
HMA

HEALTH MANAGEMENT ASSOCIATES

*HMA Investment Services Weekly Roundup
Trends in State Health Policy*

IN FOCUS: MEDICAID MANAGED CARE ENROLLMENT UPDATE - Q4 2012

HMA ROUNDUP: FLORIDA ANNOUNCES MLTC AWARDEES; CALIFORNIA, INDIANA GOVERNORS RELEASE BUDGET PROPOSALS; NEW YORK MLTC PROGRAMS EXPAND

OTHER HEADLINES: ARIZONA, CALIFORNIA TO PURSUE MEDICAID EXPANSION; GEORGIA SHIFTS HOSPITAL PROVIDER TAX ADMINISTRATION; NORTH CAROLINA SELECTS NEW MEDICAID DIRECTOR; CENTENE TO ACQUIRE SPECIALTY PHARMACY; CMS PROPOSES CHANGES TO MEDICAID CO-PAYS, MORE FLEXIBILITY FOR STATE EXCHANGE DECISIONS

HMA WELCOMES: YASSER AMAN - COSTA MESA

JANUARY 16, 2013

Research and Consulting in the Fields of Health and Human Services Policy, Health Economics and Finance, Program Evaluation, Data Analysis, and Health System Restructuring

ATLANTA, GEORGIA • AUSTIN, TEXAS • BAY AREA, CALIFORNIA • BOSTON, MASSACHUSETTS • CHICAGO, ILLINOIS
DENVER, COLORADO • HARRISBURG, PENNSYLVANIA • INDIANAPOLIS, INDIANA • LANSING, MICHIGAN • NEW YORK, NEW YORK
OLYMPIA, WASHINGTON • SACRAMENTO, CALIFORNIA • SOUTHERN CALIFORNIA • TALLAHASSEE, FLORIDA • WASHINGTON, DC

Contents

| | |
|--|-----------|
| In Focus: Medicaid Managed Care Enrollment Update - Q4 2012 | 2 |
| HMA Medicaid Roundup | 15 |
| Other Headlines | 21 |
| Company News | 26 |
| RFP Calendar | 27 |
| Dual Integration Proposal Status | 28 |
| HMA Welcomes... | 29 |

Edited by:

Gregory Nersessian, CFA

212.575.5929

gnersessian@healthmanagement.com

Andrew Fairgrieve

312.641.5007

afairgrieve@healthmanagement.com

Health Management Associates (HMA) is an independent health care research and consulting firm. HMA operates a client service team, HMA Investment Services, that is principally focused on providing generalized information, analysis, and business consultation services to investment professionals. Neither HMA nor HMA Investment Services is a registered broker-dealer or investment adviser firm. HMA and HMA Investment Services do not provide advice as to the value of securities or the advisability of investing in, purchasing, or selling particular securities. Research and analysis prepared by HMA on behalf of any particular client is independent of and not influenced by the interests of other clients, including clients of HMA Investment Services.

IN FOCUS: MEDICAID MANAGED CARE ENROLLMENT UPDATE – Q4 2012

This week, our *In Focus* section reviews recent Medicaid MCO enrollment trends in 16 states. Many state Medicaid agencies elect to post to their websites monthly enrollment figures by health plan for their Medicaid managed care population. We believe this data allows for the most timely analysis of enrollment trends across states and managed care organizations. As the discussion below describes, most of these 16 states¹ released monthly Medicaid managed care enrollment data through much of the third and fourth quarters of 2012.

In the discussion below, we describe recent enrollment trends in the states where we track data. We also provide company-specific data for 10 Medicaid managed care organizations. Before continuing, however, it is important to note the limitations of the data that is presented. First, we note that not all states report the data at the same time during the month. As a result, some of these figures reflect beginning-of-the-month tallies while others reflect an end-of-the-month snapshot. Second, in some cases the data are comprehensive in that they cover all of the state-sponsored health programs for which the state offers managed care; in other cases, the data reflects only a subset of the broader population. For example, Florida posts Medicaid managed care enrollment on a monthly basis for its Medicaid and Medicaid Reform populations but not for its Healthy Kids (CHIP) programs. This is a significant limitation of the data and the key limiting factor in drawing direct ties between the data described below and figures publicly reported by Medicaid MCOs. As such, the data we review in Table 1 should be viewed as a sampling of the enrollment trends across these states as opposed to a comprehensive summary, which, unfortunately, is not available on a monthly basis.

¹ Arizona, California, Florida, Georgia, Hawaii, Illinois, Louisiana, Maryland, Michigan, Missouri, Pennsylvania, Tennessee, Texas, Washington, West Virginia, Wisconsin

Table 1 - Medicaid Managed Care Monthly Enrollment July 2012 – December 2012

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Arizona | 1,121,807 | 1,128,373 | 1,131,786 | 1,125,715 | 1,113,205 | 1,110,488 |
| +/- m/m | 330 | 6,566 | 3,413 | (6,071) | (12,510) | (2,717) |
| % y/y | -7.9% | -8.1% | -7.3% | -7.0% | -7.0% | -6.0% |
| California | 3,853,040 | 3,843,688 | 3,866,890 | 3,861,755 | 3,878,071 | 3,882,835 |
| +/- m/m | 11,827 | (9,352) | 23,202 | (5,135) | 16,316 | 4,764 |
| % y/y | 11.5% | 10.7% | 10.0% | 8.7% | 7.8% | 7.2% |
| Florida | 1,202,646 | 1,203,581 | 1,207,003 | 1,217,126 | 1,220,272 | 1,225,948 |
| +/- m/m | 12,045 | 935 | 3,422 | 10,123 | 3,146 | 5,676 |
| % y/y | 5.7% | 6.6% | 8.2% | 10.3% | 10.4% | 7.1% |
| Georgia | 1,130,116 | 1,128,189 | 1,122,970 | | | |
| +/- m/m | 3,536 | (1,927) | (5,219) | N/A | N/A | N/A |
| % y/y | 0.3% | 1.1% | 0.8% | | | |
| Hawaii | 45,061 | 45,246 | 45,372 | 45,488 | 45,481 | 45,484 |
| +/- m/m | 94 | 185 | 126 | 116 | (7) | 3 |
| % y/y | 3.8% | 3.9% | 3.6% | 2.8% | 2.5% | 2.0% |
| Illinois | 215,960 | 218,945 | 222,401 | 225,458 | 228,482 | 232,120 |
| +/- m/m | 1,532 | 2,985 | 3,456 | 3,057 | 3,024 | 3,638 |
| % y/y | 7.7% | 7.9% | 8.8% | 9.6% | 10.5% | 11.0% |
| Louisiana | 875,958 | 879,201 | 896,377 | 895,325 | 898,599 | |
| +/- m/m | 329 | 3,243 | 17,176 | (1,052) | 3,274 | N/A |
| % y/y | N/A | N/A | N/A | N/A | N/A | |
| Maryland | 780,673 | 783,949 | 787,154 | 790,585 | 793,482 | 791,520 |
| +/- m/m | 6,804 | 3,276 | 3,205 | 3,431 | 2,897 | (1,962) |
| % y/y | 4.9% | 4.9% | 5.0% | 4.8% | 5.0% | 4.1% |
| Michigan | 1,237,774 | 1,225,071 | 1,232,163 | 1,232,399 | 1,227,748 | 1,245,470 |
| +/- m/m | 7,996 | (12,703) | 7,092 | 236 | (4,651) | 17,722 |
| % y/y | 2.2% | 0.5% | 1.8% | 0.9% | 0.8% | 1.7% |
| Missouri | 420,228 | 419,929 | 419,839 | 419,245 | | |
| +/- m/m | 6,490 | (299) | (90) | (594) | N/A | N/A |
| % y/y | -1.2% | -0.9% | -1.6% | -1.6% | | |
| Pennsylvania | 1,267,747 | 1,266,531 | 1,261,265 | 1,293,855 | | |
| +/- m/m | (15,849) | (1,216) | (5,266) | 32,590 | N/A | N/A |
| % y/y | N/A | N/A | N/A | N/A | | |
| Tennessee | 1,212,353 | 1,215,627 | | | | |
| +/- m/m | 9,133 | 3,274 | N/A | N/A | N/A | N/A |
| % y/y | 0.2% | 0.3% | | | | |
| Texas | 3,511,781 | 3,497,822 | 3,472,840 | 3,522,201 | 3,533,758 | |
| +/- m/m | (20,780) | (13,959) | (24,982) | 49,361 | 11,557 | N/A |
| % y/y | 46.8% | 45.9% | 36.9% | 38.4% | 35.3% | |
| Washington | 743,810 | 747,750 | 765,136 | 764,565 | 797,712 | 799,856 |
| +/- m/m | 58,461 | 3,940 | 17,386 | (571) | 33,147 | 2,144 |
| % y/y | 6.4% | 6.8% | 8.7% | 7.8% | 12.3% | 13.6% |
| West Virginia | 166,488 | 168,702 | 166,687 | 168,896 | 171,233 | 171,715 |
| +/- m/m | (3,247) | 2,214 | (2,015) | 2,209 | 2,337 | 482 |
| % y/y | 0.0% | 1.7% | 0.2% | 0.6% | 0.7% | -0.1% |
| Wisconsin | 701,063 | 688,235 | 684,195 | 680,016 | 537,131 | 547,325 |
| +/- m/m | (5,132) | (12,828) | (4,040) | (4,179) | (142,885) | 10,194 |
| % y/y | -0.9% | -3.3% | -3.4% | -3.4% | -24.3% | -23.0% |

Source: State Medicaid Agency websites

State Specific Analysis

Arizona

Arizona's Q4 enrollment declined sharply in October and November, wholly driven by reductions in acute care enrollment. While LTC enrollments rose by a few hundred over Q4, acute care enrollment saw reductions of more than 21,000 total enrollees. Overall, year-over-year enrollment as of December 2012 is down 6.0 percent.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Acute Care | 1,071,760 | 1,078,191 | 1,081,387 | 1,075,164 | 1,062,567 | 1,059,753 |
| LTC | 50,047 | 50,182 | 50,399 | 50,551 | 50,638 | 50,735 |
| Total Arizona | 1,121,807 | 1,128,373 | 1,131,786 | 1,125,715 | 1,113,205 | 1,110,488 |
| +/- m/m | 330 | 6,566 | 3,413 | (6,071) | (12,510) | (2,717) |
| % y/y | -7.9% | -8.1% | -7.3% | -7.0% | -7.0% | -6.0% |

