

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

**ACTION REFERRAL**

TO <i>Singleton</i>	DATE <i>6-9-14</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000403</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>Cleared 7/8/14, letter attached.</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>6-18-14</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.			
2.			
3.			
4.			

**Brenda James**

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**From:** Cynthia Gore  
**Sent:** Monday, June 09, 2014 9:48 AM  
**To:** Brenda James  
**Subject:** FW: Risk Scores for WellCare  
**Attachments:** SC Jan - June 2014 Risk Scores.doc

**RECEIVED**

JUN 09 2014

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Hey Brenda,  
Please log this. Thanks

-----Original Message-----

**From:** Deirdra Singleton  
**Sent:** Friday, June 06, 2014 5:26 PM  
**To:** Cynthia Gore  
**Subject:** FW: Risk Scores for WellCare

Cynthia, pls log. thanks

-----Original Message-----

**From:** Prince, William [<mailto:William.Prince@wellcare.com>]  
**Sent:** Friday, June 06, 2014 4:06 PM  
**To:** Deirdra Singleton; Nathaniel Patterson; Adriana Day ([adrian.day@scdhhs.gov](mailto:adrian.day@scdhhs.gov))  
**Cc:** Shafer, David; Danh, An; Warner, Kathy  
**Subject:** Risk Scores for WellCare

Attached is a letter from our President, Dave Shafer and our chief actuary, regarding some concerns and issues we have with Milliman's calculation of our risk scores. As you know, WellCare has not been able to upload encounter information to SCDHHS because of issues around implementing the new 837 process. We believe this has created disparities in the information Milliman used in calculating our risk scores.

Please review our letter and we would request the opportunity to discuss with you and Milliman at your convenience. Thanks.

**Privacy Notice:** This electronic mail message, and any attachments, are confidential and are intended for the exclusive use of the addressee(s) and may contain information that is proprietary and that may be Individually Identifiable or Protected Health Information under HIPAA. If you are not the intended recipient, please immediately contact the sender by telephone, or by email, and destroy all copies of this message. If you are a regular recipient of our electronic mail, please notify us promptly if you change your email address.

June 6<sup>th</sup>, 2014

Ms. Deirdra Singleton  
Deputy Director of Health Programs Department of Health and Human Services  
1801 Main Street  
Columbia, SC 29202-8206

**RECEIVED**

JUN 09 2014

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Re: January 2014 – June 2014 WellCare Risk Scores

Dear Deirdra,

We would like to thank you for providing the details as it relates to the development of the risk scores for January 2014, February 2014, and March 2014 – June 2014 to reflect the integration of the Medical Home Network (MHN) population into the Managed Care Organizations (MCOs). Milliman utilized the CDPS + Medicaid Rx v.5.3 model to develop the risk adjustment factor for each plan using data from December 2012 through November 2013. However, because WellCare encounter data, due to the state's inability to receive WellCare's 837 reports, is unavailable to Milliman beginning in October 2013. Milliman developed a method to estimate WellCare's risk score.

The results of Milliman's estimates compared to WellCare's claims experience are summarized below for the SSI Adults, SSI Children, and TANF Adults:

SSI Adults							
	MCO Risk Score	MHN Risk Score	MHN Relative Cost	Final Risk Score	WellCare MCO PMPM*	WellCare MHN PMPM*	WellCare MHN/MCO Cost Difference
January 2014	0.943	1.000	6.08%	0.957	\$ 711.62	\$ 768.35	7.97%
February 2014	0.943	0.977	3.61%	0.951	\$ 711.62	\$ 768.35	7.97%
March - June 2014	0.943	0.953	1.02%	0.945	\$ 711.62	\$ 768.35	7.97%

SSI Children							
	MCO Risk Score	MHN Risk Score	MHN Relative Cost	Final Risk Score	WellCare MCO PMPM*	WellCare MHN PMPM*	WellCare MHN/MCO Cost Difference
January 2014	0.959	0.946	-1.36%	0.958	\$ 298.23	\$ 488.15	63.68%
February 2014	0.959	0.895	-6.67%	0.953	\$ 298.23	\$ 488.15	63.68%
March - June 2014	0.959	0.812	-15.34%	0.945	\$ 298.23	\$ 488.15	63.68%

TANF Adults							
	MCO Risk Score	MHN Risk Score	MHN Relative Cost	Final Risk Score	WellCare MCO PMPM**	WellCare MHN PMPM**	WellCare MHN/MCO Cost Difference
January 2014	0.981	0.854	-12.95%	0.953	\$ 260.50	\$ 229.59	-11.87%
February 2014	0.981	0.857	-12.60%	0.954	\$ 260.50	\$ 229.59	-11.87%
March - June 2014	0.981	0.824	-15.97%	0.948	\$ 260.50	\$ 229.59	-11.87%

\*Claims incurred from January 2014 - March 2014 with runout through April 2014.

\*\*PMPMs have been adjusted to remove differences to membership mix between the MCO and MHN population.

As you can see, the Milliman estimated cost difference between the MHN and MCO members for the SSI adult population ranges from 1% - 6% based upon Milliman's estimated risk factors with March – June 2014 being at the 1% level. WellCare pulled claims incurred from January 1, 2014 through March 31, 2014 with

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run out through April 2014 and the results indicate the SSI Adult MHN population cost 8% more than the SSI Adult MCO population.

