

# HEALTH MANAGEMENT ASSOCIATES

# HMA Weekly Roundup

Trends in State Health Policy

May 14, 2014



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## IN FOCUS

### PENNSYLVANIA ISSUES HEALTHY PA RFA

This week, our *In Focus* section reviews Pennsylvania's Department of Public Welfare (DPW) request for application (RFA) for the Healthy Pennsylvania Program (HPP), often referred to as Healthy PA. The Healthy PA program is proposed under an 1115 Waiver, currently awaiting CMS approval, as an alternative Medicaid expansion program. The RFA seeks applications from Pennsylvania-licensed health insurers interesting in becoming Private Coverage Organizations (PCOs) for more than 500,000 estimated eligible enrollees under 133 percent of the Federal Poverty Level (FPL) across nine ratings regions statewide beginning January 1, 2015.

**Link to Healthy PA RFA:** <http://www.emarketplace.state.pa.us/>

#### Target Population and RFA Scope

The Healthy PA program would make insurance coverage available through a PCO for roughly 500,000 eligible individuals below 133 percent FPL. The state is

divided into 9 regions, the same as those rating regions for Pennsylvania's Federally Facilitated Marketplace. Two regions, Region 4 (Pittsburgh area) and Region 8 (Philadelphia area), account for approximately half of the 500,000 estimated potential enrollees. Under the RFA, applicants must propose to serve all counties within a region and may propose to serve any number of regions. Regions and their counties, as well as HMA estimates of potential enrollment, are detailed in the table below.

In attachments accompanying the RFA, draft capitation rates for 2015 are presented by region and by age and gender rating groups. The average per-member per-month (PMPM) rates presented below are informational only and based on a projected case mix, according to the state documents. Additionally, rates are presented for PCOs subject to the Health Insurance Provider Fee (HIPF) as well as for those exempt from the HIPF. The HIPF adjustment is roughly 3.6 percent.

Based on assumed enrollment of 500,000 members and a blended average PMPM across all regions, total Healthy PA capitation payments in 2015 can be estimated at around \$3 billion.

Rating Region	Counties	Potential Enrollment (HMA Estimate)	Avg. PMPM (w/o HIPF)	Avg. PMPM (w/ HIPF)
<b>Region 1</b>	Clarion, Crawford, Erie, Forest, McKean, Mercer, Venango, Warren	30,700	\$420.68	\$435.85
<b>Region 2</b>	Cameron, Elk, Potter	2,400	\$420.68	\$435.85
<b>Region 3</b>	Bradford, Carbon, Clinton, Lackawanna, Luzerne, Lycoming, Monroe, Pike, Sullivan, Susquehanna, Tioga, Wayne, Wyoming	46,700	\$421.66	\$436.87
<b>Region 4</b>	Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington, Westmoreland	90,300	\$471.71	\$488.72
<b>Region 5</b>	Bedford, Blair, Cambria, Clearfield, Huntingdon, Jefferson, Somerset	34,100	\$471.71	\$488.72
<b>Region 6</b>	Centre, Columbia, Lehigh, Mifflin, Montour, Northampton, Northumberland, Schuylkill, Snyder, Union	54,300	\$421.66	\$436.87
<b>Region 7</b>	Adams, Berks, Lancaster, York	57,600	\$481.58	\$498.95
<b>Region 8</b>	Bucks, Chester, Delaware, Montgomery, Philadelphia	153,900	\$575.91	\$596.68
<b>Region 9</b>	Cumberland, Dauphin, Franklin, Fulton, Juniata, Lebanon, Perry	29,800	\$481.58	\$498.95
<b>Statewide</b>		<b>500,000</b>	<b>\$491.83</b>	<b>\$509.57</b>

### RFA Requirements

The RFA provides the requirements that must be met for a potential PCO to be considered for the Healthy PA program.

- Potential PCOs must have a Pennsylvania health maintenance organization (HMO) Certificate of Authority or must present a plan and timeline for receiving one.
- Applicants must provide documentation of a Department of Health Operating Authority for each county in the region or regions for which they are applying.
- Applying PCOs must detail whether they will provide behavioral health services in-house or under a subcontracting arrangement. The RFA also allows for applicants to describe other models of behavioral health delivery.

- PCO applicants' National Committee for Quality Assurance (NCQA) accreditation status will be considered. The RFA states that PCOs must have a NCQA rating of "commendable" or "excellent." However, DPW may consider applicants with "accredited" ratings or new health plans without ratings if it is determined to be in the best interest of the state.

### Contract Term and RFA Timeline

Pennsylvania's DPW expects to begin readiness reviews in August, 2014, with contracts effective and coverage beginning January 1, 2015. The RFA indicates an initial contract term of three years, with two optional extension years beyond the initial term.

