

MCO Metrics: STAR Managed Care Program

The University of California's ranking scale, currently used by the State of Texas and applied to Texas MCOs, vs. the Cost Efficiency Index developed by Amerigroup, an Anthem company

| MCO | 2016 | 2017 | 2018 | 2019 | Overall | Rank | AGP Cost Efficiency Index | AGP Cost Efficiency Rank |
|--------------------------------|------|------|------|------|---------|------|---------------------------|--------------------------|
| Aetna | 0.89 | 0.84 | 0.90 | 0.94 | 0.89 | 3 | 0.91 | 1 |
| Seton/Dell Children's | 1.00 | 0.94 | 0.89 | 0.93 | 0.94 | 6 | 0.91 | 2 |
| Texas Children's Health Plan | 1.15 | 1.13 | 1.12 | 1.11 | 1.13 | 16 | 0.94 | 3 |
| Scott & White | 0.87 | 0.90 | 0.86 | 0.80 | 0.86 | 2 | 0.97 | 4 |
| Molina Healthcare of Texas | 0.95 | 1.00 | 0.94 | 0.94 | 0.96 | 7 | 0.97 | 5 |
| Driscoll Health Plan | 0.91 | 0.93 | 0.95 | 0.93 | 0.93 | 5 | 0.98 | 6 |
| Superior HealthPlan | 0.97 | 0.97 | 0.96 | 0.95 | 0.96 | 8 | 0.99 | 7 |
| Amerigroup | 0.98 | 0.99 | 1.00 | 1.04 | 1.00 | 11 | 0.99 | 8 |
| Cook Children's Health Plan | 1.02 | 0.98 | 0.99 | 1.01 | 1.00 | 10 | 1.00 | 9 |
| El Paso First Health Plan | 0.85 | 0.86 | 0.83 | 0.80 | 0.84 | 1 | 1.02 | 10 |
| Firstcare | 0.98 | 1.00 | 0.96 | 0.98 | 0.98 | 9 | 1.03 | 11 |
| Parkland Community Health Plan | 1.09 | 1.03 | 1.05 | 1.05 | 1.06 | 13 | 1.04 | 12 |
| Community First Health Plans | 0.92 | 0.90 | 0.93 | 0.90 | 0.91 | 4 | 1.04 | 13 |
| UnitedHealthCare | 0.99 | 1.03 | 1.03 | 1.06 | 1.03 | 12 | 1.05 | 14 |
| Sendero | 1.10 | 1.14 | | | 1.12 | 15 | 1.06 | 15 |
| Community Health Choice | 1.14 | 1.15 | 1.15 | 1.10 | 1.13 | 17 | 1.07 | 16 |
| Blue Cross Blue Shield | 1.08 | 1.01 | 1.05 | 1.12 | 1.07 | 14 | 1.13 | 17 |
| Christus | 1.15 | | | | 1.15 | 18 | 1.14 | 18 |

**In preparing this presentation, Amerigroup utilized the most current data that was available to Amerigroup. However, please note that it is possible that portions of the indices may contain some methodological inconsistencies. However, even if that is true, these indices are, to-date, the only comprehensive, data-driven, acuity-adjusted cost efficiency measures in Texas that are available. This information underscores the need for the Texas Health and Human Services Commission to develop a unique, Texas-specific, acuity-adjusted cost efficiency index for the Medicaid program, which should be vetted in a public process. The recently filed General Appropriations Act for the 2022-2023 biennium — HB 1, filed in the Texas House of Representatives — requires the creation of such an index.*

MCO Metrics: Children's Health Insurance Program

The University of California's ranking scale, currently used by the State of Texas and applied to Texas MCOs, vs. the Cost Efficiency Index developed by Amerigroup, an Anthem company