For the SSI children, the cost difference starts at -1% in January 2014 and abruptly increases to -7% then -15% for March – June 2014. WellCare's claim experience indicates that the SSI Children MHN population cost 64% more than the MCO population. Milliman's results suggest the less managed SSI children in the MHN population cost substantially less than the population more closely managed by the MCO which is not supported by WellCare's analysis which indicates the MHN population is nearly 64% more costly.

The cost differential between the MHN and MCO population for the TANF Adults during the months of January and February are consistent with WellCare's claim experience during the first quarter of Calendar Year 2014. However, the March – June 2014 cost differential suggests that the TANF Adult MHN population cost 16% less than the MCO population. Again, WellCare's claim experience indicates that the TANF Adult MHN population cost only about 12% less than the MCO population.

This analysis is based on a 3 month window. However, it represents a more accurate view of the actual differences in population morbidity. These results indicate a significant differential.

We understand there are challenges in developing the risk scores because of the missing encounters for WellCare. WellCare staff is working diligently with the State's staff to get the encounters submitted and accepted. Given the differences in results using Milliman's risk scores and WellCare's claim experience, we ask that the State re-evaluate the methodology used to develop the WellCare risk scores from January 2014 – June 2014. We welcome further discussion on how to address what seems to be a consequential understatement of the WellCare risk scores in these rate categories methodology employed.

Sincerely,



An Danh, ASA, MAAA

David Shafer  
President

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

*Response attached 7/8/14*  
**RECEIVED**

JUN 10 2014

**ACTION REFERRAL**

Department of Health & Human Services  
Office of Health Programs

TO <i>Singleton/Patterson</i>	DATE <i>6-9-14</i>
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June 6<sup>th</sup>, 2014

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Deputy Director of Health Programs Department of Health and Human Services  
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Sincerely,



An Danh, ASA, MAAA

David Shafer  
President

July 8, 2014

David Shafer, President  
WellCare Health Plans, Inc.  
200 Center Point, Suite 180  
Columbia, SC 29210

Re: Calculation methodology of the January 2014 to June 2014 Risk Scores for WellCare Health Plans, Inc., South Carolina (i.e., June 6, 2014 Log Letter)

Dear Mr. Shafer:

This letter serves as a response to the June 6, 2014 letter and email submitted to the Department by WellCare Health Plans, Inc. (South Carolina) regarding two requests: 1) the re-evaluation of the methodology used in the actuarial analyses of WellCare's risk scores for the time period of January 2014 to June 2014—as documented within Milliman's May 21, 2014 report; and 2) the Department's consideration for an additional meeting, with all three parties (i.e., WellCare, Milliman and the Department), to discuss this issue.

The Department's responses to both requests are provided below.

**Request #1 (WellCare):** The re-evaluation of the methodology used by Milliman  
**Department Response:** On June 6, 2014, the Department submitted to Milliman WellCare's request for re-evaluation. On June 23, 2014, the Department received Milliman's response to this request. This response included the following:

- Milliman's confirmation of two items: 1) The receipt of WellCare's request and analysis, and 2) Their response to the request for additional review and analyses of the May 21, 2014 Report.
- Milliman's affirmation of the best possible estimate of the risk distribution between health plans (aka MCOs) based on analyses performed with the most recent and credible data available to Milliman at the time of this analysis. Essentially, Milliman is unable to validate the analysis of the TANF adult and SSI populations WellCare submitted to the Department for review due to the absence of sufficient data from WellCare,

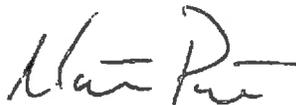
Shafer  
July 8, 2014  
Page 2 of 2

**Request #2 (WellCare):** The opportunity to meet with all parties for the purposes of additional discussion regarding the concerns/issues identified within the June 6, 2014 letter.

**Department Response:** The Department welcomes the opportunity to add this particular issue to the agenda of WellCare's next Quarterly meeting with the Office of Health Programs and Deputy Director Deirdra Singleton.

For questions related to the Office of Health Programs, please contact Deirdra Singleton by phone at (803) 898-2647 or by email at [singled@scdhhs.gov](mailto:singled@scdhhs.gov). For questions regarding financial matters and/or fiscal affairs, please contact Adriana Day by phone at (803) 898-0336 or by email at [Adriana.Day@scdhhs.gov](mailto:Adriana.Day@scdhhs.gov). For all Pharmacy and Quality related questions, please contact Bryan Amick by phone at (803) 898-0212 or by email at [bryan.amick@scdhhs.gov](mailto:bryan.amick@scdhhs.gov). For questions related to operations, please contact Stephen Boucher by phone at (803) 898-2938 or by email at [boucher@scdhhs.gov](mailto:boucher@scdhhs.gov). If you have additional questions or comments regarding Health Services / Medicaid Managed Care policies, please contact me by phone at (803) 898-2018 or by email at [pattnat@scdhhs.gov](mailto:pattnat@scdhhs.gov).

Sincerely,



Nathaniel J. Patterson  
Program Director, Health Services

cc: William Prince, Sr. Director, WellCare  
Deirdra T. Singleton, Deputy Director  
Adriana Day, Chief Financial Officer  
Donna Parker, Accounting/Fiscal Manager  
Bryan Amick, Program Director  
Stephen Boucher, Operations Director  
Evan Gessner, Assistant General Counsel  
Cynthia Gore, Executive Assistant  
Courtney Sanders, Administrative Assistant