Milestone	Date
Potential Applicants Conference	May 15, 2014
Answers to Potential Applicants' Questions Posted	May 28, 2014
Applications Due	June 10, 2014
Readiness Review to Begin	August 4, 2014
Implementation	January 1, 2015

### Competitive Market – Medicaid and Commercial

As of 2013, Pennsylvania's Medicaid managed care program has expanded statewide. The table below summarizes the Medicaid MCO enrollment by health plan, by Healthy PA region. Notably, the Healthy PA regions and the Medicaid managed care regions do not align.

The RFA could draw interest from the state's major commercial insurance players, including Highmark in western Pennsylvania and Independence Blue Cross in eastern Pennsylvania.

Medicaid MCO Enrollment by Healthy PA Region	Keystone/ Ameri-Health	Gateway	UPMC	Health Partners	Aetna/ Coventry	United	Geisinger	Total Enrolled
Region 1	9,602	20,435	53,284		16,718			100,039
Region 2	1,050	410	4,846		332			6,638
Region 3	43,289				25,342		87,785	156,416
Region 4		99,411	147,097		6,772	45,255		298,535
Region 5	2,453	14,478	36,536		9,094	13,051		75,612
Region 6	52,590	28,439	1,232		16,440	3,951	35,898	138,550
Region 7	65,868	55,421	7,436		10,123	33,311		172,159
Region 8	293,074			176,132	70,870	63,216		603,292
Region 9	10,478	48,140	5,680		17,891	10,384	1,217	93,790
Grand Total	478,404	266,734	256,111	176,132	173,582	169,168	124,900	1,645,031

Source: State Enrollment Report, March 2014



## HMA MEDICAID ROUNDUP

### California

#### HMA Roundup – Alana Ketchel

**Governor Brown Releases Latest Budget Plan.** On May 12, 2014, the *Los Angeles Times* reported the details of Governor Jerry Brown's latest budget plan and challenges that will be addressed in the coming year. While Brown was able to cut a deal to strengthen the state's reserve fund, many challenges remain, including how to finance the state's rapidly growing Medi-Cal rolls. Brown has stated repeatedly that the state will likely not be able to fund every worthy program next year due to high healthcare costs and dedicated budgets for other initiatives. [Read more](#)

**Medi-Cal Considering Autism Coverage for Children.** On May 7, 2014, the *California Healthline* reported that Medi-Cal is considering adding autism therapies as a covered benefit. Commercial plans in California are required to cover autism treatment, or applied behavioral analysis (ABA) therapy, but Medi-Cal does not currently cover ABA. California is following developments in other states, such as Washington, which point to autism therapy being included as a preventive service. [Read more](#)

**California Small Business Exchange Faces Slow Adoption.** On May 8, 2014, *Kaiser Health News* reported that only a fraction of eligible small businesses are participating in Covered California's Small Business Health Options Program (SHOP). Technology glitches, paperwork delays, and customer service issues have contributed to a low enrollment. A new, improved version of online enrollment is expected in the fall. [Read more](#)

**Child Palliative Care Program Could Expand to Medi-Cal Adults.** On May 8, 2014, the *California Healthline* reported that the Senate Committee on Health has approved a bill that would expand a palliative care pilot program for children to Medi-Cal adults. If the bill becomes law, the Department of Health Care Services would have to seek a waiver to allow a palliative care benefit in the Medi-Cal program. The children's pilot program reportedly saved Medi-Cal more than \$1,600 per beneficiary per month. [Read more](#)

**Advocates Express Concern About Duals Demo.** On May 8, 2014, *Healthy Cal* discussed advocates' concerns about the current demonstration for dual eligibles in California. A significant concern surrounds patients' access to their existing providers once they shift into a new managed care plan. The speed of implementation is also questioned given the magnitude and complexity of the demonstration. State officials say the plan is ready for roll-out. [Read more](#)

**Orange County Approves Court-Ordered Mental Health Treatment Law for the Extremely Ill.** On May 13, 2014, *AP*/the *Belleville News-Democrat* reported that Orange County lawmakers have approved “Laura’s Law,” a law that allows court-ordered treatment of the severely mentally ill even if they do not want it. Orange County is only the second county in California to approve the controversial measure. [Read more](#)

## Colorado

### HMA Roundup – Joan Henneberry

**Colorado Selects HP to Update Medicaid Claim System.** On May 7, 2014, *Government Technology* reported that Colorado has begun work to update its Medicaid Management Information System (MMIS) in order to comply with ACA standards for Medicaid systems and to keep up with today’s technological advancements. The MMIS, developed by IT vendor HP, will help the state Department of Healthcare Policy and Financing in managing and processing its Medicaid and Child Health Plan PLUS benefits and claims for its 950,000 beneficiaries. The state is able to update its Medicaid system because it successfully navigated the convoluted procurement and RFP process; but not all states have been able to do this due to lack of resources, unclear timelines, or poor communication with vendors. Colorado will be the 15<sup>th</sup> state to implement HP’s platform, which has been deployed and federally certified in 13 states in the past decade. [Read more](#)

