March 16, 2021

House Committee on Appropriations
Subcommittee on Health & Human Services
Austin, Texas 78768

Members:

I write today regarding Rider #22 in House Bill 1 as filed. At their hearing on March 4, subcommittee members rightly raised a very important question: ***why are most Texas health plans fighting this?***

Amerigroup, which supports this rider, and the Texas Association of Health Plans, which fiercely opposes it, are both on-the-record supporting the creation of objective metrics that holistically measure managed care organization (MCO) performance, specifically through quality, cost, and customer satisfaction measures.

The difference comes down to this: ***should these performance metrics determine whether MCOs actually receive state business — and, by extension, should there be consequences for poor performance?***

As you consider this issue in the Article II mark-up process, I respectfully ask that you also consider the true dynamics driving this disagreement: **profit motive and market share.** The Texas Association of Health Plans (Association) and very profitable MCOs — including hospital-owned plans — that testified to your subcommittee are fighting to maintain practices that prop up Medicaid rates:

1. When an MCO performs poorly, it puts upward pressure on rates.

2. When rates increase (or don't decline as much as they otherwise would), taxpayers pay more.

3. And *all* MCOs make more money when rates increase.

It's that simple. TAHP messaging obfuscates these facts, as does their legislative testimony that MCOs have "saved $5 billion." Appropriators have experienced a very different reality with Medicaid costs that are much higher than the Association claims (see Attachment A, which uses data exclusively from HHSC).

Real, meaningful consequences — in procurement and post-procurement — for poor performance will reduce the upward pressure on rates and should be hallmarks of Texas Medicaid. Many aspects of managed care are confusing, but this is clear: in an exchange with Representative Gates on March 4, Health & Human Services Commission staff testified that MCO losses ultimately cost the state money in the rate-setting process.

Please note that, based on at least one cost efficiency measure, a preponderance of the Association's member health plans have lost money *persistently (in excess of two years)*, not just periodically (see Attachment B, which again is drawn from HHSC data). Viewed through two other measures (developed by the state and by Amerigroup) these losses look even worse. This contradicts what the Association testified to on March 4.

These inefficient, low-performing plans did *not* come to the hearing; they have *not* explained how they managed and mismanaged the state's money for years, or how they have remained in business despite losses that stretch back far longer than you have been led to believe. Such losses are anathema to the market-driven values under which Texas established the Medicaid managed care model decades ago.

The Association's CEO has disingenuously argued MCO losses that push up rates are valid expenditures of state resources. The fact that some MCOs can consistently and successfully avoid such losses indicates that most losses likely result from uncompetitive practices and care models.

Even the Association's president chose not to testify on March 4. The plan he represents has reported financial losses, and done its part to drive up Medicaid rates, for every year it has been in the state's managed care system. ***This underperformance should alarm you — it has real consequences for your constituents and raises serious questions about whether the MCO is doing enough to help its members stay healthy.***

Without consequences, measurement is meaningless. And the consequences that truly drive MCO behavior are in procurement. Texas deserves to work with high-performing MCOs. Establishing meaningful quality, cost, and customer satisfaction metrics will help ensure that it does.

The simple truth is that Amerigroup, like every other MCO in Texas, gains a lot from the status quo. But the State of Texas, its taxpayers, and Texans who rely on Medicaid do not receive as much from the current, unreformed managed care process as they should.

We could go along to get along. But Amerigroup has had a long, very productive partnership with the state, and we richly appreciate the Health & Human Services Commission leadership and the great work they do within an imperfect managed care framework. Amerigroup and Anthem are most comfortable, and historically have had the most success, when we create win-win relationships with our clients.

Both the Senate and House — as well as Amerigroup and the Association — agree that objective metrics need to be used in procurement. I respectfully ask you to consider including some measure of the accountability provisions provided in the current version of Rider #22.

Sincerely,

Greg Thompson, Health Plan President
Amerigroup Texas

*Attachment A MCO Premium Payments
*Attachment B. HAC Subcommittee

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Premiums Paid to Managed Care Health Plans, SFY 2008-19							
State Fiscal Year	All Funds	General Revenue*	All Funds by Service Type				
			Acute Care	Pharmacy	Long Term Care	Dental (DMO)	Transportation (MTO)
2008	$ 3,735,265,893	$ 1,472,441,815	$ 3,253,738,954	$ -	$ 481,526,939	$ -	$ -
2009	$ 4,272,650,682	$ 1,729,141,731	$ 3,692,885,619	$ -	$ 579,765,063	$ -	$ -
2010	$ 4,706,193,673	$ 1,939,422,413	$ 4,068,113,316	$ -	$ 638,080,357	$ -	$ -
2011	$ 5,514,263,683	$ 2,183,096,992	$ 4,734,874,568	$ -	$ 779,389,114	$ -	$ -
2012	$ 9,369,596,433	$ 3,895,878,197	$ 6,271,219,216	$ 1,022,289,553	$ 1,341,362,472	$ 705,992,112	$ 28,733,081
2013	$ 13,141,939,965	$ 5,360,597,312	$ 7,592,380,351	$ 2,235,951,890	$ 2,041,927,730	$ 1,206,193,670	$ 65,486,324
2014	$ 13,713,590,923	$ 5,658,227,615	$ 7,993,622,189	$ 2,274,106,305	$ 2,283,513,277	$ 1,094,581,685	$ 67,767,466
2015	$ 16,637,132,389	$ 6,970,958,471	$ 8,630,860,194	$ 2,589,342,822	$ 3,952,428,794	$ 1,261,164,644	$ 203,335,935
2016	$ 18,489,600,513	$ 7,911,700,059	$ 8,812,895,677	$ 2,722,307,446	$ 5,521,183,075	$ 1,257,635,614	$ 175,578,700
2017	$ 21,494,756,500	$ 9,401,806,493	$ 10,154,565,689	$ 3,470,266,912	$ 6,438,677,102	$ 1,261,894,515	$ 169,352,282
2018	$ 22,236,267,330	$ 9,601,620,233	$ 10,570,407,666	$ 3,587,232,029	$ 6,703,964,867	$ 1,210,026,675	$ 164,636,093
2019	$ 22,681,952,119	$ 9,508,274,328	$ 10,621,014,628	$ 3,745,817,194	$ 7,023,027,245	$ 1,133,892,450	$ 158,200,602