| MCO | 2016 | 2017 | 2018 | 2019 | Overall | Rank | AGP Cost Efficiency Index | AGP Cost Efficiency Rank |
|-------------------------|------|------|------|------|---------|------|---------------------------|--------------------------|
| United | 1.08 | 1.09 | 1.14 | 1.09 | 1.10 | 14 | 0.85 | 1 |
| Christus | 1.01 | 1.02 | | | 1.02 | 10 | 0.85 | 2 |
| Aetna | 0.77 | 0.82 | 0.82 | 0.89 | 0.83 | 2 | 0.85 | 3 |
| Seton/Dell Children's | 1.00 | 0.93 | 0.90 | 0.88 | 0.92 | 8 | 0.90 | 4 |
| Superior | 0.87 | 0.86 | 0.86 | 0.87 | 0.86 | 3 | 0.95 | 5 |
| El Paso First | 0.78 | 0.72 | 0.76 | 0.82 | 0.77 | 1 | 0.95 | 6 |
| Amerigroup | 0.93 | 0.98 | 1.05 | 1.06 | 1.02 | 9 | 0.95 | 7 |
| Texas Children's | 1.30 | 1.23 | 1.17 | 1.17 | 1.21 | 17 | 0.98 | 8 |
| Cook | 0.99 | 0.92 | 0.90 | 0.87 | 0.91 | 7 | 0.98 | 9 |
| Community Health Choice | 1.17 | 1.23 | 1.18 | 1.17 | 1.19 | 16 | 0.99 | 10 |
| Molina | 0.83 | 0.89 | 0.91 | 0.93 | 0.90 | 5 | 1.00 | 11 |
| Driscoll | 1.15 | 1.07 | 1.07 | 1.10 | 1.09 | 13 | 1.01 | 12 |
| Firstcare | 0.87 | 0.83 | 0.94 | 0.95 | 0.90 | 6 | 1.03 | 13 |
| Community First | 0.95 | 0.92 | 0.89 | 0.81 | 0.89 | 4 | 1.04 | 14 |
| Sendero | 1.10 | 1.07 | | | 1.08 | 12 | 1.06 | 15 |
| Parkland | 1.10 | 1.08 | 1.05 | 1.05 | 1.06 | 11 | 1.08 | 16 |
| Blue Cross Blue Shield | 1.03 | 1.17 | 1.17 | 1.15 | 1.15 | 15 | 1.21 | 17 |

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MCO Metrics: STAR+PLUS Managed Care Program

The University of California's ranking scale, currently used by the State of Texas and applied to Texas MCOs, vs. the Cost Efficiency Index developed by Amerigroup, an Anthem company

| MCO | 2017 | 2018 | 2019 | Overall | Rank | AGP Cost Efficiency Index | AGP Cost Efficiency Rank |
|--------------------|------|------|------|---------|------|---------------------------|--------------------------|
| Amerigroup | 0.97 | 0.98 | 0.98 | 0.98 | 1 | 0.97 | 1 |
| Cigna HelathSpring | 1.05 | 1.05 | 1.03 | 1.04 | 5 | 0.99 | 2 |
| Molina | 1.04 | 1.03 | 1.02 | 1.03 | 4 | 1.00 | 3 |
| Superior | 1.00 | 1.00 | 1.01 | 1.00 | 3 | 1.00 | 4 |
| United Health Care | 0.99 | 0.99 | 0.99 | 0.99 | 2 | 1.01 | 5 |

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Steps to Generate the Amerigroup Cost Efficiency Index

- Medical and pharmacy PMPM expenditures were adjusted for acuity using the specific risk groups in each service area for each MCO, from the actuarial reports specific to each program year.
- Add-ons for a given MCO's administrative expense level (and quality improvement expenses, if applicable) were applied. This yields a total cost PMPM, as adjusted for acuity, separately for each risk group in each service area for each MCO.
- Within each risk group in a service area, a weighted-average of these total cost acuity-adjusted PMPMs was determined for the risk group.
- The amount above or below the average was then determined within each risk group by MCO.
- This PMPM cost above or below average was then extended by the number of member-months for each MCO in that risk group in that service area. This yielded the aggregate dollar cost benefit for the MCO in that rate cell.
- The rate cells were then accumulated for the total MCO for each program.
- This accumulated total was then divided by actual expenditures to obtain a total percentage over or under the average.
- This percentage was then converted into an index. (For example, 5% under the average becomes 0.95, and 5% over the average becomes 1.05.)

Strengthen Medicaid Managed Care by Increasing Accountability for Efficiency and Losses

CRITICAL QUESTIONS & OBSERVATIONS

1. More than 65% of health plans lost money in 2018.
2. Common sense strongly suggests that these losses caused Medicaid costs to increase.
3. Some health plans have mismanaged their premium allocation from HHSC every year they have been in Medicaid. Others have mismanaged their premium allocation from HHSC for many years at a time.
4. Recurring financial losses appears to be an intentional and systematic approach to driving up Medicaid costs.
5. There should be new law and administrative rules establishing remedial consequences for MCOs with excessive losses (as there is for excessive profit).
6. The history of MCO losses roughly tracks the history of MCOs' profit-sharing with the state.



Thin Financial Performance/Accountability Requirements

While HHSC has very capable personnel and appears to have made excellent progress with improving internal processes and protocols, it is not clear that adoption of objective metrics to ascertain MCO performance is part of the process.