## Connecticut

**Legislature Passes For-Profit Hospital Bill.** On May 8, 2014, the *CT Mirror* reported that Connecticut lawmakers have passed a bill that will make it easier for nonprofit hospitals to convert to for-profits, while also adding state oversight to hospital sales and transactions involving physician practices. If signed by Governor Daniel Malloy, the bill would make it easier for hospitals in Bristol, Manchester, and Waterbury to be acquired by for-profit hospital company Tenet Healthcare. The ability of hospitals to convert to for-profit has raised concerns amongst some unions, community groups, and lawmakers about how consolidation could negatively affect patient care and doctors’ independence. [Read more](#)

## District of Columbia

**D.C. Health Insurance Tax Meeting Resistance.** On May 12, 2014, *Kaiser Health News* reported that insurers that do not sell their products on the Washington, D.C.-based healthcare exchange are considering suing to block a D.C. council plan to charge them a one percent annual tax on all health-related plans sold in the city. The tax would be effective for 90 days on an emergency basis; taxable health plans would include long-term care, disability, vision, dental and hospital indemnity, among others. But insurers who sell products outside of the exchange argue that taxing their plans is unfair. The city is implementing the tax to generate funds for operating its online marketplace, which will lose federal funding on January 1, 2015. [Read more](#)

## Florida

**AHCA Removes Sovaldi and Olysio from Preferred Drug List.** On May 12, 2014, the Florida Agency for Health Care Administration (AHCA) announced that hepatitis C drugs Sovaldi and Olysio have been removed from the Medicaid Preferred Drug List (PDL). Plans must cover Sovaldi with prior authorization per [AHCA guidance](#) for the drug. Plans must also cover Olysio per [AHCA guidance](#). The issue will be on the agenda for next week's Medicaid Committee call for further discussion.

## Georgia

### HMA Roundup - Mark Trail

**Surge in Medicaid and PeachCare Enrollment Expected Soon.** On May 9, 2014, *Georgia Health News* reported that Georgia's Medicaid and PeachCare rolls will soon increase as a result of the "woodwork" effect. While the state has opted out of ACA Medicaid expansion, federal health officials recently reported that more than 91,000 Georgians who signed up for insurance through the federal exchange were deemed eligible for Medicaid or PeachCare. Once the state Department of Community Health receives all "account transfers" from the federal exchange, it will begin processing applications for Medicaid and PeachCare coverage. According to Tim Sweeney of the Georgia Budget and Policy Institute, the woodwork enrollment will cost the state about \$90 million in fiscal 2015. [Read more](#)

## Hawaii

**Insurance CEO Calls on State to Shut Down Hawaii Health Connector Exchange.** On May 9, 2014, *AP* reported that the CEO of Hawaii's largest health insurance company has called on the state to stop spending money on the largely unsuccessful Hawaii Health Connector exchange and instead focus on alternative methods for enrolling residents. Hawaii Medical Services Association CEO Michael Gold thinks the state should ask the federal government for an exception to the part of the ACA that requires states to set up and run their own insurance exchanges. He believes businesses should buy approved plans directly from insurance companies, and that individuals should do the same, or register for coverage through the federal exchange. Lawmakers argue they have already sought waivers from the federal government but were told they have to wait until 2017 to apply for a waiver to establish an alternative to Exchange participation. [Read more](#)

## Idaho

**Idaho Duals Integration Plan set for July 1, 2014 After Delay.** In a stakeholder meeting on May 2, 2014, Blue Cross of Idaho requested a 30-day extension of the implementation date for the Medicare Medicaid Coordinated Plan (MMCP). The new Implementation date is July 1, 2014. The state Department of Health and Welfare Readiness Review team will be on site at Blue Cross of Idaho the first week of June. On-site review is designed to evaluate the readiness of BCI to implement the new expanded Coordinated Care plan for 2014. [Read more](#)



## Indiana

**Indiana Governor to Unveil Alternative Medicaid Expansion Plan.** On May 14, 2014, *CQ's Healthbeat* reported that Indiana Governor Mike Pence is set to unveil a proposal to expand the state's Medicaid program through an alternative model. *CQ* reports that the plan, to be unveiled on Thursday, May 15, is likely to mirror the Healthy Indiana plan, set to expire in September 2014. Healthy Indiana uses Medicaid funding and a benefit design similar to a high-deductible health plan and health savings account.

