

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

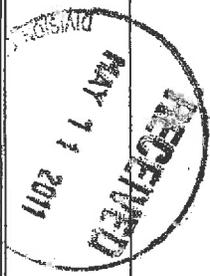


**ACTION REFERRAL**

TO <i>Giese/Campbell</i>	DATE <i>5-6-11</i>
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<b>DIRECTOR'S USE ONLY</b>		<b>ACTION REQUESTED</b>	
1. LOG NUMBER <i>.1011491</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>5-18-11</i>	
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Tect Hess cleared 5/20/11, letter attached.</i>	<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. James Bradford Supervisor	<i>[Signature]</i>		
2. Jennifer Campbell Supervisor	<i>[Signature]</i>		
3. <i>[Signature]</i>	<i>[Signature]</i>		
4.			



# SCAHP

SC Alliance of Health Plans

James H. Ritchie, Jr.  
Executive Director

864.527.5952  
jritchie@ritchiconvergent.com

April 29, 2011

**RECEIVED**

MAY 06 2011

The Honorable Anthony E. Keck  
Executive Director  
South Carolina Department of Health and Human Services  
P.O. Box 8206  
Columbia, SC 29202-8206

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Dear Tony:

I write in follow up to our recent meeting with the MCO executives, you and your senior staff concerning the important issues related to the proposed April 2011 rate changes. We appreciated the opportunity to meet with you and have a frank and constructive discussion. I felt the meeting was very effective for both the agency and for the managed care organizations. As we discussed, there were a number of vital and unresolved issues that we agreed to address following the meeting. I write today to follow up on those and to ask for your assistance in addressing them.

1. The Milliman Actuarial Data

As you may recall, the actuary for MCOs submitted a detailed letter to your actuaries on April 4, 2011. This week we received some updated information. However, the information provided leaves several questions unanswered. We will work with your staff on the remaining issues and follow up directly with you if necessary.

2. DOI Compliance

As we expressed in our meeting, due to the proposed severe cuts in rates, some of the MCOs are very concerned about maintaining DOI compliance and mandated reserves. We appreciate your willingness to go to the DOI to address these issues. Please let us know if there has been any progress on that front between the agencies or how we can be of any assistance to you in that process.

3. The Inaccuracy of the Original Madalena Report

As we discussed, you agreed that the 2010 Madalena comparison report is not credible and, in fact, MHNs do not save more money than MCOs. We understand that you are preparing public statements to address this very important matter promptly. As we expressed, prompt action by DHHS is essential to bring clarity to the political debate as well as the Medicaid services

delivery market. It is all the more important as you are asking the MCOs to expand their scope of services. We (and DHHS) need to be able to advise the market and the policymakers that the agency has confidence in MCOs and that MHNs are not a more cost-effective model.

The need for a firm and clear public statement is growing. By way of example, we direct your attention to the South Carolina Solutions' website. The site uses the discredited study in its advertising: "DHHS report confirms the highest quality and cost effectiveness of the medical homes model." It further reiterates the highly inaccurate quote from the Madalena report stating "The MHN model is decisively the most favorable plan type in this report's analysis, it is advantageous to expand capacity and seek to increase the share of Medicaid members enrolled in MHNs." It is this type of misleading marketing by MHNs and others that is causing substantial challenges to the MCOs, and clouding the General Assembly's ability to make good policy decisions. We respectfully demand that the agency require South Carolina solutions to remove the inaccurate content from its website immediately.

#### 4. Copay Parity with MHNs

We appreciate your acknowledgment of this unfair disparity. We understand you are working on it and we thank you for your commitment to resolve this disparity. We ask that you resolve it within the next 30 days.

#### 5. The Proposed "Boiler Plate" Provider Contract

As we discussed, the initiative by DHHS to require a boiler plate contract for all MCOs with all providers is a serious challenge and not likely to be successful. We are already receiving objections from your work to date. We completely agree with your assessment that the proper question "What problem are we trying to solve?" has yet to be posed. We understood from our meeting that work would be suspended temporarily in order to address your concern. However, this week we learned that DHHS has posted the draft contract on its website. This action is counter to our working understanding.

We look forward to working with you and the Medicaid providers to determine what the most cost effective business-like solution is *to the identified problem*. In the absence of that process, creating a separate stand alone South Carolina Provider Contract will only lead to higher costs in the system and make South Carolina providers and MCOs and other administrators less competitive.

