April 12, 2019

TO: Senators Andy Billig, Christine Rolfes, David Frockt, Annette Cleveland, and Karen Keiser

SUBJECT: Proposed Medicaid Cuts in the 2019-21 State Operating Budget

Thank you for meeting with us this week to discuss our concerns with the budget. As the five Medicaid Managed Care Organizations (MCOs) that serve Washington's 1.58 million Apple Health Medicaid beneficiaries, we are committed to our partnership with the State to improve the health of our members and support the providers who serve them. We are also mindful of the need to be efficient in the spending of public dollars and the need to reduce and eliminate fraud, waste, and abuse. ***However, we are deeply concerned with the projected savings included in the Senate budget (SB 5153) related to Medicaid Program Integrity and MCO Performance as these savings are not based upon reliable information and are not achievable.*** We believe that by building these unsubstantiated numbers into the budget, we are jeopardizing the integrity of the Medicaid program and will result in cuts that will harm low-income working individuals, families, and children and the providers that serve them.

In a letter sent to Legislators on April 8, the Health Care Authority (HCA) stated their concerns with these savings assumptions and stated that these numbers are not supported by the recently completed CMS program integrity audit. As you work to negotiate a final budget proposal, we urge you to reconsider the decision to assume savings relating to this provision and make no further cuts to the Medicaid program. This is a critical safety net program that we are all committed to preserving.

Medicaid Program Integrity

The Senate budget includes projected "savings" of $101.8 million in state general funds ($351.6 million total funds) through investments in program integrity activities in managed care, assuming over $350 million in additional recoverable dollars due to fraud, waste, and abuse in Washington's Medicaid system. The state's five Medicaid MCOs strongly disagree with this assumption given our current experience and robust efforts to capture overpayments relating to any fraud, waste and abuse in the program.

While we are supportive of additional investments in program integrity where gaps are identified, there were no significant gaps found in MCO program integrity programs or any reference to any achievable savings in the CMS audit report.

All five Medicaid MCOs allocate significant resources toward program integrity, and these investments achieve cost savings. The Medicaid contract already includes program integrity requirements that require oversight and investigation of fraud, waste, and abuse – including identification and recovery of overpayments to providers. The program integrity work each MCO performs is an essential part of our contractual relationship with HCA and plays a key role in helping the HCA identify fraud, waste, and abuse – ultimately saving the state money.

MCOs work closely with their network providers who are committed to serving these communities, and we should be cautious of over burdening these credentialed, contracted providers with unnecessary audits or regulatory oversight that is very unlikely to translate into savings, but rather will add costs to the system and increase bureaucracy, ultimately reducing access for patients in need.

Most importantly, we are concerned about the impact that these savings assumptions will have on the perception of the HCA, MCOs, and providers. The assumption that there is $350 million in waste, fraud, and abuse in our state's Medicaid system undermines the confidence in our health care safety net. There is no data to support this

assumption. This reflects negatively on the significant fraud, waste, and abuse efforts that we, as MCOs, have achieved to control medical costs in the state's Medicaid program.

We are concerned that the current provisions in the Senate budget will inadvertently harm Washington's health care safety net with potential cuts to benefits or other programs to offset the projected savings that will not be realized.

MCO Performance

The Senate budget also includes projected "savings" of $49 million in state general funds ($166.4 million total funds) through implementation of a 2% MCO premium withhold that likely will not meet federal CMS actuarial soundness criteria, and presumes failure by all MCOs on achieving quality metrics. We strongly support continuous quality improvement and performance; however, budgeting for failure is counter to all tenants of and incentives for quality improvement.

Active quality improvement is at the core of our operations, and continuous learning and improvement is part of the partnership we each have with HCA. Through our contracts with HCA, MCOs currently have 1.5% premium withheld, and MCOs can only earn this back by achieving significant improvements on nine common measures from the Statewide Common Measure Set, such as diabetes management and child immunization rates. In addition, MCOs have to reach certain value-based purchasing targets to earn back this premium withhold. Last year, MCOs were required to have 50% of contracts with providers in value-based purchasing agreements – this year, that threshold increases to 75%.

Given the premium withhold, continuous learning, and quality reporting that already exists in MCO contracts, we are gravely concerned about inclusion of this provision in the budget. We believe in accountability and transparency, but the "savings" assumptions related to this item are punitive, unrealistic and will not materialize. In addition, any premium withhold over 1.5% would not meet federal CMS actuarial soundness criteria and will likely result in an increase to Medicaid rates, negating the intent of this provision.

We strongly urge you to remove these "projected savings" related to Medicaid Program Integrity and MCO Performance from the final budget.

Sincerely,

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