rate. We also expanded the proposal to include a credentialing service fee of \$100 per physician credentialled in our network to cover their administrative costs for completing our credentialing applications. Additionally, CHCares proposed to process a \$5,000 deposit to be held by USC for a year as a claims payment guarantee. USC also shared that they had problems with what they referred to as a cumbersome authorization process. As a result, we offered them a special provider status that waives the majority of our pre-authorization policies.

Despite the proposal CHCares submitted to USC, the provider group has delayed a decision to contract with any new MCOs until an internal policy change is enacted. Their reluctance to enter any new contracts is tied to claims payment performance issues they currently experience under their contracts with Unison and Select Health. During previous discussions with the contract administrator for USC, she cited significant outstanding claims issues with the current MCOs that include payment errors or non-payment.

USC covers both pediatric cardiology and pediatric surgery in the Richland County area.

- Palmetto Health System(PHS): Contract negotiations began with PHS early 2007. PHS is reluctant to contract with any additional MCOs based on issues surrounding the disproportionate share payments (DSH) administration. PHS officials cited concerns that contracting with additional MCOs water down their current DSH payments. In addition, they expressed concern as to how DSH would be administered post statewide auto assignment (MCO pass through or direct payment under the current system). PHS officials also indicated that they already contract with two MCOs and were not required to take on any additional Medicaid health plans based on conversations with SCDHHS officials.
- Greenville Health System: CHCares staff met initially with GHS staff December 2006. During that meeting GHS officials indicated they were not prepared to review any new contracts until February 2007. GHS also did not want to meet with any new MCOs until there was proof of a contract having been executed with SCDHHS. CHCares staff met recently with GHS officials again to attempt to secure a hospital as well as group agreement, which would cover the pediatric cardiology and pediatric surgery specialties needed. GHS indicated that they have a consultant which they are working with to determine which new MCOs they will extend an agreement. Contracting staff at GHS made it clear their intent is to contract with no more than two additional MCOs. They also cited some operational issues with the existing MCOs, which in part is why they are looking to restrict the number of MCOs with whom they do business.
- Sanger Clinics: A proposal was submitted to Sanger clinics in North Carolina for pediatric cardiology coverage only. Sanger at this time is refusing to contract for additional Medicaid services even if we paid them at commercial rates.
- Medical College of Georgia (MCG): CHCares submitted a proposal to MCG to cover both pediatric cardiology and pediatric surgery in February 2007. Initially MCG did not want to contract with CHCares, given a reluctance to treat any additional South Carolina Medicaid beneficiaries other than those under Select Health with whom they currently have a contract. Reimbursement levels proposed to MCG were significantly higher than South Carolina Medicaid rates to ensure that a contract would be executed. CHCares is currently awaiting receipt of an executed contract.

- Memorial Health System: CHCares submitted a proposal to Memorial Health System in Georgia to cover pediatric surgery, based on a lack of response from South Carolina based providers. A contract is expected to be executed no later than May 15, 2007. This contract does not represent CHCares' preferred provider for provision of these services in the Richland area, however this agreement will ensure we have the provider type in network until South Carolina based contracts are secured.

Proposed Approach

Pediatric Cardiology

CHCares has secured a contract with Savannah Children's Heart Center, PC for the provision of pediatric cardiology, which is based in Savannah, Georgia. In reviewing the utilization patterns, pediatric cardiology showed low cost/utilization rates for the proposed Richland/Fairfield service areas. As such, we are proposing the temporary use of Savannah Children's Heart Center, PC, until CHCares finalizes contracts with one of the in-state providers with whom we are currently in negotiations. Furthermore, we are receptive to bearing the cost of non-urgent transportation to any out-state provider based on our lack of in-state provider availability.

Pediatric Surgery

CHCares has secured contracts with a broad range of surgical providers in the Richland County area. Surgical contracts are in place with Richland based providers covering the following disciplines:

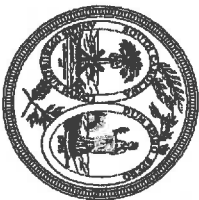
- Cardiovascular Surgery
- Thoracic Surgery
- Colon/Rectal Surgery
- General Surgery
- Neurological Surgery
- Oral Surgery
- Orthopedic Surgery
- Plastic Surgery
- Urological Surgery

We have engaged in internal review of the surgical board contracted to discern if we could in effect cover pediatric surgery based on the existing panel. Coventry Medical Directors have reviewed the panel and commented that the surgical specialties represented are extensive enough to cover any surgical services required for peds. We have at least one provider, Ira Harrell, Jr. who is a general surgeon who operates on children ages 5 and up dependent upon the presenting condition. Also, Palmetto Surgical Associates is contracted with CHCares and will operate on children ages 15 years and up.



CHCcares also has a contract with the Regional Medical Center of Orangeburg and Calhoun (TRMC), whose group of general surgical providers actually perform pediatric surgeries with no age restrictions. This surgical group in addition to providers based in Richland County will ensure coverage for the specialty type in lieu of a contract being executed with a board certified pediatric surgeon.

We are asking for your review of both proposed approaches for handling both provider types, pending contracts with larger health systems that will cover both specialties.



State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

Susan B. Bowling
Acting Director

June 18, 2007

Mr. Bobby L. Jones
Chief Executive Officer
CHCcares of South Carolina
140 Stoneridge Drive, Suite 200
Columbia, South Carolina 29210

Dear Mr. Jones:

Thank you for your letter outlining the challenges that you have encountered when attempting to secure in-state coverage for pediatric cardiology and surgery, two specialty services required to complete the provider networks for Richland and Fairfield counties. The *2007 Policy and Procedure Guide for Managed Care Organizations* stipulates a 50 mile radius for specialty care. Additionally, the South Carolina Department of Health and Human Services (DHHS) takes into account the utilization trends of the fee-for-service Medicaid population. This leads us to conclude that it is not reasonable to expect a family to travel the distance that would be required to receive healthcare services in Savannah when each specialty is already available in their county of residence or the contiguous county.

We appreciate the effort you have put into network development. However, we regret to inform you that the proposed networks as currently submitted cannot be approved. We encourage you to continue pursuit of in-state providers and hospitals to ensure development of comprehensive networks of care that are closely aligned to the normal practice patterns of Medicaid beneficiaries.

Thank you again for your commitment to serve South Carolina Medicaid beneficiaries. We wish you much success as you pursue network development across South Carolina. If you have any questions or need additional information, please contact Ms. Beverly G. Hamilton, Division Director of Care Management at (803) 898-4614.

Sincerely,

Susan B. Bowling
Susan B. Bowling
Acting Director

SBB/hmm

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