California

The general upward trend in California managed care enrollment continued through Q4, adding more than 15,000 total enrollees. December 2012 enrollment approached 3.9 million, up 7.2 percent over 2011. It is important to note that beginning January 1, 2013, California began transitioning Healthy Families enrollees (not captured in the table below) into Medi-Cal managed care plans. Q1 2013 enrollment numbers can be expected to show significant enrollment increases as a result.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total California | 3,853,040 | 3,843,688 | 3,866,890 | 3,861,755 | 3,878,071 | 3,882,835 |
| +/- m/m | 11,827 | (9,352) | 23,202 | (5,135) | 16,316 | 4,764 |
| % y/y | 11.5% | 10.7% | 10.0% | 8.7% | 7.8% | 7.2% |

Florida

Florida managed care enrollments continued monthly gains through the end of 2012. As of December 2012, Florida managed care plans enrolled more than 1.2 million total lives, up 7.1 percent on a year-over-year basis. As noted above, this does not include Florida Healthy Kids (CHIP) enrollments.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| MMCP | 1,041,972 | 1,043,431 | 1,046,134 | 1,055,026 | 1,057,925 | 1,062,584 |
| Reform Pilot | 160,674 | 160,150 | 160,869 | 162,100 | 162,347 | 163,364 |
| Total Florida | 1,202,646 | 1,203,581 | 1,207,003 | 1,217,126 | 1,220,272 | 1,225,948 |
| +/- m/m | 12,045 | 935 | 3,422 | 10,123 | 3,146 | 5,676 |
| % y/y | 5.7% | 6.6% | 8.2% | 10.3% | 10.4% | 7.1% |

Hawaii

Hawaii's managed care enrollment in both the QUEST and QExA programs has held fairly constant through Q3 and Q4 2012. Between the two programs, enrollment is up 1.7 percent from the previous year, at just over 286,000 total enrollees.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total QUEST | 235,646 | 237,691 | 238,638 | 240,360 | 240,522 | 240,919 |
| Total QExA | 45,061 | 45,246 | 45,372 | 45,488 | 45,481 | 45,484 |
| Total Hawaii | 280,707 | 282,937 | 284,010 | 285,848 | 286,003 | 286,403 |
| +/- m/m | (3,341) | 2,230 | 1,073 | 1,838 | 155 | 400 |
| % y/y | 4.3% | 4.5% | 3.6% | 2.7% | 2.1% | 1.7% |

Illinois

As of December 2012, Illinois managed care plans enrolled more than 268,000 Medicaid lives. Enrollment in the Suburban Chicago Integrated Care Program appears to have leveled off at around 36,000 of an expected 40,000 enrollees, while voluntary MCO enrollment has added more than 3,000 new enrollees per month in September through December 2012. Overall, enrollment is up more than 10 percent over the previous year, with new Integrated Care Program enrollment expansions to come as early as Q2 2013.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Voluntary MCO | 215,960 | 218,945 | 222,401 | 225,458 | 228,482 | 232,120 |
| +/- m/m | 1,532 | 2,985 | 3,456 | 3,057 | 3,024 | 3,638 |
| % y/y | 7.7% | 7.9% | 8.8% | 9.6% | 10.5% | 11.0% |
| Integrated Care Program | 35,987 | 35,962 | 36,091 | 35,890 | 35,983 | 35,934 |
| +/- m/m | 219 | (25) | 129 | (201) | 93 | (49) |
| % y/y | 191.6% | 113.1% | 33.2% | 13.1% | 10.2% | 8.0% |
| Total Illinois | 251,947 | 254,907 | 258,492 | 261,348 | 264,465 | 268,054 |
| +/- m/m | 1,751 | 2,960 | 3,585 | 2,856 | 3,117 | 3,589 |
| % y/y | 18.3% | 15.9% | 11.7% | 10.1% | 10.4% | 10.6% |

Louisiana

Having gone live early in 2012, Louisiana's Bayou Health Medicaid managed care program has now enrolled nearly 900,000 Medicaid beneficiaries. The third and final phase, GSA C, went live on June 1, 2012, adding more than 300,000 lives. As of publication, December 2012 enrollments were not available.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------------------|---------|---------|---------|---------|---------|--------|
| Total Louisiana | 875,958 | 879,201 | 896,377 | 895,325 | 898,599 | |
| +/- m/m | 329 | 3,243 | 17,176 | (1,052) | 3,274 | |

Maryland

As of December 2012, Maryland enrolled just over 790,000 Medicaid managed care lives. Month-to-month enrollments have been positive for five of the last six months, and year-over-year enrollment is up 4.1 percent.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Maryland | 780,673 | 783,949 | 787,154 | 790,585 | 793,482 | 791,520 |
| +/- m/m | 6,804 | 3,276 | 3,205 | 3,431 | 2,897 | (1,962) |
| % y/y | 4.9% | 4.9% | 5.0% | 4.8% | 5.0% | 4.1% |

Michigan

Despite two months of negative net enrollments (August and November), Michigan managed care enrollment increased by more than 15,000 net lives over Q3 and Q4. Enrollment is up 1.7 percent on a year-over-year basis.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Michigan | 1,237,774 | 1,225,071 | 1,232,163 | 1,232,399 | 1,227,748 | 1,245,470 |
| +/- m/m | 7,996 | (12,703) | 7,092 | 236 | (4,651) | 17,722 |
| % y/y | 2.2% | 0.5% | 1.8% | 0.9% | 0.8% | 1.7% |

Missouri

Missouri Medicaid managed care enrollments declined by roughly 15,000 in Q2 2012. Total June enrollment of 413,700 was down 2.7 percent year-over-year. July is the only month of Q3 enrollment data available and showed positive growth as the state implemented new managed care contracts on July 1, 2012, adding close to 6,500 enrollees.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-----------------------|----------------|----------------|----------------|----------------|--------|--------|
| Total Medicaid | 376,362 | 375,967 | 375,792 | 374,929 | | |
| Total CHIP | 43,866 | 43,962 | 44,047 | 44,316 | | |
| Total Missouri | 420,228 | 419,929 | 419,839 | 419,245 | | |
| +/- m/m | 6,490 | (299) | (90) | (594) | | |
| % y/y | -1.2% | -0.9% | -1.6% | -1.6% | | |

Pennsylvania

After a Q3 in which HealthChoices enrollment declined by more than 20,000 lives, Q4 2012 kicked off with single month enrollment gains of more than 32,000, due to the launch of the New West region expansion. A second phase of the expansion in the New East region is set to begin on March 1, 2013. All told, the two expansion regions could add an estimated 465,000 new enrollees, or close to a 40 percent increase. November and December data were not available at the time of publication.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------------|------------------|------------------|------------------|------------------|--------|--------|
| HealthChoices | 1,213,741 | 1,212,631 | 1,207,807 | 1,273,385 | | |
| Voluntary MCO | 54,006 | 53,900 | 53,458 | 20,470 | | |
| Total MCO | 1,267,747 | 1,266,531 | 1,261,265 | 1,293,855 | | |
| +/- m/m | (15,849) | (1,216) | (5,266) | 32,590 | | |

Tennessee

After declines in Q2 enrollment, Tennessee's TennCare program added more than 12,000 new managed care enrollees during the first two months of Q3 2012, bringing year-over-year enrollment up just slightly. No Q4 data has been made available as of publication.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------------------|------------------|------------------|--------|--------|--------|--------|
| Total Tennessee | 1,212,353 | 1,215,627 | | | | |
| +/- m/m | 9,133 | 3,274 | | | | |
| % y/y | 0.2% | 0.3% | | | | |

Texas

As of December 2011, Texas had enrolled more than 2.6 million lives in MCO plans. By November 2012, the number of enrolled lives was more than 3.5 million. In March and April 2012, Texas added more than 800,000 managed care lives through expansions in the STAR and STAR+PLUS managed care programs into several new regions in the state. October and November enrollment gains more than offset negative enrollment in all three months of Q3 2012, and year-over-year enrollment is up more than 34 percent thanks to the geographic expansion. At the time of publication, December 2012 data was not yet unavailable.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|--------------------|------------------|------------------|------------------|------------------|------------------|--------|
| STAR | 2,523,509 | 2,507,124 | 2,483,669 | 2,529,775 | 2,542,624 | |
| STAR+PLUS | 401,567 | 403,289 | 404,336 | 405,628 | 403,796 | |
| STAR HEALTH | 29,737 | 29,654 | 29,575 | 30,776 | 30,465 | |
| CHIP | 556,968 | 557,755 | 555,260 | 556,022 | 556,873 | |
| Total Texas | 3,511,781 | 3,497,822 | 3,472,840 | 3,522,201 | 3,533,758 | |
| +/- m/m | (20,780) | (13,959) | (24,982) | 49,361 | 11,557 | |
| % y/y | 46.8% | 45.9% | 36.9% | 38.4% | 35.3% | |

Washington

On July 1, 2012, newly procured managed care plans began to serve both the Basic Health and Healthy Options programs. Enrollment has continued to grow since implementation, adding a net 114,500 lives in Q3 and Q4, and bringing 2012 year-end managed care enrollment up to nearly 800,000.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Washington | 743,810 | 747,750 | 765,136 | 764,565 | 797,712 | 799,856 |
| +/- m/m | 58,461 | 3,940 | 17,386 | (571) | 33,147 | 2,144 |
| % y/y | 6.4% | 6.8% | 8.7% | 7.8% | 12.3% | 13.6% |

West Virginia

West Virginia managed care enrollments have varied month to month but remain steady on a year-over-year basis. As of December 2012, more than 171,000 lives were enrolled in managed care plans, down just slightly from the year prior.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total West Virginia | 166,488 | 168,702 | 166,687 | 168,896 | 171,233 | 171,715 |
| +/- m/m | (3,247) | 2,214 | (2,015) | 2,209 | 2,337 | 482 |
| % y/y | 0.0% | 1.7% | 0.2% | 0.6% | 0.7% | -0.1% |

Wisconsin

Managed care enrollment dropped off sharply in November 2012, as UnitedHealthcare pulled out of the Southeast BadgerCare+ region. This only exacerbates a trend since early 2011 of declining enrollment. Year-over-year enrollment growth has steadily fallen from more than 16 percent in early 2011, to negative 3.4 percent in October 2012. Year-end 2012 enrollment was down 23 percent from the prior year.

| | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| BadgerCare+ | 667,280 | 654,448 | 650,411 | 646,214 | 503,273 | 513,457 |
| SSI | 33,783 | 33,787 | 33,784 | 33,802 | 33,858 | 33,868 |
| Total Wisconsin | 701,063 | 688,235 | 684,195 | 680,016 | 537,131 | 547,325 |
| +/- m/m | (5,132) | (12,828) | (4,040) | (4,179) | (142,885) | 10,194 |
| % y/y | -0.9% | -3.3% | -3.4% | -3.4% | -24.3% | -23.0% |

Select Company Analysis

Where available, we have included total Medicaid enrollments as reported in Q3/Q4 company financial statements.