## Louisiana

**State Medicaid Financing Plans May Be Scrutinized Once More.** On May 13, 2014, the *Advocate* reported that the Jindal administration may soon be facing more scrutiny for financing mechanisms associated with providing health care for the uninsured. The state made \$458 million in payments for the care of low-income patients by private hospitals last year, working under the assumption that the hospitals should be eligible for added federal Medicaid dollars. But CMS recently stated that such arrangements will be audited to ensure that they are proper and not simply donations by bona fide providers. [Read more](#)

## Missouri

**Legislative Budget Committees Approve Bill to Provide Dental Coverage to Medicaid Adults.** On May 7, 2014, the *St. Louis Post-Dispatch* reported that the state House and Senate budget committees have approved a bill to extend dental coverage to adult Medicaid beneficiaries using \$48.2 million in federal and state funds. HB 2011 covers thirty basic dental procedures, including exams and X-rays. The bill also provides Medicaid-eligible adults access to occupational, speech and physical therapy benefits. [Read more](#)

## Oklahoma

**Health Care Authority Discusses How to Address Potential Budget Cut in 2015.** On May 8, 2014, the *Oklahoman* reported that Oklahoma's Medicaid agency is discussing whether it will cut provider rates and other services if the agency does not receive the \$90 million budget increase it requested from the state legislature for the coming fiscal year. Governor Mary Fallin said in her State of the State address that some state agencies, including the Oklahoma Health Care Authority, could see up to a five percent budget cut next year. [Read more](#)

## New Hampshire

**Lawmakers Propose Two Plans to Address Court Ruling on Hospital Tax.** On May 11, 2014, *AP/Modern Healthcare* reported that the New Hampshire legislature is considering two options for addressing a court ruling that found the state's tax on hospitals to be unconstitutional. The state currently taxes inpatient and outpatient hospital net revenues, generating \$185 million annually to be used for Medicaid and other state spending. Senate lawmakers believe the tax should be phased out and that the list of taxable institutions should be

narrowed down. The House plan broadens the tax but lowers the rate. [Read more](#)

## New Jersey

### HMA Roundup – Karen Brodsky

**New Jersey adopts new Medicaid ACO rules.** On May 5, 2014 the Department of Human Services, Division of Medical Assistance and Health Services released long awaited rules for the Medicaid Accountable Care Organization Demonstration Project. N.J.A.C. 10:79A will be in effect for four years. The release includes 72 public comments from 16 organizations and the Division's responses to the rule. The Act expires May 5, 2017, three years after the effective date of the rule. After the Demonstration Project is completed, the Commissioner will report to the Governor and legislature on the results of the Demonstration Project and make recommendations on whether Medicaid ACOs should be established on a permanent basis and in additional communities. Interested applicants have until July 7, 2014 to apply for Medicaid ACO certification under the Demonstration. According to *NJ Spotlight*, there are three organizations that have been working on applications in the state: the Camden Coalition of Healthcare Providers, the Trenton Health Team, and the Greater Newark Healthcare Coalition. The new Medicaid ACO rules can be on the Department of Human Services [website](#).

**Technical Issues in Application Process Delay Medicaid Coverage for Thousands of Residents.** On May 13, 2014, the *Star-Ledger* reported on difficulties faced by thousands of New Jersey residents who have tried to apply for Medicaid under the Affordable Care Act. The state's NJ FamilyCare Medicaid program experienced a backlog of more than 25,000 applications, primarily because of unusable applicant data sent to it by the federal government. Applicants who have applied for coverage through the state, the federal exchange site, or county welfare offices have all reported difficulties completing the application process. Thousands more have completed the process, but have not received a Medicaid ID card which is required for coverage to begin. [Read more](#)

## New York

### HMA Roundup – Denise Soffel

**United Healthcare Expands.** On May 12, 2014, UnitedHealthcare announced that it is targeting Albany County and eight other upstate New York counties for expansion of its managed long term care plan. The plan has been available in New York City for over a year. UnitedHealthcare's MLTC has about 700 members in New York City and projects adding 500 more by the end of this year. In addition to Albany, UnitedHealthcare's MLTC is expanding into Broome, Erie, Monroe, Onondaga, Oneida, Orange and Rockland counties. [Read more](#)

**Office for People with Developmental Disabilities Establishes Agency Quality Performance Work Group.** OPWDD established a stakeholder work group to determine the quality standards and indicators that will be used to rate agency performance, and to make recommendations about how quality standards can be integrated into on-going business processes. The work group



has completed a document that summarizes quality domains that will be the basis for assessing agency performance in the delivery of supports and services. This document has been circulated for public comment and feedback. Comments are due June 30, 2014. [Read more](#)

**Medicaid Perinatal Care Quality Improvement Initiative.** The Medicaid Perinatal Care Quality Improvement Initiative is a statewide project that includes on-going evaluation of the quality of care being provided to pregnant women covered by Medicaid. The Department of Health has designed a web-based data collection and reporting tool to promote practice-based measurement and improvement. The initiative is a result of an earlier study that found important clinical gaps in care and significant opportunity to improve the quality of prenatal care by improving compliance with ACOG-recommended best practices. The Prenatal Care Medical Record Review Tool, available on the [DoH web site](#), was published in March 2014.

