

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

ACTION REFERRAL

TO <i>Hess</i>	DATE <i>5-15-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000351</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>CC: Mr. Keck, DeFede, Duckworth, Hutto, Roberts Cleared 7/20/13, letter attached</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>5/24/13</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.			

SCAHP

SC Alliance of Health Plans

James H. Ritchie, Jr.
Executive Director

(803) 256-9003
www.scalliance.org

May 13, 2013

RECEIVED

MAY 15 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

The Honorable Anthony E. Keck
Director
S.C. Department of Health and Human Services
P.O. Box 8206
Columbia, SC 29202-8206
Via Electronic Mail: keck@scdhhs.gov

Re: DHHS Proposal for Regional Care Networks

Dear Tony:

As you know, your staff unveiled a regional health network proposal at the most recent CCIG meeting. This proposal generated a great deal of discussion among the CCIG participants at the meeting. This week all of the MCOs and MHNs met to further evaluate the proposal. I am writing to you today on behalf of all of the payors to share their concerns and their offer to work with you on this project.

At the outset, the CCIG needs more clarity from the Department on the goals of the proposal and the rationale for its plan. We are interested to hear more about the specific objectives and goals of the Department that are addressed through this proposal. The CCIG did not receive a clear description of the purposes of the regional approach or the underlying assumptions for the specific plan.

The staff presentation at the CCIG meeting indicated that the proposal was a data driven concept. However, as of this date we have only seen the initial summary map. We need the promised multi-layered data set and website that supports the rationale for the regional proposal. We would appreciate your assistance to make sure that material is transmitted as soon as possible.

We share your interest in establishing a balanced market approach to providing health services to the Medicaid beneficiaries in South Carolina. We believe the fundamentals of that approach must include the following points before addressing the best regional approach:

1. Payment reform to hospitals and providers so as to end the ability of dominate hospital systems and certain subspecialists to demand artificially high reimbursement rates. As your office noted recently, because of this current imbalance the composite reimbursement rate in the capitated Medicaid reimbursement rate is 114% of Medicaid base rates.

1330 Main Street, Suite 230
Columbia, South Carolina 29201

Post Office Box 2573
Columbia, South Carolina 29202

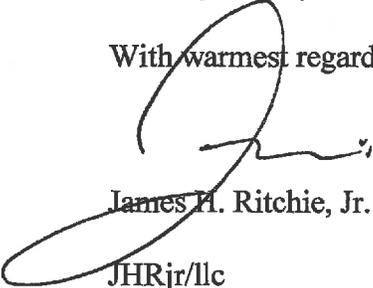
2. HEDIS scoring and contract withholds and incentives must be aligned with network adequacy and network care requirements.
3. A new formula for establishing MCO rates must be established so that we can have a predictable and reliable method for establishing contract rates between the Department and MCOs. This will enable MCOs to establish fair and balanced rates with their respective providers in the marketplace. This approach will better insure high quality at lower costs.

These fundamental issues are tied closely to the idea of regional care networks and network adequacy. For example, the six region approach clearly establishes that each region will have a dominant hospital system. If the Department intends to designate the dominant hospital system in each region as an "essential provider," then the hospital system's market power becomes absolute because every MCO will be required to contract with that hospital system. As a result, the hospital system is disincentivised to address rates and quality. This is the opposite direction from your quality initiatives. These are the types of serious threshold questions that need to be addressed before we can successfully address care network reform, manage traditional care patterns and streamline network adequacy requirements.

As network adequacy, and care networks generally, are central components to crafting the 2014 contract, we share your interest in addressing these matters promptly so that we can begin the constructive work on the contract as soon as possible. Therefore, the CCIG payor stakeholders would like to meet with you, Roy, Anna, Vicky Ducworth, Beth Hutto, and Byron Roberts soon to explore this matter in greater detail before any action is taken to implement the proposed care network system. We believe that this meeting is essential to better understanding the goals, issues, market opportunities and challenges in these important matters.

Thank you for your consideration and we look forward to hearing from you soon.

With warmest regards,



James H. Ritchie, Jr.

JHRjr/lc

SCAHP

SC Alliance of Health Plans

Post Office Box 72

Greenville, SC 29602

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MAY 15 2013

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OFFICE OF THE DIRECTOR

The Honorable Anthony E. Keck

Director

S. C. Department of Health and Human

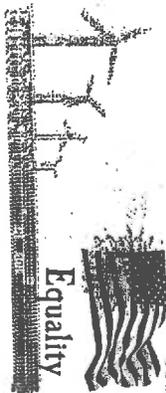
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P.O. Box 8206

Columbia, SC 29202-8206

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July 25, 2013

Mr. James H. Ritchie, Jr.
Executive Director
SC Alliance of Health Plans
1330 Main Street, Suite 230
Columbia, SC 29201

Dear Mr. Ritchie:

I am writing you to express my appreciation for your May 13, 2013 letter regarding the May 1, 2013 Medicaid Coordinated Care Improvement Group (CCIG) Regional Care Network approach presentations and your commitment in establishing a balanced market approach to providing health services for South Carolina's Medicaid beneficiaries through our public-private collaborative approach—the Medicaid CCIG.

The CCIG has served as a facilitator for statewide public-private collaborative activities since 2011. During this period, CCIG has worked with a diverse group of stakeholders in the successful examination of coordinated systems of care. Throughout the course of this work, the South Carolina Alliance for Health Plans (SCAHP) has been a dependable member of this collaborative. Your participation in these meetings and workgroup planning sessions is a reflection of a shared investment and commitment to a balanced approach to collaboration.

In your May 13, 2013 letter to SCDHHS regarding the topics presented at the May 1, 2013 CCIG meeting, we have the following response:

- The goals of the proposed regional network are threefold: (1) to eliminate administrative burden, (2) to provide health plans additional flexibility with the development of a high-quality provider network, and (3) to deliver beneficiary choice in access to providers. The rationale for this plan is influenced by the Department's three-pillars (i.e., payment reform, clinical integration, and hot spots and disparities).
- The materials presented at the May 1, 2013 CCIG meeting were published to the CCIG website the weeks of April 29th and May 8th. These materials included the agenda, breakout group questions, interactive PDF map ("multi-layered dataset") with user instructions, and the Catalyst for Payment Reform (CPR) PowerPoint presentation. The breakout group participant response summary report was posted to the CCIG website on June 7, 2013. Written and verbal announcements of these website publications/postings were shared by SCDHHS Managed Care staff throughout the months of May and June.
- The fundamentals of payment reform, hospital domination, HEDIS scoring, withhold and incentives, and MCO payment rates require ongoing discussion. These considerations must be evaluated in accordance with the preferences of the public-private collaborative.

Mr. James H. Ritchie, Jr.
July 25, 2013
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I think it would be more productive for us to meet with you and the Plans you represent to discuss the additional issues you raised in your letter. The meeting has been scheduled for August 5, 2013 at 1:30 pm – 2:30 pm. Lea Kerrison and the Plans he represents have also been invited.

The contact person for the CCIG within our organization is Nathaniel Patterson. He can be reached by e-mail at patnat@scdhhs.gov or by phone at (803) 898-2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Deirdra T. Singleton". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Deirdra T. Singleton
Deputy Director

SCAHP

SC Alliance of Health Plans

James H. Ritchie, Jr.
Executive Director

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*Goals & Rationale
for Regional Health Plan?*

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