Aetna

We track monthly enrollment data in four states where Aetna operates. Aetna lost nearly 100,000 managed care lives on January 1, 2012, when Connecticut discontinued its managed care program. Aetna's total risk-based covered lives in the states shown were down more than 20 percent on a year-over-year basis in June 2012. However, new managed care contracts implemented in Missouri, which consolidated the MCO market under three plans, added more than 41,000 new lives to Aetna's enrollment, mitigating some of the losses from the prior year. In the four states below, Aetna enrolled more than 536,000 Medicaid beneficiaries in October 2012. Aetna reported 1.25 million total Medicaid lives in its Q3 2012 financial statements.

| Aetna | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Arizona | 295,434 | 297,510 | 298,884 | 297,076 | 294,190 | 293,669 |
| +/- m/m | (349) | 2,076 | 1,374 | (1,808) | (2,886) | (521) |
| % y/y | -6.3% | -6.3% | -5.3% | -5.9% | -5.8% | -4.9% |
| Missouri | 94,904 | 107,031 | 108,805 | 108,272 | | |
| +/- m/m | 41,322 | 12,127 | 1,774 | (533) | N/A | N/A |
| % y/y | 84.3% | 107.5% | 107.7% | 106.9% | | |
| Pennsylvania | 56,051 | 54,836 | 54,307 | 59,576 | | |
| +/- m/m | (959) | (1,215) | (529) | 5,269 | N/A | N/A |
| % y/y | N/A | N/A | N/A | N/A | | |
| Texas | 72,661 | 71,703 | 71,362 | 71,491 | 71,165 | |
| +/- m/m | (661) | (958) | (341) | 129 | (326) | N/A |
| % y/y | 10.3% | 7.7% | 4.8% | 4.7% | -0.5% | |
| Total Aetna | 519,050 | 531,080 | 533,358 | 536,415 | 365,355 | 293,669 |
| +/- m/m | 39,353 | 12,030 | 2,278 | 3,057 | (3,212) | (521) |
| % y/y | -12.9% | -11.0% | -10.5% | -11.0% | -24.5% | -38.7% |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing MO, PA, TX data

Centene

We track monthly enrollment data in eight states where Centene operates risk-based health plans. Across these eight states, Centene covered more than 1.7 million lives as of September 2012, up 70 percent over the previous year. Centene's nationwide Medicaid enrollment is around 2.5 million, as reported in Q3 2012 financial statements. Centene has experienced major gains in enrolled lives from February on, as a result of managed care expansions in Louisiana and Texas. Additionally, new contracts in Missouri and Washington went live on July 1, adding more than 110,000 additional covered lives.

| Centene | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|----------------------|------------------|------------------|------------------|------------------|------------------|---------|
| Arizona | 56,360 | 56,650 | 56,925 | 56,420 | 55,252 | 55,000 |
| +/- m/m | (66) | 290 | 275 | (505) | (1,168) | (252) |
| % y/y | 169.9% | 168.2% | 171.5% | 152.2% | 147.8% | 149.2% |
| Florida | 203,136 | 204,187 | 206,308 | 208,556 | 209,104 | 210,072 |
| +/- m/m | 2,248 | 1,051 | 2,121 | 2,248 | 548 | 968 |
| % y/y | 7.9% | 9.8% | 11.5% | 13.3% | 12.4% | 7.5% |
| Georgia | 303,287 | 302,896 | 301,554 | | | |
| +/- m/m | 838 | (391) | (1,342) | N/A | N/A | N/A |
| % y/y | 0.9% | 2.1% | 2.1% | | | |
| Louisiana | 166,497 | 166,337 | 169,037 | 168,592 | 168,662 | |
| +/- m/m | (2,239) | (160) | 2,700 | (445) | 70 | N/A |
| % y/y | N/A | N/A | N/A | N/A | N/A | |
| Missouri | 58,466 | 51,433 | 56,131 | 57,493 | | |
| +/- m/m | 58,466 | (7,033) | 4,698 | 1,362 | N/A | N/A |
| % y/y | N/A | N/A | N/A | N/A | | |
| Texas | 864,708 | 866,879 | 869,655 | 910,722 | 921,979 | |
| +/- m/m | 1,782 | 2,171 | 2,776 | 41,067 | 11,257 | N/A |
| % y/y | 88.8% | 88.7% | 80.9% | 88.9% | 87.9% | |
| Washington | 33,706 | 35,134 | 40,384 | 42,273 | 53,173 | 54,835 |
| +/- m/m | 33,706 | 1,428 | 5,250 | 1,889 | 10,900 | 1,662 |
| % y/y | N/A | N/A | N/A | N/A | N/A | N/A |
| Wisconsin | 39,412 | 38,612 | 38,264 | 38,442 | 38,543 | 38,386 |
| +/- m/m | (259) | (800) | (348) | 178 | 101 | (157) |
| % y/y | -3.2% | -6.0% | -5.9% | -4.7% | -5.6% | -5.3% |
| Total Centene | 1,725,572 | 1,722,128 | 1,738,258 | 1,482,498 | 1,446,713 | |
| +/- m/m | 60,770 | (4,872) | 10,880 | 43,905 | 10,808 | |
| % y/y | 71.1% | 71.5% | 70.0% | 44.5% | 95.5% | |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing GA, LA, MO, TX data

Coventry

We track monthly enrollment data in six states where Coventry operates risk-based health plans. As of October 2012, enrollment in these states is up 10.6 percent over the prior year to more than 418,000 covered lives, driven largely by growth in Missouri, Florida and Pennsylvania. Across all states, Coventry enrolls 998,000 Medicaid lives, as reported in Q3 2012 financial statements.

| Coventry | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Florida | 46,787 | 47,124 | 47,892 | 48,713 | 48,757 | 49,120 |
| +/- m/m | 1,071 | 337 | 768 | 821 | 44 | 363 |
| % y/y | 11.1% | 12.2% | 14.0% | 16.3% | 16.4% | 14.3% |
| Maryland | 13,077 | 12,728 | 12,433 | 12,437 | 12,541 | 12,633 |
| +/- m/m | (252) | (349) | (295) | 4 | 104 | 92 |
| % y/y | -3.6% | -6.8% | -9.8% | -11.0% | -10.5% | -10.8% |
| Michigan | 43,957 | 43,222 | 42,937 | 42,404 | 41,710 | 41,880 |
| +/- m/m | (214) | (735) | (285) | (533) | (694) | 170 |
| % y/y | -6.8% | -8.0% | -7.7% | -8.5% | -9.3% | -8.2% |
| Missouri | 266,858 | 261,465 | 254,903 | 253,480 | | |
| +/- m/m | 27,958 | (5,393) | (6,562) | (1,423) | N/A | N/A |
| % y/y | 38.5% | 36.2% | 32.7% | 32.2% | | |
| Pennsylvania | 20,599 | 21,398 | 22,303 | 28,998 | | |
| +/- m/m | 679 | 799 | 905 | 6,695 | N/A | N/A |
| % y/y | N/A | N/A | N/A | N/A | | |
| West Virginia | 60,128 | 61,159 | 60,396 | 61,696 | 62,874 | 63,125 |
| +/- m/m | (1,415) | 1,031 | (763) | 1,300 | 1,178 | 251 |
| % y/y | 4.7% | 6.3% | 4.4% | 5.8% | 5.6% | 5.8% |
| Total Coventry | 430,807 | 425,698 | 418,561 | 418,730 | 165,882 | 166,758 |
| +/- m/m | 28,079 | (3,961) | (5,937) | 6,860 | 528 | 784 |
| % y/y | 16.2% | 14.8% | 12.5% | 10.6% | 2.7% | 2.7% |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing MO, PA data

Health Net

We track Health Net's monthly enrollment data in California where the company covered more than 781,000 Medicaid members through December 2012, an increase of almost 17 percent from the previous year. We note that Health Net's Fresno contract (123,000 lives) was awarded in March to a local plan called CalViva for whom Health Net is serving as a subcontractor.

| Health Net | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------|---------|---------|---------|---------|---------|---------|
| California | 765,509 | 764,060 | 769,821 | 770,306 | 775,482 | 781,638 |
| +/- m/m | 2,894 | (1,449) | 5,761 | 485 | 5,176 | 6,156 |
| % y/y | 20.0% | 19.4% | 18.8% | 17.4% | 16.7% | 16.7% |

Source: State Medicaid Enrollment data

Humana

We track Humana's monthly enrollment data in Florida, where the company covered 49,000 Medicaid members through December 2012. In Florida, Humana enrollment losses over the past year have reversed, with December enrollment up 11.6 percent from the prior year.

| Humana | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|---------|--------|--------|--------|--------|--------|--------|
| Florida | 45,992 | 46,626 | 47,226 | 48,178 | 48,716 | 49,228 |
| +/- m/m | 722 | 634 | 600 | 952 | 538 | 512 |
| % y/y | -6.2% | -3.1% | 0.3% | 7.0% | 11.6% | 11.6% |

