

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

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| TO | DATE |
| Meyers | 2-15-08 |

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| DIRECTOR'S USE ONLY | | ACTION REQUESTED | |
| 1. LOG NUMBER | 000425 | <input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____ | |
| 2. DATE SIGNED BY DIRECTOR | CC: Ms. Forkner, Depo Cleared 3/13/08, letter attached. | <input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <u>2-27-08</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 |
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TOTALTM CAROLINA CARE

Healthcare from the Heart

1441 Main Street Columbia, SC 29201 (866) 433-6041 www.totalcarolinacare.com

February 12, 2008

RECEIVED

FEB 14 2008

Emma Forkner
Director

Department of Health and Human Services
1801 Main Street
Columbia, SC 29202

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Director Forkner:

I want to thank you for meeting with me recently to discuss the ongoing progress of Medicaid managed care in South Carolina, and of Total Carolina Care in particular.

As we discussed, I am writing to respectfully request that the Department of Health and Human Services extend the deadline for transition of Medical Homes Network members to TCC, to December 31, 2008.

Since the acquisition agreement between TCC and Palmetto Administrative Services was approved by the Department in September, 2008, much has occurred that could not have been foreseen by any of us. In particular, the continued resistance to managed care of most hospitals and certain critically-needed physician specialties has slowed our ability to develop networks that are approvable under DHHS guidelines.

As we discuss this resistance with providers, many hospitals have told us that they still do not feel comfortable that they understand the information coming from DHHS on the Healthy Connections Choices program. In addition, they tell us that they do not feel that DHHS has actually completely solved the UPL issue. Many hospitals have also told us that they feel that they have been assured by DHHS that no managed care organizations would be approved in their county without their participation in the network.

I realize that all of these issues are moving targets, and that the Department has done much in the past weeks and months to address them. Nonetheless, all of the confusion has dramatically slowed our ability to contract with hospitals within the time frame required by the acquisition agreement.

If this extension is not granted, many, if not most, of the 25,000-plus MHN members currently affiliated with TCC will return to fee-for-service. This will, at a minimum, cause a good deal of physician unhappiness, as most of our MHN physicians have come to view their pool of managed care members as a valued part of their practice, and are not looking forward to having them return to fee-for-service.

Pls Log: Myers
C: CF, Depp
App. Sign.
me! Jan

Given the unforeseeable impediments to contracting that have arisen, we respectfully request an extension of the deadline for transition of MHN members to TCC until December 31, 2008.

In addition, we recommend that DHHS encourage hospitals to contract with managed care organizations using methods that have been effective in other states. For example, Georgia had a "three strikes" rule, whereby if a managed care organization could document that they had made three serious attempts to contract with a provider and had still been refused, the requirement for that provider to be in the MCOs network was lifted. In addition, Georgia allowed MCOs to pay out of network providers at 90% of Medicaid allowable. The combination of these two measures resulted in almost all hospitals participating in the Georgia Medicaid managed care program.

Thank you for your consideration of the above. We look forward to continuing to work with DHHS to deliver quality health care to Medicaid recipients for many years to come.

Sincerely,

A handwritten signature in cursive script, appearing to read "Keith".

Keith Collins MD
CEO



State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

Erma Forkner
Director

March 13, 2008

Keith Collins, MD
CEO
Total Carolina Care
1441 Main Street
Columbia, South Carolina 29201

Dear Dr. Collins:

It was a pleasure to meet with you a few weeks ago and learn of the outstanding things you are doing to further the South Carolina Medicaid managed care initiative. As you are aware, we are working diligently to establish more beneficiaries in stable medical homes.

We empathize with the difficulties that you and the other managed care entities have encountered related to securing contracts with providers and hospitals across the state. As you are aware, the South Carolina Department of Health and Human Services (DHHS) has worked to address the challenges described in your letter, including the implementation of changes in our managed care program to address these issues. However, the issues raised in your letter do not justify an extension of the deadline for transition of Medical Homes Network members to Total Carolina Care. Therefore, the deadline of April 30, 2008 remains. To do otherwise would be inconsistent with the DHHS approved contract.

DHHS revised the guidelines for approval of networks in an effort to assist all managed care organizations in their development. During this same time, DHHS established a work group with representatives from hospitals so that we could have a forum to address their concerns during this period and encourage each to participate in multiple managed care plans.

We share your concern about the beneficiaries returning to fee-for-service, but will offer these members options for enrollment in other plans in which their physicians participate in the event that TCC does not secure approved networks in all counties. In fact, the beneficiaries will be notified of all plans so that they can voluntarily stay with their physicians, when possible.

Log # 425



Keith Collins, MD
March 13, 2008
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We also appreciate your suggestion related to reimbursement for hospitals that are not participating in the Medicaid managed care programs. It is our understanding that the measures you describe were legislatively authorized in Georgia. Similar legislation would have to be passed by the General Assembly for South Carolina to implement a system such as the one you described being used in Georgia.

Again, I thank you for the energy and effort you have put into helping shape the Medicaid managed care program. Please contact me or Beverly G. Hamilton, Bureau Chief for Managed Care and Medical Support Services, at (803) 898-4614, if we can be of further assistance to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Emma Forkner".

Emma Forkner
Director

EF/mhr