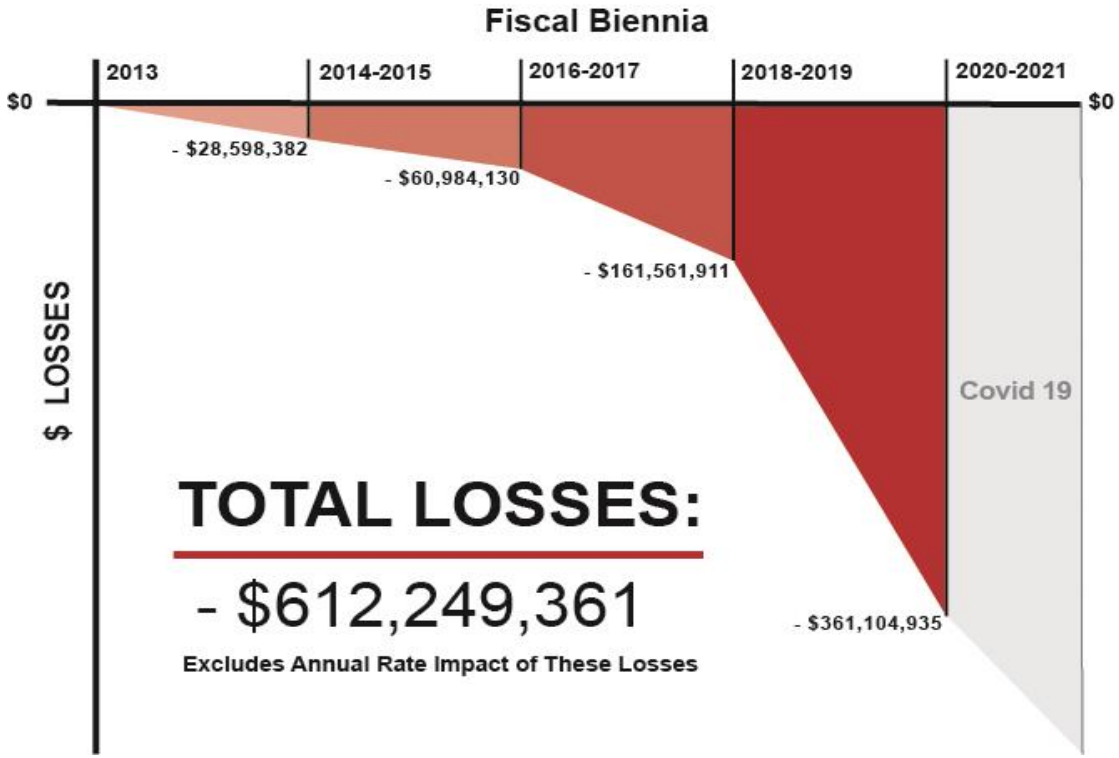
Notes:
All Funds amounts based on incurred data using MCO premium rates and PPS caseload data. Primary Care Case Management and Integrated Care Managementprograms were excluded.
*General Revenue figures are estimates based on regular FMAP rates and do not consider enhanced FMAPs based on service type.
HHSC Forecasting, May 2020

Only In Medicaid Can A Business Operate at a Loss Year-Over-Year

This Raises Concerns About Management of Public Funds and Execution of Managed Care

The State Auditor Should Assess for Appropriateness

1. ***The state has no protection in the MCO rate payment process from plans that persistently lose money. Recurring financial losses appear to be an intentional and systematic approach to driving up Medicaid rates.***
2. ***More than 65% of health plans lost money in 2018 alone.***
3. ***Periodic losses are acceptable but some health plans have mismanaged their premium allocation every year they have been in Medicaid.***
4. ***The history of MCO losses is roughly equal to the history of MCO profit-sharing with the state.***



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MCOs With Aggregate Losses In Excess of One Year
All Products & All Regions
Non-Efficient Plans Drive-up Payment Rates for Medicaid MCOs

		2013	2014	2015	2016	2017	2018	2019
1	Blue Cross Blue Shield	($146,541)	($4,611,434)	($8,123,554)	($6,425,647)	($25,828,348)	($45,858,263)	($37,500,836)
2	Childrens' Medical Center *					($46,917,082)	($42,233,713)	($33,972,713)
3	Christus			($2,066,597)	($2,423,238)	($474,029)	($1,236,564)	Exited Market
4	Community First	($4,410,274)					($26,673,715)	($107,033)
5	Community Health Choice	($5,763,394)					($3,828,025)	($17,948,220)
6	Driscoll	($6,270,058)	($2,719,317)	($13,168,413)			($27,225,479)	($17,085,665)
7	First Care		($9,279,780)				($12,127,283)	($18,483,376)
8	Parkland				($29,816,199)		($12,773,645)	($25,787,121)
9	Scott & White	($6,456,113)	($1,081,050)				($795,955)	
10	Sendero	($2,666,275)	($11,255,247)	($7,024,159)		($337,477)	($9,000,918)	Exited Market
11	Texas Childrens' HP					($28,259,308)	($21,574,850)	($15,109,926)
12	United					($21,080,585)	($114,792,787)	

* Exited Market 8/31/20