Source: State Medicaid Enrollment data

Molina

We track monthly enrollment data in six (after the termination of its contract in Missouri) of the states where Molina operates risk-based health plans. Across these states, Molina experienced healthy enrollment growth in 2012, driven by contract wins in Texas (rural CHIP, Dallas STAR+PLUS) and the acquisition of Abri Health Plan in Wisconsin. Additional enrollment under a new contract term in Washington was tempered by the loss of Molina's Missouri contract as of July 1, 2012. Despite this loss of 77,000 covered lives, enrollments for Q4 (through November) still show nearly 7 percent growth from the prior year.

| Molina | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|---------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| California | 177,006 | 175,355 | 175,366 | 178,024 | 174,372 | 173,525 |
| +/- m/m | (568) | (1,651) | 11 | 2,658 | (3,652) | (847) |
| % y/y | -8.8% | -10.0% | -10.4% | -9.6% | -12.5% | -13.2% |
| Florida | 69,921 | 70,314 | 70,415 | 71,044 | 71,434 | 72,209 |
| +/- m/m | 548 | 393 | 101 | 629 | 390 | 775 |
| % y/y | 6.3% | 8.0% | 8.4% | 9.9% | 9.3% | 6.6% |
| Michigan | 208,678 | 206,533 | 207,239 | 206,785 | 205,556 | 207,949 |
| +/- m/m | 12 | (2,145) | 706 | (454) | (1,229) | 2,393 |
| % y/y | -0.6% | -1.6% | -0.3% | -0.8% | -0.9% | -1.9% |
| Missouri | 0 | | | | | |
| +/- m/m | (77,096) | N/A | N/A | N/A | N/A | N/A |
| % y/y | -100.0% | | | | | |
| Texas | 275,253 | 271,230 | 267,048 | 269,644 | 266,593 | |
| +/- m/m | (8,506) | (4,023) | (4,182) | 2,596 | (3,051) | N/A |
| % y/y | 120.2% | 115.0% | 89.0% | 86.9% | 79.5% | |
| Washington | 376,954 | 384,132 | 389,340 | 390,062 | 395,718 | 395,190 |
| +/- m/m | 37,805 | 7,178 | 5,208 | 722 | 5,656 | (528) |
| % y/y | 13.4% | 14.9% | 15.6% | 14.0% | 15.4% | 15.9% |
| Wisconsin | 41,806 | 41,085 | 41,186 | 42,616 | 44,540 | 45,864 |
| +/- m/m | 65 | (721) | 101 | 1,430 | 1,924 | 1,324 |
| % y/y | 2.0% | -0.2% | 0.0% | 3.9% | 8.3% | 10.6% |
| Total Molina | 1,149,618 | 1,148,649 | 1,150,594 | 1,158,175 | 1,158,213 | 894,737 |
| +/- m/m | (47,740) | (969) | 1,945 | 7,581 | 38 | 3,117 |
| % y/y | 9.8% | 9.4% | 7.8% | 7.5% | 6.7% | -5.1% |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing TX data

UnitedHealth

We track monthly enrollment data in eleven states where UnitedHealth operates risk-based health plans. Within these, UnitedHealth covers more than 2.2 million lives, more than half of reported 3.87 million total covered Medicaid lives (Q3 2012). In this subset of markets, UnitedHealth has seen expansion in Texas (up 58 percent over the prior year) and new business contracts that went live in Louisiana and Washington, adding roughly 275,000 in new enrollment. Across these eleven states, August enrollment was up nearly 70 percent over 2011.

| UnitedHealth | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|---------|
| Arizona | 246,292 | 248,131 | 248,131 | 248,725 | 245,989 | 245,164 |
| +/- m/m | 652 | 1,839 | 0 | 594 | (2,736) | (825) |
| % y/y | -4.3% | -4.4% | -4.2% | -4.9% | -4.9% | -3.9% |
| Florida | 111,156 | 112,069 | 112,901 | 114,220 | 115,062 | 115,927 |
| +/- m/m | 1,825 | 913 | 832 | 1,319 | 842 | 865 |
| % y/y | -6.6% | -5.0% | -2.5% | 0.2% | 1.6% | 1.4% |
| Hawaii | 22,768 | 23,711 | 24,245 | 25,304 | 25,846 | 26,491 |
| +/- m/m | 1,659 | 943 | 534 | 1,059 | 542 | 645 |
| % y/y | 13.3% | 17.3% | 19.2% | 23.2% | 25.7% | 28.2% |
| Louisiana | 225,561 | 227,980 | 233,040 | 233,438 | 234,925 | |
| +/- m/m | 3,551 | 2,419 | 5,060 | 398 | 1,487 | N/A |
| % y/y | N/A | N/A | N/A | N/A | N/A | |
| Maryland | 143,900 | 144,910 | 145,986 | 147,059 | 147,936 | 147,913 |
| +/- m/m | 1,646 | 1,010 | 1,076 | 1,073 | 877 | (23) |
| % y/y | 7.0% | 7.3% | 7.6% | 7.3% | 7.8% | 7.0% |
| Michigan | 239,680 | 235,979 | 235,410 | 233,551 | 231,633 | 234,481 |
| +/- m/m | 1,267 | (3,701) | (569) | (1,859) | (1,918) | 2,848 |
| % y/y | 0.5% | -1.8% | -1.4% | -3.1% | -3.5% | -3.1% |
| Pennsylvania | 191,814 | 190,532 | 187,769 | 187,448 | | |
| +/- m/m | (12,249) | (1,282) | (2,763) | (321) | N/A | N/A |
| % y/y | N/A | N/A | N/A | N/A | | |
| Tennessee | 567,912 | 569,809 | | | | |
| +/- m/m | 6,763 | 1,897 | N/A | N/A | N/A | N/A |
| % y/y | 1.4% | 1.5% | | | | |
| Texas | 166,966 | 166,666 | 165,385 | 168,581 | 168,603 | |
| +/- m/m | (1,185) | (300) | (1,281) | 3,196 | 22 | N/A |
| % y/y | 79.4% | 77.8% | 58.1% | 60.6% | 58.8% | |
| Washington | 24,625 | 25,674 | 29,880 | 30,578 | 40,097 | 41,711 |
| +/- m/m | 24,625 | 1,049 | 4,206 | 698 | 9,519 | 1,614 |
| % y/y | N/A | N/A | N/A | N/A | N/A | N/A |
| Wisconsin | 296,530 | 291,311 | 289,913 | 279,848 | 117,762 | 116,740 |
| +/- m/m | (979) | (5,219) | (1,398) | (10,065) | (162,086) | (1,022) |
| % y/y | 1.8% | -0.6% | -1.1% | -4.3% | -60.0% | -60.5% |
| Total UnitedHealth | 2,237,204 | 2,236,772 | 1,672,660 | 1,668,752 | 1,327,853 | |
| +/- m/m | (7,118) | (5,331) | (119) | (6,738) | (164,389) | |
| % y/y | 69.6% | 68.8% | 21.7% | 21.0% | 8.5% | |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing LA, PA, TN, TX data

WellCare

We track monthly enrollment data in five states where WellCare operates risk-based Medicaid health plans. WellCare lost a contract in Missouri, and roughly 15,000 enrollees, as of July, 1 2012. September enrollments across these selected states are still up 2.4 percent over the prior year, driven by growth in Florida and Hawaii, where WellCare entered the QUEST market on July 1, 2012. With the inclusion of Georgia, this covers roughly two-thirds of WellCare's 1.5 million total Medicaid enrollees as of Q3 2012 financial results.

| WellCare | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-----------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| Florida | 376,123 | 374,439 | 372,131 | 373,455 | 372,860 | 371,987 |
| +/- m/m | 1,438 | (1,684) | (2,308) | 1,324 | (595) | (873) |
| % y/y | 10.4% | 10.1% | 11.2% | 12.6% | 12.2% | 8.2% |
| Georgia | 557,303 | 555,038 | 552,639 | | | |
| +/- m/m | 504 | (2,265) | (2,399) | N/A | N/A | N/A |
| % y/y | -0.4% | -0.3% | -0.9% | | | |
| Hawaii | 26,087 | 27,924 | 28,986 | 29,752 | 30,080 | 30,689 |
| +/- m/m | 2,229 | 1,837 | 1,062 | 766 | 328 | 609 |
| % y/y | 11.9% | 19.6% | 23.5% | 25.6% | 26.3% | 28.2% |
| Illinois | 134,343 | 135,469 | 136,632 | 137,571 | 138,838 | 140,444 |
| +/- m/m | 661 | 1,126 | 1,163 | 939 | 1,267 | 1,606 |
| % y/y | 0.1% | 0.9% | 2.2% | 3.6% | 4.8% | 5.5% |
| Missouri | 0 | | | | | |
| +/- m/m | (15,359) | N/A | N/A | N/A | N/A | N/A |
| % y/y | -100.0% | | | | | |
| Total WellCare | 1,093,856 | 1,092,870 | 1,090,388 | 540,778 | 541,778 | 543,120 |
| +/- m/m | (13,260) | (558) | (1,145) | 2,263 | 672 | 733 |
| % y/y | 1.8% | 2.2% | 2.4% | 7.2% | 7.3% | 5.0% |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing GA data

WellPoint and Amerigroup

Note on Amerigroup acquisition: WellPoint completed its acquisition of Amerigroup in late 2012. For our Q4 2012 enrollment update, we have continued to track their enrollment trends separately. For our 2013 enrollment updates, we expect to track more than 2.2 million of their combined 4.5 million managed Medicaid lives across 10 states.

