Background Facts for S. 2370 - 2020

1. In 2009, Connecticut conducted an audit which found that it was overpaying its three MCOs (United Healthcare Group, Aetna, and Community Health Network of Connecticut) nearly **$50 million per year**. https://www.wsj.com/articles/connecticut-moves-away-from-private-insurers-to-administer-medicaid-program-1458325696

2. In 2010, Connecticut booted private MCOs out of its Medicaid program, and subsequently saved **hundreds of millions of dollars** and experienced the lowest Medicaid cost increases in the country. https://www.cga.ct.gov/med/council/2018/0209/20180209ATTACH_HUSKY%20Financial%20Trends%20Presentation.pdf

3. The Rhode Island Annual Medicaid Expenditures Report SFY 2017 (dated June 2018) confirms that Medicaid savings from 2013-2017 have not come from MCO managed care, but rather: "The steady decline in the average PMPM is reflective of the change in the overall nature of the State's enrolled Medicaid population, with growth since at least January 2014 being heavily concentrated among the nondisabled children and adults who have comparatively low costs." See Page 13 http://www.eohhs.ri.gov/Portals/0/Uploads/Documents/SFY2017_%20RI_Medicaid_Expenditure_Report_7162018_Final.pdf. See also this article noting savings, if any, are achieved primarily through reduced prices rather than through the more traditional tools of care management, http://media.khi.org/news/documents/2013/01/14/managed-care-rwjf.pdf

4. A 2012 study sponsored by the Robert Wood Johnson Foundation generally concluded that states that had adopted Medicaid managed care nationally had either found the move to be cost-neutral or cost more than traditional state-run fee-for-service programs. This is consistent with peer-reviewed literature on managed care suggesting that savings, if any, are achieved primarily through reduced prices rather than through the more traditional tools of care management. (20) http://media.khi.org/news/documents/2013/01/14/managed-care-rwjf.pdf

5. In its SFY2014 Single Audit Report, the RI Office of the Auditor General noted multiple material weaknesses in internal controls and that: "The State needs to develop a comprehensive risk assessment and monitoring plan to ensure that Medicaid managed care expenditures are validated and settled each contract period. (Finding 2014-068)" http://www.oag.ri.gov/reports/SA_RI_2014.pdf

6. In its SFY2015 Single Audit Report, the RI Office of the Auditor General again found multiple material weaknesses in internal controls and that specifically, RI Medicaid MCOs were **overpaid more than $200 million** due to overstated capitation rates for the Medicaid expansion population. http://www.oag.ri.gov/reports/SA_RI_2015.pdf (Finding 2015-002).

7. The SFY2015 report further noted: "EOHHS lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its managed care organizations (MCO). Capitation payments to managed care organizations represent nearly 75% of all Medicaid outlays. EOHHS

needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. More stringent audit and financial monitoring procedures should be employed. (Finding 2015-066)"
http://www.oag.ri.gov/reports/SA_RI_2015.pdf

8. In its FYS2016 Single Audit Report, the RI Office of the Auditor General again found material weaknesses in internal controls and repeated its Finding 2015-066 by noting: "EOHHS lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its MCOs. MCO capitation payments represent nearly 75% of all Medicaid outlays. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. More stringent audit and financial monitoring procedures should be employed." (Finding 2016-066)
   http://www.oag.ri.gov/reports/SA_RI_2016.pdf

9. In its FYS2017 Single Audit Report, the RI Office of the Auditor General yet again found material weaknesses in internal controls and noted:
   a. "The continued and growing complexity of Medicaid program operations adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements." Finding 2017-002 (material weakness – repeat finding – 2016-010) at 2017 DAR page D-5.
   b. EOHHS lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its managed care organizations (MCOs).
   c. Capitation payments to MCOs represent nearly 63% of Medicaid benefit expenditures.
   d. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period.
   e. More stringent audit and financial monitoring procedures should be employed. EOHHS needs to reassess all activities considered surveillance utilization review services (SURS) performed within the Medicaid program to comply with federal regulations and amend the State Plan to accurately reflect the State's current practices."

   http://www.oag.ri.gov/reports/SA_RI_2017.pdf

10. In its FYS2018 Single Audit Report, the RI Office of the Auditor General YET AGAIN found problems with MCOs:
    "EOHHS lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its managed care organizations (MCOs). Capitation payments to MCOs represent nearly 60% of Medicaid benefit expenditures. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. More stringent audit and financial monitoring procedures should be employed."

11. The Rhode Island Annual Medicaid Expenditures Report SFY 2017 (dated June 2018) states: "This year's report breaks out administrative fees paid to managed care organizations (MCOs) as a separate provider type category. In previous years these expenditures were allocated across

provider types. In SFY 2017 MCO admin fees and taxes accounted for 8% of expenditures."
http://www.eohhs.ri.gov/Portals/0/Uploads/Documents/SFY2017_%20RI_Medicaid_Expenditure_Report_7162018_Final.pdf

12. For a good overview of recent Medicaid MCO issues see https://www.healthaffairs.org/do/10.1377/hblog20180430.387981/full/ (part 1) and

    https://www.healthaffairs.org/do/10.1377/hblog20180430.510086/full/ (part 2)

13. Other states, such as Iowa and Kansas, have recently privatized Medicaid by hiring MCOs and suffered significant problems. Specifically, "both Kansas and Iowa have suffered cuts in care, reduced far less costs than expected, and sacrificed oversight and transparency by handing their programs over to private entities. These changes have been devastating for many Medicaid recipients that once could depend on public provision for life-sustaining care." https://www.inthepublicinterest.org/wp-content/uploads/ITPI_PrivatizingVAMedicaid_March2018.pdf See also https://tarbell.org/2019/04/iowa-privatized-medicaid-it-has-been-a-disaster-heres-why/