## Ohio

**Office of Health Transformation Releases Update on Medicaid Enrollment.** On April 12, 2014, the Governor's Office of Health Transformation released an update on Medicaid enrollment in the state. Since October, 546,000 Ohioans have applied for Medicaid through the new Ohio Benefits eligibility system. So far, 73 percent of applications have been processed. More than 308,000 residents have been connected to Medicaid coverage, including 184,000 who are "newly eligible" due to ACA Medicaid expansion. [Read more](#)

**CareSource Early Leader in Ohio Medicaid Signups.** On May 13, 2014, *Columbus Business First* reported that Dayton-based CareSource is the early leader in enrolling newly eligible adults into Medicaid. CareSource is one of five private plans managing Ohio Medicaid members. Of the 27,600 enrollees who have been assigned to a plan so far, CareSource enrolled 11,400, or about 41 percent. [Read more](#)

## Pennsylvania

### HMA Roundup – Matt Roan

**Healthy PA Implementation Expected to Require an Additional 723 Workers.** On May 12, 2014, the *Philadelphia Inquirer* reported that the Department of Public Welfare plans to add 723 staff positions to ensure successful implementation of the Governor's health coverage expansion effort, dubbed "Healthy PA." The number of new staff was based on an estimated 605,000 newly eligible Pennsylvanians who could seek coverage under Healthy PA, which is scheduled for implementation on January 1, 2015 pending federal approval. The bulk of the new positions will be caseworkers tasked with handling the anticipated influx of applications. Some critics of the plan have pointed to new bureaucratic processes including tracking information on healthy behaviors and workforce participation as evidence that the Governor's approach is overcomplicated and too costly. Welfare Secretary Bev MacKereth has reported that the need for new staff positions is not being driven by these requirements and is purely a response to anticipated higher application volume. Consumer advocates in PA have been raising concerns about caseworker shortages for some time. In

addition to handling newly eligible applicants, the new positions may help address problems of existing understaffing. [Read more](#)

## *Puerto Rico*

**ASES Cancels Medicaid RFP, Triple-S Management Corporation to Negotiate ASO Contract.** On May 9, 2014, Triple-S Management Corporation announced that the Puerto Rico Health Insurance Administration (ASES) informed its health subsidiary, Triple-S Salud, that the RFP process to return the Medicaid business to an at-risk model has been cancelled. Because of this decision, the agency announced its intention to extend Triple-S's current Medicaid ASO contract, which expires June 30, 2014, for an additional nine months. Under this contract, the Company is responsible for managing each of the eight Medicaid regions in Puerto Rico, which had nearly 1.4 million residents enrolled as of March 31, 2014. *Caribbean Business* [reported](#) that ASES will launch a new bidding process in June and expects to select winning companies by September 2014. [Read more](#)

## *Tennessee*

**Hospital Company Execs Predict More States, Including Tennessee, Will Adopt Medicaid Expansion.** On May 8, 2014, the *Tennessean* reported that executives at three for-profit hospital companies predict Medicaid expansion will take place in more states in the future, including Tennessee. During their recent first quarter 2014 earnings calls, executives from the Tennessee-based HCA, Community Health Systems, and LifePoint Hospitals reported that ACA Medicaid expansion has positively affected their bottom lines; the executives predict that more states will follow suit as the benefits of expansion are recognized. [Read more](#)

## *Texas*

### *HMA Roundup – Dianne Longley*

**HHSC Issues RFP for Public Awareness, Education and Communication Services.** On May 12, 2014, the Texas Health and Human Services Commission (HHSC) released a new RFP soliciting services for the development and implementation of public awareness, education, and communication materials and strategies. The blanket contract may be awarded to one or more full service marketing/advertising firms that will provide services as needed by all of the Health and Human Services agencies, including HHSC, the Department of Family and Protective Services (DFPS), the Department of Aging and Disability Services (DADS), the Department of Assistive and Rehabilitative Services (DARS), and the Department of State Health Services (DSHS). Proposals are due June 12<sup>th</sup>. Awards are tentatively scheduled for July 15<sup>th</sup>, with a contract start date of September 1, 2014. HHSC estimates the multi-year contract will be worth approximately \$5 million per year. As the state continues to expand managed care and carve in new services in existing plans, the contractor/s will be responsible for developing public awareness and outreach campaigns and materials, develop and implement social media strategies, and support research activities related to the programs and services of the various agencies. [Read more](#)

**HHSC Cancels Xerox Medicaid Contract over Fraudulent Dental Claims.** On May 9, 2014, the Texas Health and Human Services Commission (HHSC) notified Xerox Corp. that the state is terminating the company's Medicaid claims administration contract for cause after Xerox staff approved thousands of requests for braces that were not medically necessary. The poor review process led to hundreds of millions of dollars in fraudulent claims. The *Texas Tribune* reported that the Attorney General's office has filed a lawsuit against Xerox to reclaim the payments. A Xerox spokesperson claims the company maintained full transparency in its review process and that it is the dentists who took advantage of the program. HHSC is finalizing an agreement with Accenture, which currently operates the Medicaid claims payment system, to take over as the lead vendor until the state can competitively rebid the work. [Read more](#)