We track monthly enrollment data in three states where WellPoint operates risk-based health plans since losing the contract in Texas. Within these three states, WellPoint covered 534,000 lives as of December 2012, or approximately 30 percent of the company's 1.8 million total reported lives Q3 2012.

| WellPoint | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| California | 449,334 | 446,757 | 446,632 | 443,171 | 443,653 | 432,394 |
| +/- m/m | (1,308) | (2,577) | (125) | (3,461) | 482 | (11,259) |
| % y/y | 4.3% | 3.8% | 3.2% | 2.3% | 1.8% | -0.6% |
| Wisconsin | 22,180 | 21,875 | 21,464 | 21,264 | 21,217 | 20,877 |
| +/- m/m | (270) | (305) | (411) | (200) | (47) | (340) |
| % y/y | -7.2% | -8.9% | -8.8% | -8.1% | -8.5% | -9.2% |
| West Virginia | 80,413 | 81,427 | 80,452 | 80,936 | 81,717 | 81,704 |
| +/- m/m | (1,436) | 1,014 | (975) | 484 | 781 | (13) |
| % y/y | -1.8% | -0.1% | -1.3% | -2.0% | -2.1% | -1.7% |
| Total WellPoint | 551,927 | 550,059 | 548,548 | 545,371 | 546,587 | 534,975 |
| +/- m/m | (3,014) | (1,868) | (1,511) | (3,177) | 1,216 | (11,612) |
| % v/v | -0.8% | -1.0% | -1.8% | -2.6% | -3.2% | -5.2% |

Source: State Medicaid Enrollment data

We track monthly enrollment data in seven of the thirteen states where Amerigroup operates. Unfortunately, Georgia and Tennessee have not updated enrollment reports with any Q4 2012 data at this time. Within the five states that have reported monthly enrollment through November, Amerigroup covers over 1.3 million lives, up more than 33 percent year-over-year. This growth comes largely from new contracts in Louisiana (Q1 2012) and Washington (Q3 2012), as well as in managed care expansions in Texas.

| Amerigroup | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|---------|
| Florida | 189,015 | 188,080 | 188,321 | 189,425 | 189,260 | 189,543 |
| +/- m/m | 1,738 | (935) | 241 | 1,104 | (165) | 283 |
| % y/y | 4.6% | 5.7% | 7.2% | 9.3% | 9.2% | 6.0% |
| Georgia | 269,526 | 270,255 | 268,777 | N/A | N/A | N/A |
| +/- m/m | 2,194 | 729 | (1,478) | N/A | N/A | N/A |
| % y/y | 1.1% | 2.8% | 2.8% | N/A | N/A | N/A |
| Louisiana | 141,283 | 140,444 | 142,388 | 141,507 | 141,626 | N/A |
| +/- m/m | (2,307) | (839) | 1,944 | (881) | 119 | N/A |
| % y/y | N/A | N/A | N/A | N/A | N/A | N/A |
| Maryland | 206,963 | 207,553 | 207,943 | 208,625 | 209,235 | 208,505 |
| +/- m/m | 1,430 | 590 | 390 | 682 | 610 | (730) |
| % y/y | 2.0% | 2.3% | 2.5% | 2.6% | 3.1% | 2.5% |
| Tennessee | 199,107 | 200,096 | N/A | N/A | N/A | N/A |
| +/- m/m | 525 | 989 | N/A | N/A | N/A | N/A |
| % y/y | 0.9% | 0.8% | N/A | N/A | N/A | N/A |
| Texas | 741,021 | 738,122 | 732,844 | 744,564 | 745,813 | N/A |
| +/- m/m | (2,176) | (2,899) | (5,278) | 11,720 | 1,249 | N/A |
| % y/y | 29.4% | 29.3% | 24.0% | 26.3% | 22.8% | N/A |
| Washington | 16,512 | 13,872 | 17,156 | 17,054 | 25,162 | 25,692 |
| +/- m/m | 16,512 | (2,640) | 3,284 | (102) | 8,108 | 530 |
| % y/y | N/A | N/A | N/A | N/A | N/A | N/A |
| Total Amerigroup | 1,763,427 | 1,758,422 | 1,557,429 | 1,301,175 | 1,311,096 | |
| +/- m/m | (26) | (2,955) | (4,571) | 11,943 | 1,203 | |
| % y/y | 24.2% | 24.4% | 26.5% | 34.7% | 33.3% | |

Source: State Medicaid Enrollment data

Notes: Totals, month/month, and year/year changes adjusted for missing GA, LA, TN, TX data

HMA MEDICAID ROUNDUP

California

HMA Roundup – Jennifer Kent and Stan Rosenstein

Budget: The Governor released his 2013-14 Budget on January 10, 2013. This budget is notable in that the state no longer has a projected budget deficit due to significant spending reductions as well as voter approval of Proposition 30 in November 2012. Overall General Fund spending will grow by five (5%) percent, from \$93 billion in 2012-13 to \$97.7 billion in 2013-14, predominantly in education and health care. Despite the optimistic projections and absence of reductions, the state is still lacking an adequate reserve and is proposing to create a \$1 billion reserve using two health-related funding sources: the hospital quality assurance fee (\$310 million) and renewing and extending the gross premiums tax on Medi-Cal managed care plans (\$364 million).

Health Reform: In the fall of 2012, the Governor announced that he would call a special session of the legislature to address and implement outstanding issues within the Affordable Care Act. Consistent with that pledge, the Governor’s budget calls for a placeholder of \$350 million to pay for the costs associated with what the Governor is calling the “mandatory” expansion of Medi-Cal. The mandatory population is individuals who are currently eligible for Medi-Cal but lose eligibility because of administrative obstacles, have assets that beyond those allowed with the required asset test, or will be able to enroll based on simplified eligibility and enrollment standards (MAGI) and processes in 2014.

Dual Demonstration: At this time, California is still awaiting approval of its Memorandum of Understanding (MOU) with CMS to implement its dual demonstration pilot in eight California counties. Due to some of the exemptions granted to dual eligibles currently enrolled in waivers, or Medicare Dual Special Needs Plans (D-SNP), the state has revised the number of individuals that will be eligible to participate in the demonstration starting in 2013. With approximately 560,000 individuals eligible to participate, the 2013-14 Budget is also proposing to delay enrollment until September 2013 with Los Angeles County phasing in over a period of 18 months rather than 12 months as originally proposed. San Mateo County will enroll all of its beneficiaries into the pilot at once, while the remaining six counties (Orange, San Diego, San Bernardino, Riverside, Alameda, and Santa Clara) will phase-in over 12 months. The savings associated with the demonstration have also been revised downward: \$170.7 million in 2013-14 growing to \$523.3 million annually thereafter.

Other Medi-Cal Items:

- *Implementation of provider rate reductions:* With the court deciding in favor of the Department of Health Care Services on provider rate reductions, the budget includes savings of \$431 million in 2013-14, assuming successful recoupment from fee-for-service providers. There is an additional “managed care efficiency” savings item for \$135 million in 2013-14 that was explained on a stakeholder call by the Department as a means to recoup some of the provider reductions from

managed care plans since they could not retroactively collect the money due to the plan contracts.

- *Healthy Families Transition*: The basis for eliminating the Healthy Families program and moving almost 900,000 children into Medi-Cal was estimated to save the state \$13.1 million in 2012-13, \$58.4 million in 2013-14 and \$72.9 million annually ongoing. The Medi-Cal estimate for 2013-14 includes an additional General Fund cost of \$79 million in 2012-13 and \$278 million in 2013-14. There will be additional Medi-Cal cost for county administration and the Health Care Options Contract and savings in MRMIB and in the California Children's Services-HFP program.
- *Managed care rate increases*: The January budget assumes a placeholder increase of 2.97% for 2013-14 and a cost of \$172 million to the General Fund. The May Revision will contain a more detailed rate adjustment and may increase based on Medi-Cal managed care plan experience with the current seniors and persons with disabilities (SPD) population.
- *FMAP*: While there is no specific proposal contained in the Governor's budget related to California's Federal Medical Assistance Percentage (FMAP), the budget summary specifically mentions the FMAP rate in both the "Health Reform" summary as well as the "Health & Human Services" section. Citing the state's minimum percentage of 50% and how it is lower than those of neighboring states - Oregon (62%), Nevada (60%) and Arizona (66%) -- this may be the opening attempt by the Brown Administration to seek broader support for its FMAP methodology proposal to pay a per-capita amount to state Medicaid programs rather than the existing formula.
- *AIDS Drug Assistance Program (ADAP)*: In January 2012, the Department of Public Health began screening and transitioning eligible ADAP clients to county Low-Income Health Programs (LIHPs) as authorized under the state's 1115 Medicaid waiver. These program changes have resulted in savings of \$12.7 million in 2013-14.

In the news

- **"Calif. Physicians Unsure of Timeline for Medi-Cal Pay Increases Under ACA"**

"California physicians who treat Medi-Cal beneficiaries do not know when to expect a reimbursement increase established by an Affordable Care Act provision, according to the California Medical Association, Modern Physician reports. According to the ACA, the payment increases were scheduled to take effect Jan. 1. To implement the reimbursement hikes, states must submit a "State Plan Amendment" to the federal government for approval. States will be granted retroactive pay increases after their plans are approved. States have until March 31 to submit plans. CMS has 90 days to respond to submissions." ([California Healthline](#))

- **"Provider Rate Cut Case May Linger"**

"The state budget proposed by Gov. Brown counts on \$488.4 million in savings from rate reductions to Medi-Cal providers in keeping with a law passed in 2011 that hasn't

yet been implemented because it's been held up in court. Last month, a three-judge panel in federal Circuit Court overruled previous injunctions issued by federal appellate judges. However, the injunctions will remain in place and provider reimbursements won't be cut at least until the end of this month. Litigants in each of the four lawsuits have until Jan. 28 to file a re-hearing request. At least one of those litigants -- the California Hospital Association -- is going to file a re-hearing request, according to Jan Emerson-Shea, CHA's vice president of external affairs." ([California Healthline](#))

- **"Gov. Jerry Brown commits to major Medi-Cal expansion"**

"In order to help implement President Obama's healthcare overhaul in California, Gov. Jerry Brown proposed a major expansion of the state's public insurance program in the state budget he unveiled Thursday. Brown earmarked \$350 million in his spending plan to help enroll more Californians in Medi-Cal, the state's health insurance program for the poor. Under the proposal, enrollment rules would be simplified to cover residents who are currently eligible but not enrolled. Those costs would be split evenly between state and federal governments. The governor's plan also calls for a separate, larger expansion of Medi-Cal that would cover a group of low-income Californians not currently eligible for the program: adults without children, earning up to 138% of the federal poverty level -- or \$15,415 a year. The federal government would subsidize costs for the first three years, with the state shouldering a portion of the bill after that. Whether that expansion will be handled at the state or county levels will be the subject of debate in the coming months." ([Los Angeles Times](#))

Colorado

HMA Roundup – Joan Henneberry

Over 100 bills were introduced on January 9, the first day of the legislative session. It is expected that 500-600 bills will be introduced before the session ends in early May. HB 1033 proposes to ban abortions and to make it a felony for a doctor to perform an abortion. Senate Bill 6 will prohibit reductions in school funding if the proposed Medicaid expansion, supported by Governor Hickenlooper, requires state general funds that would have to be taken from other general fund programs like K-12. Both bills are sponsored by Republicans, who are in the minority in both houses. On the other side of the aisle, Democrats have introduced bills that require K-12 schools to offer free breakfasts first thing in the school day if at least 70% of the students are eligible for free or reduced lunch; call for the creation of an early childhood commission; and allow small group insurance carriers to report mental health claims to the state's All Payer Claims Data Base.