Key Procurement and Financial Accountability Provisions

Synopsis

1. Code of Federal Regulations, 42 C.F.R. § 438.66



The State must address performance of each MCO.

2. Medicaid Statutes, Chapter 536



HHSC shall give preference to MCOs that meet cost and quality benchmarks.

3. Best Value Procurement Statutes, Chapter 2155.144 (d), (i) and (n)



Best value prevails over all other laws. Indicators of past and probable vendor performance are required. Long-term cost consideration is required. Must identify contracts for enhanced review.

4. Published Scoring Criteria for S+P RFP



72% of criteria have scant reference to financial performance. The rest have none.

5. 11 “Mission Objectives” in S+P RFP



No category for financial accountability. Less than one sentence regarding “cost-effectiveness.”

6. 113 RFP Scoring “Roll Up” Questions in S+P RFP



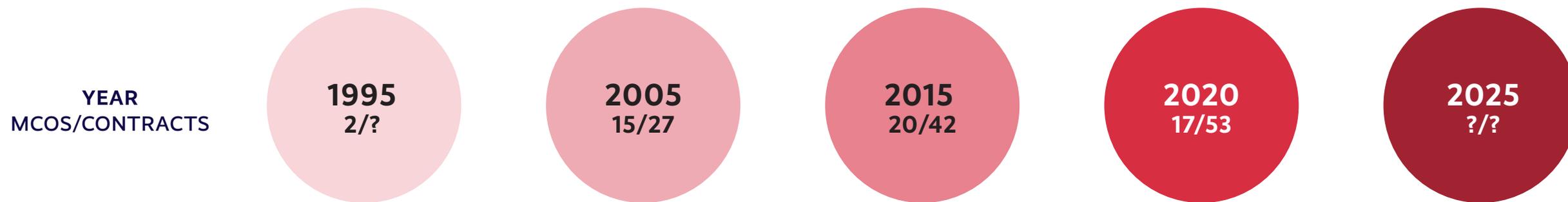
3 questions on finances, none of which relate to the product being bid. Solvency is focus, not financial performance in a Medicaid product.

Both
specificity
and rigor
diminish

STATUTORY REQUIREMENTS FOR SOLVENCY OR RISK BASED CAPITAL ARE NOT PERFORMANCE REQUIREMENTS/METRICS FOR MEDICAID PRODUCTS

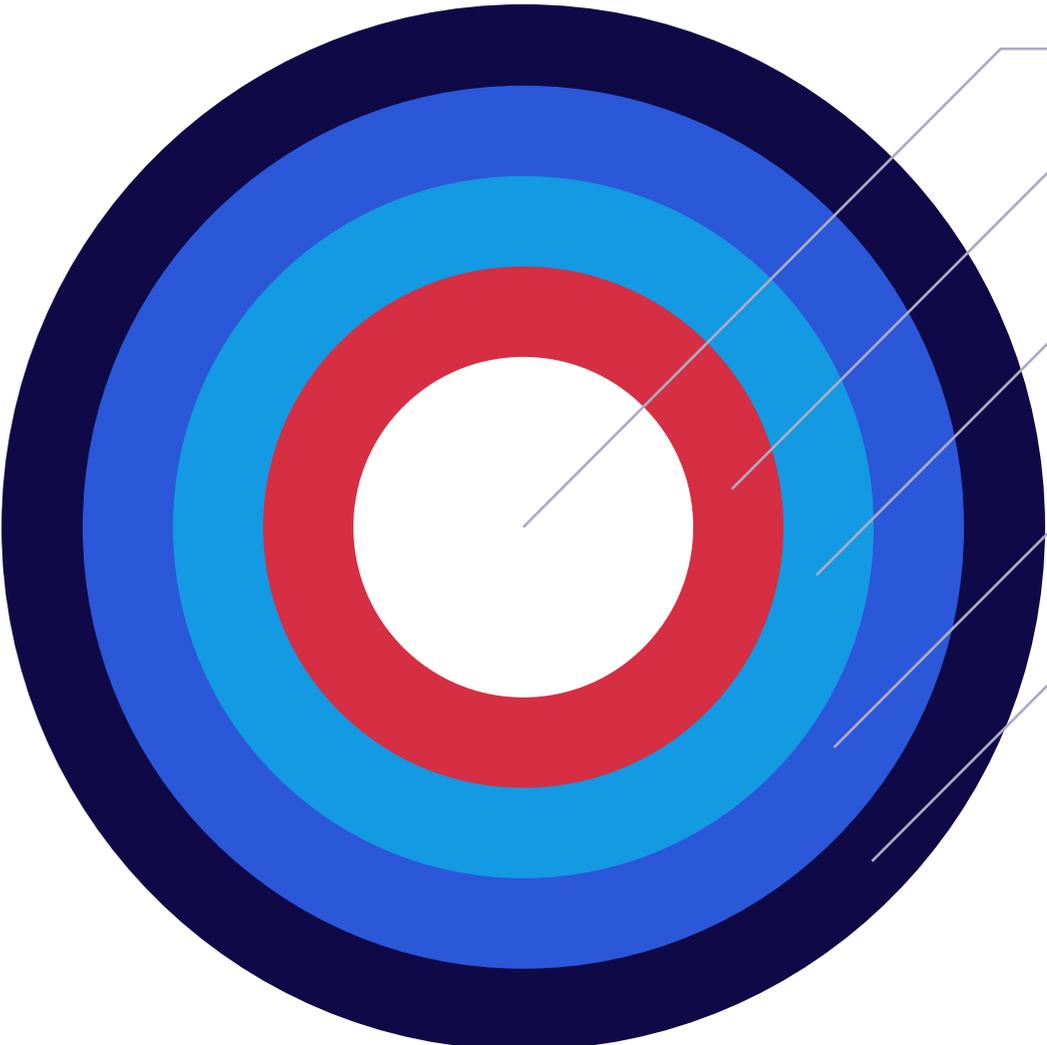
Texas Can Reduce the Number of MCOs to Remove Low-Performers

