

Minnesota Senate

Minnesota House of
Representatives



Senator John Marty
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Representative Carolyn Laine
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August 2, 2012

Commissioner Lucinda Jesson
Human Services Dept
540 Cedar Street
0998
St Paul, MN 55155

Dear Commissioner Jesson:

We appreciate the Department of Human Services' interest in getting accountability in Minnesota's Medicaid programs, and are writing to encourage you to revise the July 23rd RFP for actuarial analysis of the programs.

As you pointed out in your cover letter, numerous concerns about the Medicaid payments to HMOs have been raised by state and federal lawmakers of both parties, regulators, and the public. Unfortunately, the target of the proposed review does not address many of the concerns that have been expressed.

The RFP directs that the vendor "determine if the public program rates set from FY 2003 through FY 2011 were 'actuarially sound'." However, we believe that actuarial soundness is *not* the problem that needs to be addressed.

For an insurance company, "actuarial soundness" means that the premiums collected are greater than potential claims, so that the company has sufficient funds to pay its bills. Nobody is suggesting that Minnesota is paying the HMOs too little – our concerns are that they are being paid too much.

Our first concern is about the term "actuarial soundness." Although this term is used by the federal government in regards to rate setting, its use has been criticized by both the GAO and Minnesota's Legislative Auditor as being vague and insufficient. Our second concern is that the proposed RFP will not address true accountability in the use of taxpayer dollars. In your July 23 letter explaining the RFP, you wrote that you want the analysis to determine if the state's payments to the HMOs "were higher than the amounts

allowable under state and federal law." While it is important to look into whether there were violations of the law, the concern is much broader than whether payments were higher than the law allowed – we are concerned that the state payments were too high, even if there was no law against it. The analysis needs to review whether taxpayer money is being wasted, period.

This is an opportunity to conduct a *comprehensive* review of past and current practices, so we can make long overdue reforms. We urge you to do so.

Tens of billions of dollars have gone into this PMAP "demonstration project" over the past couple decades, yet there has never been a thorough analysis of whether the HMO contracts cost more or less than direct contracting with medical providers would cost, nor has there been an analysis of whether low income people receive as good care in the managed care program as they would from direct contracting. It's time to do that analysis.

At a minimum, based on conversations with auditing and Medicaid experts, it is clear that the PMAP program requires a complete:

- Financial audit (review of cost data and administrative expenses)
- Performance and compliance audit (enrollment timeliness and accessibility, provider network adequacy, participant access to services and risk assessment)
- Data verification (review of data provided by MCOs, actuaries and others to set rates)

These items would not be reviewed under DHS' current plans, as the RFP has been limited to only seeking to "review the process and methodologies used by prior consultants, actuaries, and departmental personnel to set the rates for PMAP, MNCare, and GAMC, during the relevant time period."

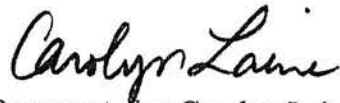
Also, we ask that you rethink the timeline assigned to finishing the review, as the Legislative Auditor has expressed concerns about the "unrealistic" timeframe for this project. Given his expertise, it seems prudent to slow down to ensure that the result of the analysis is meaningful.

Again, we appreciate DHS' interest in accountability within the Medicaid program. We would like to offer assistance in revising the RFP to make sure the analysis addresses the important concerns that have been voiced over the past few years.

Sincerely,



Senator John Marty



Representative Carolyn Laine

cc: Governor Mark Dayton
Dan Pollock
CMS