In an effort to entice more providers to get connected and exchange health care records and information, the Colorado Regional Health Information Organization, or CORHIO, announced it will waive the \$2,000 training and set up fees for physician practices that sign up before June 30, 2013. So far CORHIO has enrolled 27 hospitals, 348 physician offices, 28 long-term and post acute-care facilities, two behavioral health centers and two medical laboratories.

Florida

HMA Roundup – Elaine Peters

Florida Health Care Affordability Summit - Key health care industry leaders, innovators and lawmakers gathered on January 10 and 11, 2013 in Orlando, to participate in the panel discussions at the 2013 Florida Health Care Affordability Summit. The Summit, hosted by the Foundation of Associated Industries of Florida (FAIF) brought together some of the most instrumental decision makers and thought leaders to discuss areas of critical need for Florida’s health care landscape. The parties participated in a series of panel discussions to assess the overall cost-drivers in Florida’s health care system and ways to ease the financial burden on Florida’s businesses and employers. Participating panelists discussed the following topics:

- Providing Affordable Care for Floridians
- Holding Florida’s Health Care System Accountable
- Removing the Mystery from Health Care Financing
- Modernizing Florida’s Health Care Delivery System
- Creating Efficient Distribution Channels & Innovative Products in Health Care
- Increasing Access, Consumer Choice and Competition in Florida’s Health Care Market

LTC Managed Care Awards– On January 15, 2013, the Agency for Health Care Administration selected the health plans it will contract with for the Long-term Care Managed Care program. Five plans were selected through a competitive solicitation worth an estimated \$3 billion, and they will serve an estimated 90,000 recipients within the Agency’s 11 regions throughout the state. Secretary Liz Dudek stated that the Agency “looks forward to beginning to work with the selected plans and to finalizing negotiations with CMS for waiver approval within the next several weeks.” A Florida-based plan was selected in every region of the state, and four plans also have a Medicare health plan in operation in the state, a fact that the Agency hopes will lead to opportunities for better coordination between the Medicare and Medicaid programs for this population. Recipients who qualify to enroll in a long-term care plan will receive information at least 90 days ahead of when any change will take effect, and providers will receive information about contracting from the selected plans.

Statewide Medicaid Managed Care (SMMC) Long Term Care Awards

| Plan Name | Region 1 | Region 2 | Region 3 | Region 4 | Region 5 | Region 6 | Region 7 | Region 8 | Region 9 | Region 10 | Region 11 | Total |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|
| American Eldercare | X | X | X | X | X | X | X | X | X | X | X | 11 |
| Amerigroup | | | | | | | | | X | X | | 2 |
| Coventry Healthcare of Florida, Inc. | | | | | X | X | | X | | X | | 4 |
| Sunshine State Health Plan | X | | X | X | X | X | X | X | X | X | X | 10 |
| United Healthcare | | X | X | X | X | X | X | X | | X | | 9 |
| Total Number of Plans | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 3 | 4 | 3 | 5 | 36 |

PPACA Legislative Committee Meetings – Lawmakers will need to make significant decisions to determine how to implement provisions of the federal health care law during this legislative session. Their primary focus will be in the following four areas: state health regulations that in some instances conflict with the federal law; the health benefit package for state employees that differs from ACA requirements; whether to set up a state run health exchange; and whether to expand Medicaid coverage. The Senate met for the second time and heard from private businesses regarding the ACA employer impacts and costs on businesses. The House met for the first time and provided an overview of the law and was in the information gathering stage. The House met for a second time and discussed the impact on the state employee group health insurance program and heard from private employers. Both committees intend to have meetings during the interim through February and intend to have recommendations by the start of session in March 2013 to guide the state through the implementation process.

In the news

- **“New Medicaid system shifts from 'safety net' hospitals, some say”**

“State regulators have unveiled a new Medicaid payment system to hospitals so they will be paid the same for the same medical care. Yet some industry officials say money is being shifted away from "safety net" hospitals that treat the sickest patients. The Florida Legislature last year approved retooling Medicaid reimbursement to use an approach similar to what the federal government uses for Medicare. That involves paying the same rate to each hospital for the same medical service, using what's called a "diagnostic related group" or DRG. The reimbursement can be adjusted for severe cases. Currently, Medicaid in Florida pays hospitals a daily rate that historically factored in their cost to treat a patient. That approach has meant one hospital could get paid more than another, even if they treated the same patient.” ([Naples Daily News](#))

- **“3 Companies Win Big in FL Medicaid”**

“Three companies stand out as major winners in Florida’s competition for contracts in the Statewide Medicaid Managed Care Program for Long-Term Care, a market worth an estimated \$3 billion. They are American Eldercare, Sunshine State Health Plan and UnitedHealthcare of Florida. American Eldercare -- a little-known Delray Beach firm that specializes in caring for seniors in independent living, assisted living and rehab centers, as well as in their homes -- is the only company that won contracts to enroll customers in every region of the state.” ([Health News Florida](#))

- **“DOJ proposes overhaul of Florida’s program for disabled children”**

“In a new and even harsher indictment of Florida’s treatment of severely disabled children, federal civil rights lawyers have issued a comprehensive blueprint for overhauling the state’s system of care for frail youngsters. The 17-page “settlement proposal” by the U.S. Justice Department demands the state stop slicing in-home nursing services for frail youngsters, stop ignoring the requests of family doctors who treat disabled children and stop sending hundreds of children to geriatric nursing homes – where they often spend their childhoods isolated from families and peers.” ([Miami Herald](#))

Indiana

HMA Roundup - Cathy Rudd

Governor Mike Pence was sworn in on January 14, 2013, and immediately issued 15 executive orders, including one that imposes a moratorium on state regulations.

On January 15, the Governor's recommended budget for SFYs 2014-2015 was presented to the legislature. The budget does not expand Medicaid, but allows for \$200 million each year for normal growth, fully funding the most recent Medicaid forecast. The governor's proposed budget would also extend a 5 percent Medicaid provider rate cut for an additional two years that is currently set to expire June 30, 2013. Only physicians were exempt from the original rate cuts that were put in place during the current biennium. The proposal also extends the current hospital assessment and nursing home quality assessment fees for an additional two years. The Governor's proposal is available [here](#).

New York

HMA Roundup - Denise Soffel

Enrollment in New York's Managed Long Term Care (MLTC) program has been increasing significantly since the mandatory program began in NYC in August (see chart below). Five new plans, all partial capitation plans, have begun operation since then:

- Aetna Better Health
- Agewell New York
- Archcare Community Life
- Senior Whole Health
- United Healthcare

| | Sept. 2012 | Oct. 2012 | Nov. 2012 | Dec. 2012 | Pct. Change Sept.-Dec. |
|---------------------------------|------------|-----------|-----------|-----------|---------------------------|
| MLTC Partial Capitation Plan | 53,873 | 57,832 | 62,176 | 67,146 | 24.64% |
| Medicaid Advantage Plus | 2,442 | 2,622 | 2,799 | 2,956 | 21.05% |
| PACE | 4,502 | 4,565 | 4,520 | 4,594 | 2.04% |
| Total | 60,817 | 65,019 | 69,495 | 74,696 | 22.82% |

OTHER HEADLINES

Arizona

- **“Ariz. governor opts to expand Medicaid”**

“Arizona Gov. Jan Brewer took advantage of her annual State of the State speech to deliver big news: that she plans to agree to a large expansion of the state's Medicaid program as part of President Barack Obama's health care overhaul. The Republican governor's decision, long awaited by lawmakers and health-care professionals and opposed by many in the GOP, would bring the state an additional \$7.9 billion in federal funds over four years to restore and expand the state's health-care insurance program to an estimated 300,000 low-income residents, according to the Arizona Hospital and Healthcare Association.” ([USA Today](#))

Arkansas

- **“Beebe urges GOP-led legislature to expand Medicaid”**

“Gov. Mike Beebe urged skeptical Republicans to not sacrifice Arkansas' share of federal dollars by rejecting an expansion of its Medicaid program, saying in his final "state of the state" address Tuesday that doing so would jeopardize the health of their neighbors back home. The GOP controls the Arkansas House and Senate for the first time since Reconstruction and legislative leaders have refused to embrace an expansion of the Medicaid program under the new federal health care plan. Beebe supports the move, saying it would save the state money by cutting down the costs Arkansas hospitals face for treating patients without insurance.” ([Associated Press](#))

District of Columbia

- **“Department of Behavioral Health will combine mental health, substance abuse functions”**

“A new Department of Behavioral Health will become one of the District government's largest agencies after Mayor Vincent C. Gray (D) announced Friday that he was combining the city's mental health and substance abuse functions for the first time. The new department, to begin operations Oct. 1, will combine the Department of Mental Health, with its \$190 million budget and 1,200 employees, with the Department of Health's Addiction Prevention and Recovery Administration, which has a \$32 million budget and about 90 employees. Those agencies currently manage services for about 35,000 District residents.” ([Washington Post](#))

Georgia

- **“Governor's Medicaid Financing Bill Clears Senate Committee”**

“To help shore up Georgia's Medicaid program, a Senate committee approved a measure that allows a state health agency to levy a fee on hospitals. Proposed by Governor Nathan Deal, Senate Bill 24 authorizes the Department of Community Health to impose its own version of the expiring hospital provider fee, commonly referred to as the bed tax.” ([WABE News](#))