MCO CONTRACTS PER PROGRAM



3 MCOS HAVE DROPPED OUT SINCE 2019 DUE TO FINANCIAL PROBLEMS.

Which Parties Have Interest In Growing The Health Plan Market?



TAHP? → **Yes. Dues generation.**

TACHP? → **Yes. Aggressive market share play.**

HHSC? → No. HHSC seeks simplification and competition.

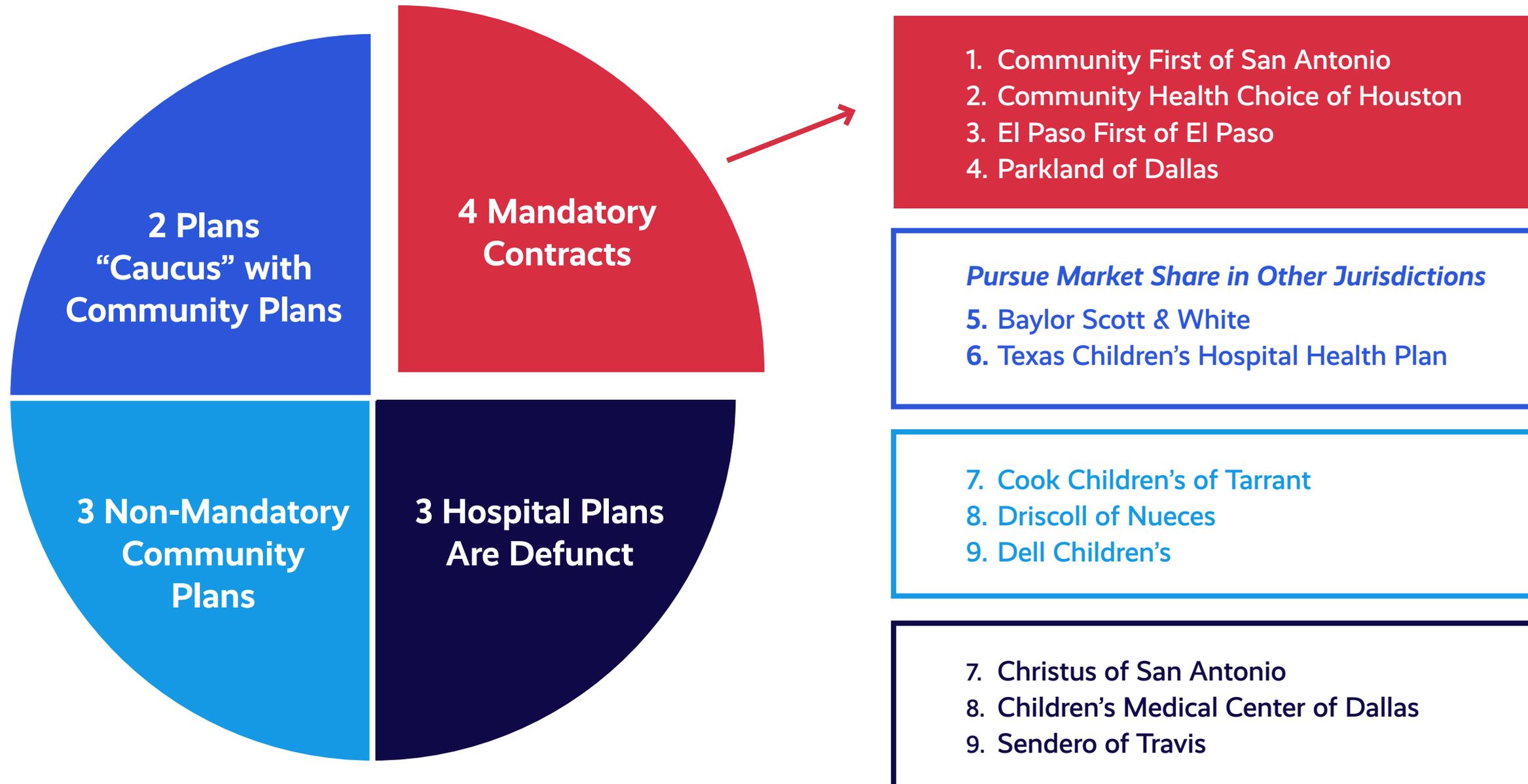
Medicaid Member? → No. Member seeks the best plan.