## Virginia

**Virginia to Raise Health Insurance Premiums for 2015.** On May 12, 2014, the *Daily Caller* reported that Virginia's 2015 health insurance premiums may increase anywhere between 3.3 percent and 14.7 percent. Each health plan expects to increase its prices in 2015 past nominal increases for inflation. Insurers have cited concerns over the influx of demand for healthcare services by the newly insured, as well as rises in average age of consumers and hefty ACA taxes that must be paid starting next year. [Read more](#)

## Washington

### HMA Roundup - Doug Porter

**County Survey Finds Disconnect Between Medicaid MCO Websites and Physicians Related to Primary Care Coverage.** On May 13, 2014, the *Seattle Times* reported that access to primary care providers is sometimes incorrectly advertised on Medicaid managed-care organizations websites. A survey by Public Health - Seattle & King County found that about half the time, primary care providers listed as accepting new patients on Medicaid managed-care websites told survey participants they were not accepting new Medicaid patients. The survey suggests that it might be harder than expected to access primary care King County, which added about 80,000 new adult Medicaid clients to its rolls over the past six months. [Read more](#)

## National

**Financial Pressures Threaten Viability of Rural Hospitals.** On May 11, 2014, the *Wall Street Journal* reported on financial pressures faced by rural hospitals and how this will affect access to care for people living in rural areas. Rural hospitals are often the hub and primary employer in small American towns; low patient volume and payment changes from Medicare and Medicaid threaten to close these hospitals, which would significantly affect local communities. The impact would be especially devastating for poor rural residents living in states which have not expanded Medicaid. [Read more](#)

## *Industry Research*

**Cain Brothers' House Call Replay: Intellectual Disabilities and Community Based Programs.** The third in a series of four Cain Brothers' House Calls on the Behavioral Health Sector focused patients with intellectual disabilities and related community based programs. Panelists were asked to share their views on the following, among other topics:

- What community based care means.
- What populations are being treated.
- Why deinstitutionalization of care has occurred.
- What is the role of medications in treatment.
- How models of care are evolving.
- What is the outlook for reimbursement.
- What is driving the growth opportunity - RFPs vs M&A.

The House Call was hosted by Cain Brothers' Managing Director Todd Rudsenske and moderated by Court Houseworth, Cain Brothers' Managing Directors, and included Ann Kohler from Marwood Group. Panelists included:

- Martin Favis, CEO, US Community Behavioral
- Kelly McCrann, CEO, AdvoServ

A replay of the conference call, and information on upcoming Cain Brothers' House Calls, are available [here](#).



## INDUSTRY News

**Partners HealthCare System Reports Steep Operational Losses.** On May 9, 2014, the *Boston Globe* reported that Partners HealthCare Systems experienced a \$10 million operating income loss in the first quarter of 2014. The largest portion of the loss of Partner's health insurance unit, Neighborhood Health Plan, was about \$6 million in payouts for the popular and expensive hepatitis C drug Sovaldi. The insurer also faced steep administrative costs due to difficulties enrolling residents for insurance through the troubled Massachusetts Health Connector exchange. Even the revenue generated by its hospitals was decreased, due to a decline in outpatient volume and higher-than-anticipated payments to the state's Health Safety Net Fund. [Read more](#)

**Cook County Health and Hospitals System Finalizes Five-Year Contract with Centene Subsidiary IlliniCare for Benefits Management.** On May 13, 2014, Centene Corporation announced that its subsidiary, IlliniCare Health, has been awarded a five-year services agreement with Cook County Health & Hospitals System (CCHHS). Under the terms of the agreement, IlliniCare will perform third party administrative services and provide care coordination, behavioral health, optometry and pharmacy benefits management services among CountyCare members. CCHHS previously maintained three contracts with different vendors for this work. The five-year contract is expected to begin July 1, 2014. [Read more](#)

**Pyramid Healthcare Acquires Onward Behavioral Health.** On May 1, 2014, Clearview Capital announced that its portfolio company, Pyramid Healthcare, Inc., has acquired Onward Behavioral Health, Inc. and its subsidiaries. Pyramid is the leading provider of substance abuse and mental health treatment services to adults and adolescents in Pennsylvania, New Jersey and North Carolina. Onward was becoming one of the largest providers of outpatient mental health and substance abuse treatment to adults and adolescents throughout the Delaware Valley area. [Read more](#)

**Humana Expects 2015 Exchange Rate Increases.** On May 7, 2014, *Reuters* reported managed care company Humana, Inc. expects a single-digit to double-digit percentage increase in premium rates for 2015 individual health plans that comply with the ACA. During their first quarter 2014 earnings conference call last week, Company executives said the expected increases are due in part to the extension of some existing individual healthcare policies that are believed to have diverted some healthier people from the pool of new policy holders. [Read more](#)

**Steward Health Care System Reaches Deal with Doctors Express for Walk-In Clinic Care.** On May 14, 2014, the *Boston Globe* reported that Steward Health Care System has secured an affiliation with AFC Doctors Express. Steward hopes that it can reduce its spending on emergency room care by moving the care of non-life threatening injuries to Doctors Express' urgent care centers. Steward patients will initially have access to 9 Doctors Express clinics, but they will later gain access to 15 more clinics Doctors Express plans to open across Eastern Massachusetts. Through the deal, Steward will have the largest number of affiliated urgent care centers in Massachusetts. [Read more](#)