- **“Ga. insurance commissioner expects bill to repeal health mandates”**

“Georgia Insurance Commissioner Ralph Hudgens predicted Thursday that legislation would repeal all of the required health coverage not mandated by federal health reform, an issue that would likely lead to a heated battle in the General Assembly when it convenes next week. Hudgens also revealed that one of the Republicans’ answers to ObamaCare – cross-state insurance policies – hasn’t worked.” ([Athens Banner-Herald](#))

Idaho

- **“Idaho Medicaid stabilizes, but changes coming”**

“After years of relentless growth, Idaho lawmakers received a budget request for the state’s Medicaid program Tuesday that’s nearly flat in state funds, and just a 7.6 percent increase overall - even though the program is expected to add roughly 70,000 new recipients next year due to changes in federal laws. The slower growth is mainly because Idaho’s caseload numbers in the health care program for the poor and disabled have stopped climbing so quickly as the state’s come out of the recession; it’s also because federal funds are up, meaning the state can spend less. Idaho’s federal matching rate for next year is going up, to the tune of \$11.8 million. It also in part reflects an overfunding of the program last year, when more growth was anticipated than actually came through. That prompted the program to turn back \$46 million to the state general fund unused; officials say a new claims system is now allowing more accurate forecasts.” ([The Spokesman-Review](#))

Kentucky

- **“Health care chain seeks to add federal agency as defendant in Coventry lawsuit”**

“Attorneys for Appalachian Regional Healthcare are trying to add the Centers for Medicare and Medicaid Services as a defendant in its lawsuit against the managed-care company Coventry and the state of Kentucky. In a motion filed Friday in U.S. District Court in Lexington, the health care chain said the federal agency’s failure to scrutinize the Cabinet for Health and Family Services has resulted in an unstable managed-care system that “is heading toward eventual collapse. Officials with Centers for Medicare and Medicaid Services declined to comment Friday.” ([Lexington Herald-Leader](#))

Montana

- **“UM report: Medicaid expansion could create 14K jobs with little cost to state”**

“Expanding Medicaid coverage for as many as 78,000 low-income Montanans will come at a small net cost to the state over the next eight years, while generating \$4 billion in labor income and as many as 14,000 new jobs, a report from a University of Montana research center says. The report, released Saturday by state Auditor Monica Lindeen, says that from 2014-2021, about \$6 billion in federal funds would flow into the state to finance most of the expansion.” ([Billings Gazette](#))

New Hampshire

- **“Report: Medicaid expansion would hurt NH hospitals financially”**

“A new report concludes New Hampshire’s acute-care hospitals would make out slightly worse financially if the state expands its Medicaid population. The report found that the expansion would add nearly 60,000 people to the Medicaid rolls and \$92.7 million in costs for their care compared with \$69 million in costs for the same group without the expansion.” ([Nashua Telegraph](#))

North Carolina

- **“NC health agency picks LA official for Medicaid”**

“North Carolina Gov. Pat McCrory's administration moved quickly Thursday to name a Louisiana health official to lead the state's huge Medicaid program. Health and Human Services Secretary Dr. Aldona Wos announced Carol Steckel, director of the Center for Health Care Innovation with the Louisiana state health and hospitals department, is the new director of the Division of Medical Assistance. She's replacing Mike Watson, who retired last week as Gov. Beverly Perdue's administration ended, HHS said.” ([Charlotte Observer](#))

Ohio

- **“Will Ohio Gov. John Kasich expand Medicaid? 'Too important to leave hanging”**

“For Ohio’s health care industry and patient advocates, all eyes are on Gov. John Kasich and the two-year state budget he’s expected to propose on Feb. 4. Will the Republican state leader expand Medicaid and offer government-supported health insurance to an estimated additional 600,000 of the state’s poorest? If the expansion is in the proposed budget, the plan will still have to be approved by state legislators. If it is not included in the budget, political experts say expansion would be very unlikely.” ([Cleveland Plain Dealer](#))

Pennsylvania

- **“Pa. loses out on Medicaid bonus”**

“The federal government is giving bonus funds to 23 states for enrolling more kids in the health-care program Medicaid last fiscal year. Pennsylvania is not among the winners. More than 60,000 children in the state disappeared from the Medicaid rolls between October 2011 and 2012. To get the bonus, states must also meet criteria aimed at simplifying enrollment procedures for Medicaid and the Children's Health Insurance Program, known as CHIP.” ([WHYY News](#))

- **“State eyes changes in long-term care”**

“Caring for seniors in their homes costs one-third to one-half as much as a nursing home, even though far more of Pennsylvania’s elderly and disabled live in nursing homes, experts say. The cost differential along with the desire by seniors to stay in their homes as long as possible has prompted the Pennsylvania Department of Public Welfare to consider new ways of paying for long-term care for the elderly and disabled. Introducing managed care to Medicaid patients living in nursing homes by contracting with private insurers is one option being considered by the state. DPW Secretary Gary

D. Alexander on Wednesday said he expected changes in the way the state pays for long-term care within two years." ([Pittsburgh Business Times](#))

- **"Nursing homes dread paperwork from state audit"**

"The Pennsylvania Department of Public Welfare this month launched an unprecedented Medicaid audit at 75 nursing homes in Southeastern Pennsylvania as part of a campaign to eliminate waste, fraud, and abuse. Industry executives and others, who say long-term care centers already undergo frequent audits, said they were not worried about the possible discovery of expensive errors. But they dread the logistics of preparing four years of Medicaid billing records for 100 percent review - while puzzling over how much money the DPW expects to recover from improper bills." ([Philadelphia Inquirer](#))

Virginia

- **"Va. working with U.S. on health exchange"**

"Gov. Bob McDonnell says creation of a health benefits exchange for Virginians to buy affordable health insurance is a bad idea, but his administration is working quietly with the federal government to make the new system work. The administration asked the U.S. Department of Health and Human Services last month for \$4.8 million to set up the technology for connecting Virginia's human services agencies with the new benefits exchange, regardless of who runs it." ([Richmond Times-Dispatch](#))

- **"Medicaid expansion costs predicted to be far lower than estimated"**

"The administration of Gov. Bob McDonnell estimates that expanding Virginia's Medicaid program would cost the state \$137.5 million over nine years, far lower than previous estimates that have ranged as high as \$2.2 billion. The estimate reflects \$584.3 million in expected savings in the first five years of the expansion, although \$142.2 million in net savings come from provisions of the Affordable Care Act that do not depend on Medicaid expansion." ([Richmond Times-Dispatch](#))

National

- **"Amid Record Slow Medicaid Cost Growth, MACPAC Weighs Recommendations to Congress"**

"Medicaid grew by 1.1 percent in 2012, the third slowest year of growth in the program's history, a top federal actuary told the Medicaid and CHIP Payment and Access Commission on Tuesday. The commission debated a series of possibilities that it might recommend to Congress, and seemed to be close to consensus on one that would give states the option of providing 12-month continuous eligibility to individuals enrolled in CHIP and in Medicaid. Each of those recommendations would cost \$50 million to \$250 million per year, according to preliminary Congressional Budget Office estimates that indicated that the costs would be somewhere in the lower part of that range. The commission considered a different recommendation that would mandate that states use continuous enrollment in order to reduce the administrative burden on government officials and protect beneficiaries. But that would have cost \$2 billion a year, for a total of \$10 billion over five years." (CQ Healthbeat) [MACPAC Website](#) (pdf)

- **“States Will Be Given Extra Time to Set Up Health Insurance Exchanges”**

“The White House says it will give states more time to comply with the new health care law after finding that many states lag in setting up markets where millions of Americans are expected to buy subsidized private health insurance. [HHS Secretary] Kathleen Sebelius, working with the White House, said she would waive or extend the deadline for any states that expressed interest in creating their own exchanges or regulating insurance sold through a federal exchange.” ([New York Times](#))

- **“Medicaid Officials Release Rule Affecting Cost-Sharing and Coordination with Exchanges”**

“Under a 474-page proposed rule released Monday, state officials would be able to charge Medicaid patients higher cost-sharing for some services than current regulations allow. The proposed rule also affects a wide range of other Medicaid provisions, including appeals of eligibility determinations; coordination between Medicaid and the new health care law’s insurance exchanges; the role of counselors to assist people with their coverage applications; procedures to verify employer-sponsored coverage; and the use of updated Medicaid eligibility categories. The public has until Feb. 13 to comment on the proposal.” [Proposed rule \(pdf\)](#) ([SCHA.org](#))

COMPANY NEWS

- **“Centene's Florida Subsidiary Selected To Serve Long Term Care Members In 10 Regions In Florida”**

Centene Corporation) has been notified by the Florida Agency for Health Care Administration (AHCA) that Sunshine State Health Plan, Centene's Florida subsidiary, has been recommended for a contract award in the Medicaid Managed Care Long Term Care program. Upon regulatory approval, enrollment will be rolled out by region, beginning in August 2013 and continuing through March 2014. The new Medicaid Managed Care Long Term Care program will replace the current Nursing Home Diversion Program (NHDP) and will cover the entire state of Florida, which is divided into 11 regions. Sunshine State Health Plan was selected to serve members in 10 of the 11 regions. The long-term care program covers recipients 18 years or older who have been determined by the state's long term care assessment program (CARES) to meet the nursing facility level of care, including individuals who are dually eligible for Medicaid and Medicare and non-duals (Medicaid-only). ([Centene Press Release](#))=

- **“WellCare Of Georgia Integrates Behavioral Health Services”**

“WellCare Health Plans, Inc. today announced that as of Jan. 1, 2013, it has integrated all behavioral health services for WellCare Medicaid and PeachCare for Kids® members in Georgia. In-sourcing of WellCare's behavioral health services, including those addressing mental health and substance abuse, and physical health care services will promote improved patient care, better clinical outcomes and enhanced cost management by integrating medical and behavioral care at the plan level and in the community.” ([WellCare News Release](#))

