



February 23, 2016

Ms. Lynne Saxton, Director
Oregon Health Authority
500 Summer Street, NE, E-20
Salem OR 97301

RE: 2015 Coordinated Care Organization Capitation Rate Recoupment Issues

Dear Ms. Saxton:

The Oregon Health Authority (OHA) requested assistance from **Optumas** in estimating OHA's financial exposure regarding the recoupment of 2015 capitation overpayments made to several of OHA's Coordinated Care Organizations (CCOs). We have consulted to OHA in multiple capacities for the past several years and the **Optumas** team working with OHA has a combined forty (40) plus years in Medicaid managed care rate development experience. Most recently, the **Optumas** team established the 2015 and 2016 CCO Capitation Rate Development methodologies in collaboration with OHA and the CCOs and provided the actuarial certification to CMS regarding the 2015 and 2016 methodology. Specifically, our review of OHA's financial exposure regarding the 2015 recoupment focused on two major areas:

1. State General Fund Budget Impact for Oregon House Bill – 4107-A5

The fiscal note for House Bill (HB) – 4107-A5 lists seven (7) CCOs as being overpaid in 2015 based on the difference between the original OHA rates and the revised, CMS-approved (see CMS letter to OHA, dated 12/29/15) **Optumas** rates. Of the seven (7) CCOs listed, six (6) of the seven (7) have signed their 2015 rate amendments and either have, or are in the process of, repaying the overpayment. It is our understanding that only one CCO, FamilyCare, has not signed its 2015 rate amendment. The fiscal note lists the total overpayment for all seven (7) CCOs at approximately \$107 million; however, the estimated fiscal impact of the bill is limited to the amount of FamilyCare's overpayment of approximately \$56 million. It is our understanding that FamilyCare's contract is not materially different from any other CCO. Therefore, if the legislation allows FamilyCare to avoid repaying its overpayment, technically the others CCOs should be allowed to avoid repaying their respective overpayments. As a result, we believe the fiscal impact of the legislation should be listed as the full overpayment of \$107 million. After all accounting issues are removed, OHA would be paying approximately \$107 million in state general funds (SGF) to the federal government to repay the \$107 million in federal matching funds that the state had received.



2. Federal Financial Participation for 2015 Rates

The revised CCO rate ranges for 2015, based on the **Optumas** methodology, have been accepted and approved by CMS as actuarially sound (again see CMS letter to OHA, dated 12/29/15). As the rate ranges for the original rates created by OHA and the revised rates created by **Optumas** do not overlap, CMS has informed OHA and **Optumas** that the original OHA rates cannot be considered actuarially sound from the perspective of CMS approval and federal financial participation. Thus, per the federal guidelines governing federal financial participation and actuarial soundness (see for example – 42 CFR 438.6 and related sections), federal matching funds are not available for any capitation paid under the original 2015 rates.

Further, as noted above, it is our understanding that one CCO, FamilyCare, has not signed its 2015 rate amendment acknowledging the revised 2015 rates. Per CMS contracting requirements under the Medicaid managed care rules, only CMS-approved capitation rates paid to **contracted** (emphasis added) entities are eligible for federal matching funds (see for example – 42 CFR 438.3, 42 CFR 438.6, Section 1903(m)(2)(A)(iii), and related sections). Put simply, without a signed contract, no federal matching funds are available. Therefore, we believe that ALL the federal dollars paid in 2015 to FamilyCare are at risk, not just the 2015 overpayment of approximately \$56 million noted above.

If you have questions regarding OHA's financial exposure as a result of the 2015 CCO Capitation Rate Recoupment, we are available to discuss our analysis either in person or via conference call.

Sincerely,

A handwritten signature in blue ink that reads "Steven P. Schramm". The signature is fluid and cursive in style.

Steven Schramm
Managing Director
Optumas

Cc: Mark Fairbanks, OHA
Lori Coyner, OHA
Jeff Fritsche, OHA
Zachary Aters, Optumas