**Molina Names Thomas Lindquist President of South Carolina Health Plan.** On May 13, 2014, the *Charleston Regional Business Journal* reported that Thomas Lindquist has been named president of Molina Healthcare of South Carolina. Lindquist will be responsible for operational oversight of the South Carolina health plan for Molina which has an office with 125 employees. Lindquist was most recently president of Texas Home Health and brings more than 15 years of experience in the health care industry to this new role. [Read more](#)



## RFP CALENDAR

Date	State	Event	Beneficiaries
May 15, 2014	Texas NorthSTAR (Behavioral)	Proposals Due	840,000
Late May, 2014	Indiana ABD	RFP Release	50,000
June 1, 2014	Illinois Duals	Passive enrollment begins	111,000
June 1, 2014	Florida acute care (Regions 5,6,8)	Implementation	811,370
June 6, 2014	New York Behavioral (NYC)	Proposals Due	NA
June 12, 2014	Delaware	Contract awards	200,000
June 13, 2014	Texas STAR Health (Foster Care)	Proposals Due	32,000
June, 2014	Washington Foster Care	RFP Release	23,000
July 1, 2014	Florida acute care (Regions 10,11)	Implementation	828,490
July 7, 2014	Rhode Island (Duals)	Proposals due	28,000
July 16, 2014	Texas NorthSTAR (Behavioral)	Contract Awards	840,000
Mid-July 2014	Texas STAR Kids	RFP Released	200,000
August 1, 2014	Florida acute care (Regions 1,7,9)	Implementation	750,200
September 1, 2014	Texas Rural STAR+PLUS	Implementation	110,000
Late October 2014	Texas STAR Kids	Proposals Due	200,000
November 3, 2014	Georgia ABD	Implementation	320,000
January 1, 2015	South Carolina Duals	Passive enrollment begins	68,000
January 1, 2015	Texas Duals	Implementation	132,000
January 1, 2015	Michigan Duals	Implementation	70,000
January 1, 2015	Ohio Duals	Passive enrollment begins	115,000
January 1, 2015	Washington Duals	Passive enrollment begins	48,500
January 1, 2015	Maryland (Behavioral)	Implementation	250,000
January 1, 2015	Delaware	Implementation	200,000
January 1, 2015	Hawaii	Implementation	292,000
January 1, 2015	Tennessee	Implementation	1,200,000
January 1, 2015	New York Behavioral (NYC)	Implementation	NA
September 1, 2015	Texas NorthSTAR (Behavioral)	Implementation	840,000
September 1, 2015	Texas STAR Health (Foster Care)	Implementation	32,000
September 1, 2016	Texas STAR Kids	Implementation	200,000

## DUAL ELIGIBLE FINANCIAL ALIGNMENT DEMONSTRATION CALENDAR

Below is a summary table of the progression of states toward implementing dual eligible financial alignment demonstrations in 2014 and 2015.