Governor/Legislature? → No. Each want a streamlined system with no problems.

HHSC NEEDS FEWER MCOS TO MANAGE, NOT MORE.

12 Different Hospital-Based MCOs are Known as 'Community Plans'

Four Receive Mandatory Contracts; Two Are Not Linked to Specific Communities and Seek Market Share Expansion like For-Profit Plans



An Aggressive Market Share Play By A Houston MCO Will A Force A Radical Change To The Competitive Landscape In The \$50 Billion Medicaid Marketplace

COMMUNITY HEALTH CHOICE OF HOUSTON IS SUING THE STATE OF TEXAS FOR A MANDATORY CONTRACT.

1. Community Health Choice (CHC) scored last of ten competitors in the recent STAR+PLUS procurement.
2. HHSC to CHC in response to protest: *“CHC bid proposal and oral presentation failed to meet Section 533.004(b) requirement of demonstrable performance.”*
3. CHC has mismanaged its premium dollar for each of the last two years.
4. CHC is among the most inefficient plans in Texas, according data submitted by CHC to the state.

HHSC ATTEMPTED TO UPHOLD THE INTENT OF THE LEGISLATURE & BEST VALUE

Community Health Choice of Houston recently bid on Medicaid business, but HHSC declined to give them a contract. Here is one of HHSC’s responses to CHC:

“CHC received the lowest technical score out of all respondents in the Harris and Jefferson service areas. CHC was invited to make oral presentations but failed to demonstrate it would be able to comply with all STAR+PLUS’s contractual, regulatory and statutory provisions relating to participation in the Medicaid Managed Care Program.”

Nelson (Kolckhorst) Legislation from 2013 & Federal Regulation Is the Basis for Proposals

Chapter 536.052(b) (condensed for brevity): “The commission shall develop quality of care and cost-efficiency benchmarks.”

Minor Adjustments to the Law
May Need to Be Made

Chapter 536.052(d) (condensed for brevity): “In awarding contracts to MCOs...the Commission shall give preference...to an MCO that meets quality...and cost efficiency benchmarks.”

Chapter 2155.144(d) (5) (condensed for brevity): “indicators of probable vendor performance... such as past vendor performance, the vendor's financial resources and ability to perform.”

Chapter 2155.144 (d)(7): “the total long-term cost to the agency of acquiring the vendor's goods or services.”

Chapter 2155.144 (d)(7): “the total long-term cost to the agency of acquiring the vendor's goods or services.”

The Legislature Intended Procurement Law to Prevail Over Mandatory Contracts

Best Value Procurement Statute, Chapter 2155.144(c) and (n)

(c) An agency to which this section applies **shall acquire goods or services** by any procurement method approved by the Health and Human Services Commission that provides the **best value to the agency**. The agency shall **document** that it considered all relevant factors under Subsection (d) in making the acquisition.

(n) To the extent of any conflict, **this section prevails over any other state law relating to the procurement of goods and services** except a law relating to contracting with historically underutilized businesses or relating to the procurement of goods and services from persons with disabilities.

The 3rd Court Specifically Ignored (n).

The Legislature Does Not Have Much Time To Preserve Competition in the Market Place

In Less Than 12 Months The CHC Lawsuit Made It To The Supreme Court