- **“Centene To Acquire Specialty Pharmacy Leader AcariaHealth”**

“Centene Corporation announced that it has signed a definitive agreement to acquire Specialty Therapeutic Care Holdings, Inc. (d/b/a AcariaHealth), one of the nation's largest, independent, comprehensive specialty pharmacy companies, from Enhanced Equity Funds and affiliates for \$152 million. The transaction consideration is anticipated to be financed through a combination of Centene common stock, cash on hand and existing credit facilities. The acquisition is expected to close in the first quarter of 2013, subject to regulatory approval and other customary conditions. The Company expects the acquisition to be neutral to earnings per share in the first 12 months following the acquisition, excluding one-time transaction costs. This acquisition is consistent with Centene's strategic plan of capitalizing on new opportunities for growth that complement its current core areas of strength. With this transaction, US Script, Centene's pharmacy benefit manager, will now have a sister company that will expand its specialized pharmacy benefit services for complex diseases, including Hepatitis C, Hemophilia, Multiple Sclerosis, Rheumatoid Arthritis and Oncology.” ([Centene Press Release](#))

RFP CALENDAR

Below is an updated Medicaid managed care RFP calendar. The events are color coded by state/program and are listed in date order.

| Date | State | Event | Beneficiaries |
|--------------------|-------------------------------|--------------------------------|---------------|
| TBD | Nevada | Contract Awards | 188,000 |
| January 21, 2013 | California Rural | Applications due | 280,000 |
| January 28, 2013 | Arizona - Acute Care | Proposals due | 1,100,000 |
| January, 2013 | Vermont Duals | RFP Released | 22,000 |
| January, 2013 | Virginia Duals | RFP Released | 65,400 |
| January, 2013 | South Carolina Duals | RFP Released | 68,000 |
| January, 2013 | District of Columbia | Contract Awards | 165,000 |
| February 1, 2013 | New Mexico | Contract awards | 510,000 |
| February 25, 2013 | California Rural | Application Approvals | 280,000 |
| March 1, 2013 | Pennsylvania | Implementation - New East Zone | 290,000 |
| March 15, 2013 | Florida acute care | Proposals Due | 2,800,000 |
| March, 2013 | Idaho Duals | RFP Released | 17,700 |
| April 1, 2013 | New Hampshire | Implementation (delayed) | 130,000 |
| April 1, 2013 | Wisconsin Duals | Implementation | 17,600 |
| April 1, 2013 | Vermont Duals | Contract awards | 22,000 |
| April 1, 2013 | Virginia Duals | Contract awards | 65,400 |
| April, 2013 | Arizona - Maricopa Behavioral | Contract awards | N/A |
| April-May, 2013 | Rhode Island Duals | RFP Released | 22,700 |
| May 1, 2013 | District of Columbia | Implementation | 165,000 |
| May 1, 2013 | Texas Rural STAR+PLUS | Proposals due | 110,000 |
| May-June, 2013 | Idaho Duals | Proposals due | 17,700 |
| June 1, 2013 | California Rural | Implementation | 280,000 |
| June, 2013 | Rhode Island Duals | Contract awards | 22,700 |
| July 1, 2013 | Massachusetts Duals | Implementation | 115,000 |
| July 1, 2013 | Ohio | Implementation | 1,650,000 |
| July 1, 2013 | Nevada | Implementation | 188,000 |
| July 1, 2013 | Idaho Behavioral | Implementation | 200,000 |
| July, 2013 | Washington Duals | Contract awards | 115,000 |
| July, 2013 | Idaho Duals | Contract awards | 17,700 |
| August 1, 2013 | Florida LTC (Region 7) | Implementation | 9,600 |
| September 1, 2013 | California Duals | Implementation | 500,000 |
| September 1, 2013 | Ohio Duals | Implementation | 115,000 |
| September 1, 2013 | Florida LTC (Regions 8,9) | Implementation | 14,000 |
| September 16, 2013 | Florida acute care | Contract awards | 2,800,000 |
| October 1, 2013 | Illinois Duals | Implementation | 136,000 |
| October 1, 2013 | Arizona - Acute Care | Implementation | 1,100,000 |
| October 1, 2013 | Arizona - Maricopa Behavioral | Implementation | N/A |
| November 1, 2013 | Florida LTC (Regions 1,2,10) | Implementation | 13,700 |
| December, 1 2013 | Florida LTC (Region 11) | Implementation | 16,400 |
| January 1, 2014 | New York Duals | Implementation | 133,880 |
| January 1, 2014 | Arizona Duals | Implementation | 120,000 |
| January 1, 2014 | New Mexico | Implementation | 510,000 |
| January 1, 2014 | Hawaii Duals | Implementation | 24,000 |
| January 1, 2014 | South Carolina Duals | Implementation | 68,000 |
| January 1, 2014 | Vermont Duals | Implementation | 22,000 |
| January 1, 2014 | Idaho Duals | Implementation | 17,700 |
| January 1, 2014 | Washington Duals | Implementation | 115,000 |
| January 1, 2014 | Virginia Duals | Implementation | 65,400 |
| January 1, 2014 | Texas Duals | Implementation | 214,400 |
| January 1, 2014 | Rhode Island Duals | Implementation | 22,700 |
| February 1, 2014 | Florida LTC (Regions 5,6) | Implementation | 19,500 |
| March 1, 2014 | Florida LTC (Regions 3,4) | Implementation | 16,700 |
| September 1, 2014 | Texas Rural STAR+PLUS | Operational Start Date | 110,000 |
| October 1, 2014 | Florida acute care | Implementation | 2,800,000 |

DUAL INTEGRATION PROPOSAL STATUS

Below is a summary table of the progression of states toward implementing dual eligible integration demonstrations in 2013 and 2014.

| State | Model | Duals eligible for demo | RFP Released | RFP Response Due Date | Contract Award Date | Signed MOU with CMS | Enrollment effective date |
|----------------|--------------------------------|------------------------------------|--------------|--|---------------------|---------------------|---------------------------|
| Arizona | Capitated | 98,235 | N/A+ | N/A+ | N/A | | 1/1/2014 |
| California | Capitated | 526,902** | X | 3/1/2012 | 4/4/2012 | | 9/1/2013 |
| Colorado | MFFS | 62,982 | | | | | 4/1/2013 |
| Connecticut | MFFS | 57,569 | | | | | TBD |
| Hawaii | Capitated | 24,189 | | | | | 1/1/2014 |
| Illinois | Capitated | 136,000 | X | 6/18/2012 | 11/9/2012 | | Fall 2013 |
| Iowa | MFFS | 62,714 | | | | | TBD |
| Idaho | Capitated | 22,548 | March 2013 | Q2 2013 | July 2013 | | 1/1/2014 |
| Massachusetts | Capitated | 109,636 | X | 8/20/2012 | 11/5/2012 | X | 7/1/2013 |
| Michigan | Capitated | 198,644 | TBD | TBD | TBD | | 1/1/2014 |
| Missouri | MFFS† | 6,380 | | | | | 10/1/2012 |
| Minnesota | | 93,165 | | Not pursuing Financial Alignment Model | | | |
| New Mexico | | 40,000 | | Not pursuing Financial Alignment Model | | | |
| New York | Capitated | 133,880 | | | | | 1/1/2014 |
| North Carolina | MFFS | 222,151 | | | | | TBD |
| Ohio | Capitated | 114,000 | X | 5/25/2012 | Scoring: 6/28/12 | X | 9/1/2013 |
| Oklahoma | MFFS | 104,258 | | | | | 7/1/2013 |
| Oregon | | 68,000 | | Not pursuing Financial Alignment Model | | | |
| Rhode Island | Capitated | 22,737 | | Apr-May 2013 | 6/1/2013 | | 1/1/2014 |
| South Carolina | Capitated | 68,000 | Jan. 2013 | TBD | TBD | | 1/1/2014 |
| Tennessee | | 136,000 | | Not pursuing Financial Alignment Model | | | |
| Texas | Capitated | 214,402 | | Late 2012 | Early 2013 | | 1/1/2014 |
| Virginia | Capitated | 65,415 | Early 2013 | | July 2013 | | 1/1/2014 |
| Vermont | Capitated | 22,000 | Jan. 2013 | 3/11/2013 | 4/1/2013 | | 1/1/2014 |
| Washington | Capitated/MFFS | 115,000 | TBD | TBD | TBD | MFFS Only | 1/1/2014 |
| Wisconsin | Capitated | 17,600 | X | 8/23/2012 | 10/1/2012 | | 4/1/2013 |
| Totals | 17 Capitated 7 MFFS | 2.4M Capitated 485K FFS | 5 | | | 3 | |

**Duals eligible for demo based on 8 counties included in May 31, 2012 proposal to CMS. Will expand to further counties in 2014 and 2015 with approval.

† Acute Care Managed Care RFP Responses due January 2013; Maricopa Co. Behavioral RFP Responses due October 2012. Duals will be integrated into these programs.

‡ Capitated duals integration model for health homes population.

HMA WELCOMES...

Yasser Aman, Senior Consultant - Costa Mesa, California

Yasser Aman will join HMA on February 1, 2013. Prior to joining HMA, Yasser served as the Founding President and Chief Executive Officer for UMMA Community Clinic in Los Angeles. During his 12 years in this role he transformed UMMA from a free clinic to a federally funded community health center; expanded the agency from a 2 to a 32 employee institution; diversified revenue streams from 100% private contributions to foundation grants, third party reimbursement, expanded donor base, and federal funding; as well as expanded volume from 800 patient visits/year to 20,000 visits/year.

Yasser also worked as the Clinic Manager for the UMMA Free Clinic (prior to it becoming the Community Clinic) and was a Case Management Data Manager for Shields for Families.

He currently serves as Vice Chair/Treasurer/Board Member for the Community Clinic Association of Los Angeles County, serves on the Legislative and FQHC Committee for the California Primary Care Association, and also serves on the Advisory Board for the Center for the Health Professions - Blue Shield of California Community Clinic Leadership Institute.

Yasser holds a Doctor of Public Health, Health Policy and Management degree from UCLA. He also holds an Executive Master in Public Health, Health Policy and Management degree from UCLA as well as a Bachelors in Science, Cell Molecular Biology degree from UCLA.