State	Model	Duals eligible for demo	RFP Released	RFP Response Due Date	Contract Award Date	Signed MOU with CMS	Opt-in Enrollment Date	Passive Enrollment Date	Health Plans
Arizona		98,235		Not pursuing Financial Alignment Model					
California	Capitated	350,000	X	3/1/2012	4/4/2012	3/27/2013	4/1/2014	5/1/2014 7/1/2014 1/1/2015	Alameda Alliance; CalOptima; Care 1st Partner Plan, LLC; Community Health Group Partner; Health Net; Health Plan of San Mateo; Inland Empire Health Plan; LA Care; Molina; Santa Clara Family Health Plan; WellPoint/Amerigroup (CareMore)
Colorado	MFFS	62,982				2/28/2014		7/1/2014	
Connecticut	MFFS	57,569						TBD	
Hawaii		24,189		Not pursuing Financial Alignment Model					
Illinois	Capitated	136,000	X	6/18/2012	11/9/2012	2/22/2013	4/1/2014	6/1/2014	Aetna; Centene; Health Alliance; Blue Cross Blue Shield of IL; Health Spring; Humana; Meridian Health Plan; Molina
Iowa	MFFS	62,714						TBD	
Idaho		22,548		Not pursuing Financial Alignment Model					
Massachusetts	Capitated	90,000	X	8/20/2012	11/5/2012	8/22/2013	10/1/2013	1/1/2014	Commonwealth Care Alliance; Fallon Total Care; Network Health
Michigan	Capitated	105,000	X	9/10/2013	11/6/2013	4/3/2014	1/1/2015	4/1/2015	AmeriHealth Michigan; Coventry; Fidelis SecureCare; Meridian Health Plan; Midwest Health Plan; Molina Healthcare; UnitedHealthcare; Upper Peninsula Health Plan
Missouri		6,380		Not pursuing Financial Alignment Model					
Minnesota		93,165		Not pursuing Financial Alignment Model					
New Mexico		40,000		Not pursuing Financial Alignment Model					
New York	Capitated	178,000				8/26/2013	10/1/2014	1/1/2015	
North Carolina	MFFS	222,151						TBD	
Ohio	Capitated	114,000	X	5/25/2012	6/28/2012	12/11/2012	5/1/2014		Aetna; CareSource; Centene; Molina; UnitedHealth
Oklahoma	MFFS	104,258						TBD	
Oregon		68,000		Not pursuing Financial Alignment Model					
Rhode Island	Capitated	28,000	X	5/12/2014	9/1/2014			4/1/2015	
South Carolina	Capitated	53,600	X			10/25/2013	7/1/2014	1/1/2015	Absolute Total Care (Centene); Advicare; Molina Healthcare of South Carolina; Select Health of South Carolina (AmeriHealth); WellCare Health Plans
Tennessee		136,000		Not pursuing Financial Alignment Model					
Texas	Capitated	132,600						1/1/2015	Amerigroup, Health Spring, Molina, Superior, United
Virginia	Capitated	78,596	X	5/15/2013	TBD	5/21/2013	3/1/2014	5/1/2014	Humana; Health Keepers; VA Premier Health
Vermont		22,000		Not pursuing Financial Alignment Model					
Washington	Capitated	48,500	X	5/15/2013	6/6/2013	11/25/2013	10/1/2014	1/1/2015	Regence BCBS/AmeriHealth; UnitedHealth
	MFFS	66,500	X			10/24/2012		7/1/2013; 10/1/2013	
Wisconsin	Capitated	5,500-6,000	X	Not pursuing Financial Alignment Model					
<b>Totals</b>	<b>11 Capitated 6 MFFS</b>	<b>1.3M Capitated 520K FFS</b>	<b>12</b>			<b>10</b>			

\* Phase I enrollment of duals only includes Medicaid benefits. Medicare-Medicare integration to occur within 12 months.

† Capitated duals integration model for health homes population.

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## HMA NEWS

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### **HMA's Accountable Care Institute Releases New Paper:**

#### ***"The Critical Role of Public Health Departments in Health Care Delivery System Reform"***

This paper presents a variety of models for greater involvement of health departments in system-wide reforms at the community level. Its goal is to connect local and state public health officials with the leadership of hospitals, physicians, and other providers, and public and private payers in an effort to improve the health of individuals and to reduce avoidable health care spending. To access this paper, please click [here](#). To access the full ACI Toolkit, please click [here](#).

### **HMA Webinar Replay:**

#### ***"Lessons Learned from ACA Early Implementation: Exchanges, Medicaid Expansion and System Transformation"***

On April 30, 2014, HMA leveraged the vast expertise of our national consulting team to explore the early takeaways from ACA implementation and offer insights about what we can expect to see as implementation continues. The HMA Expert Roundtable "Lessons Learned from ACA Early Implementation: Exchanges, Medicaid Expansion and System Transformation" featured:

- Vern Smith, Managing Principal – Lansing, Michigan
- Barbara Markham Smith, Principal – Washington, D.C.
- Kathy Gifford, Managing Principal – Indianapolis, Indiana
- Dr. Art Jones, MD, Principal – Chicago, Illinois

Link to Webinar Replay/Slides: [HMA Webinar Replay - April 30, 2014](#)

### **HMA Webinar Replay:**

#### ***"Becoming a Medicare ACO"***

On April 29, 2014, HMA's Accountable Care institute (ACI) presented "Becoming a Medicare ACO," the first in a three-part webinar series. HMA provided background information about the Medicare shared savings program and reviewed the Medicare ACO application process. HMA's "Becoming a Medicare ACO" featured:

- Lyne Fagnani, Principal – Washington, D.C.
- Denise Soffel, Principal – New York, New York
- Dr. Art Jones, MD, Principal – Chicago, Illinois

Link to Webinar Replay/Slides: [HMA Webinar Replay - April 29, 2014](#)

*Health Management Associates (HMA) is an independent health care research and consulting firm, specializing in the fields of health system restructuring, health care program development, health economics and finance, program evaluation, and data analysis. HMA is widely regarded as a leader in providing technical and analytical services to health care purchasers, payers, and providers, with a special concentration on those who address the needs of the medically indigent and underserved. Founded in 1985, Health Management Associates has offices in Atlanta, Georgia; Austin, Texas; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Harrisburg, Pennsylvania; Indianapolis, Indiana; Lansing, Michigan; New York, New York; Olympia, Washington; Sacramento, San Francisco, and Southern California; Tallahassee, Florida; and Washington, DC. <http://healthmanagement.com/about-us/>*

*Among other services, HMA provides generalized information, analysis, and business consultation services to investment professionals; however, HMA is not a registered broker-dealer or investment adviser firm. HMA does 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.*