#### 6. Non-Par Providers

The current system sets up a series of perverse incentives for large providers to game the system. We need to address Non-Par providers quickly. As we discussed, hand in hand with this issue is adjusting the network adequacy provisions so that we remain consistent in our network build out and in our contracting. We believe that the Georgia model is the best following can be handled on a contractual basis. We will be submitting recommended language to you in the next few days and we look forward to working with you to make this change happen quickly.

#### 7. MCO Initiatives to Improve Outcomes and Save Money

We are confident that given the tools to manage our customers and our contract providers, we can continue to improve the Medicaid system in South Carolina. We want to reaffirm our desire to work with your staff to address our ideas on comprehensive behavior health services, long term care services, preventive and prenatal care, NICU modernization, improving agency/MCO interaction, and network adequacy reform. I will follow up with you on this item, as well as the other items discussed above, next week.

The managed care organizations value their working relationship with DHHS. We recognize that Medicaid managed care is in the process of substantial transformation and reform and we know you share our view that reform is a two way street. We look forward to finding the right path forward with you to provide the best practices that will deliver the most care at the lowest cost.

With warmest regards,



James H. Ritchie, Jr.



cc: Scott Graves via email  
Dan Gallagher via email  
Lea Kerrison via email  
Mike Jerrigan via email  
Cindy Helling via email  
Aaron Brace via email



May 20, 2011

Mr. James H. Ritchie, Executive Director  
South Carolina Alliance of Health Plans  
330 East Coffee Street  
Post Office Box 72  
Greenville, South Carolina 29602

Dear Mr. Ritchie:

*Jim*

Thank you for your letter to Director Keck after our meeting with the Managed Care Organizations (MCOs) executives to discuss the Alliance's concerns surrounding unresolved issues.

The following responses address each of your concerns.

- **The Milliman Actuarial Data:** Mr. Roy Hess, Deputy Director of Finance and Administration, is working with Ross Winkelman, who is representing all the MCOs, on addressing any outstanding questions regarding the April 1, 2011 capitation rates.
- **DOI Compliance:** As you are aware, DOI Compliance and Mandated Reserves are found in the South Carolina Code of Laws which regulates the Department of Insurance. The changes you are requesting would require legislative action (Title 38 - Insurance Chapter 33). These state regulations are necessary to protect the enrollees and the public. Given this information, it is not advisable for the South Carolina Department of Health and Human Services (SCDHHS) to intervene at this time.
- **Inaccuracy of the Original Madalena Report:** As stated in our previous meeting, we have corrected the inaccuracy of the Madalena Report and will be making public statements regarding this issue in the very near future.
- **Co-Pay Parity with the MHNS:** Effective July 1, 2011, Medical Homes Networks will be responsible for any co-payments that would apply according to the Agency's co-payment schedule and guidelines.
- **"Boilerplate" Provider Contract:** The South Carolina Department of Health and Human Services (SCDHHS) has been working collaboratively with a task force that includes representatives from all of the managed care plans, and providers (hospitals) for over the past 6 months. The problems identified and addressed include extensive time involved in the review process for the MCO, the provider and SCDHHS; administrative costs incurred through the review and approval process; and standardization of definitions and terms that varied widely across plans and within each plan's subcontracts. A standard boilerplate will allow new

Mr. James H. Ritchie  
May 20, 2011  
Page 2

and amended federal guidelines to be updated, increasing compliance with the federal regulations. We have received numerous favorable comments on the boilerplate which is posted on our website for feedback.

- **Non-Par Providers:** We are currently reviewing the State of Georgia recommendations you forwarded and other alternatives regarding network adequacy and non-par providers. We have a conference call scheduled today to discuss this issue further before rendering a decision regarding any possible changes.
- **MCO Initiatives to Improve Outcomes and Save Money:** We look forward to our continuing collaborative working relationship as we strive to address our budgetary limitations and in purchasing health as opposed to purchasing health care services.

Thank you again for taking the time to write. Should you have any other questions or concerns, please do not hesitate to contact me.

Sincerely,



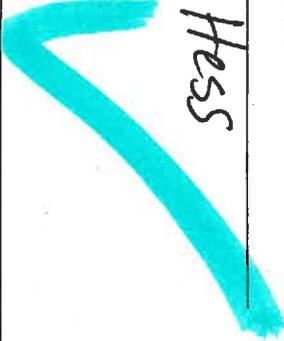
Melanie "Bz" Giese, RN  
Deputy Director

MG/cc

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

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James H. Ritchie, Jr.

JHR:jllc

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Dan Gallagher via email  
Lea Kerrison via email  
Mike Jernigan via email  
Cindy Helling via email  
Aaron Brace via email