

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



**Center for Medicaid and CHIP Services**

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**MAR 21 2012**

David Godfrey  
Medicaid Director  
Minnesota Department of Human Services  
540 Cedar Street, P.O. Box 64983  
St. Paul, MN 55167-0983

Dear Mr. Godfrey:

Thank you for your letter regarding the \$30 million received by the State of Minnesota from UCare Minnesota ("UCare") on November 1, 2011. The Centers for Medicare & Medicaid Services (CMS) believes it would be helpful to receive additional information from the State in order to better evaluate the transaction between UCare and Minnesota.

On pages 1 and 2 of your letter, you presented some information regarding UCare's contributions to its reserves. We are requesting that the State provide us with information regarding the source(s) of UCare's reserves for the contract years 2010 and 2011. We also request copies of UCare's tax returns for 2010 and 2011, copies of any of UCare's required regulatory filings for Minnesota nonprofit organizations for 2010 and 2011, and UCare Board minutes regarding the transaction. These documents should indicate how UCare itself characterized this transaction, explain how the transaction was consistent with the UCare mission to improve member health care, and why the transaction was not awarded through the normal course of the UCare community grant program.

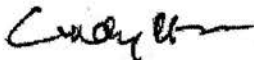
CMS would also like to clarify a statement made on page 2 of your letter. There, you state in pertinent part that: "There was no requirement by the State that UCare or any other health plan return any revenue earned through their capitation payments paid via their contract for the Medicaid Program." This statement appears to acknowledge that UCare's \$30 million was derived from its Medicaid reimbursement. In a letter to the State dated March 16, 2011, UCare indicates that it will donate \$30 million to the State as a result of excess reserves derived from its Medicaid contract payments. What evidence do you possess showing that the funds were derived from some other source? You also refer, in footnote 1, page 2 of your letter, to a June 24, 2011, letter from President and CEO Feldman to Commissioner Schowalter of Minnesota Management and Budget. We are not able to locate a copy of the June 24, 2011, letter. Please forward us a copy at your earliest convenience.

In addition, we would appreciate information to address the following questions related to the source of the funds. Assuming that the source was Medicaid reserve funds, are there any State laws governing the designation and use of managed care reserve funds? Also, did Minnesota include reserve fund requirements in calculating actuarially sound managed care rates (and have any such requirements been adjusted)?

Finally, your letter indicates that the State had adopted a profit cap in its 2011 managed care contract. Please confirm how this new policy differs from the 1 percent profit cap proposal that UCare provided the State as an attachment to the March 2011 letter indicating that it would provide \$30 million to the State?

Thank you for your cooperation in these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Cindy Mann", with a stylized flourish at the end.

Cindy Mann  
Director