

**Potential Interest in the
Colorado Joint Purchasing Initiative for Families and Children**

March 24, 2005

**Bailit Health Purchasing, LLC
120 Cedar Street
Wellesley, MA 02481**

**Commissioned by:
The Colorado Department of Health Care Policy and Financing**

Potential Interest in Colorado Joint Purchasing Initiative for Families and Children

I. Introduction

Between December 2004 and February 2005, Bailit Health Purchasing, LLC conducted telephone interviews with senior representatives of the following organizations to assess their potential interest in the Colorado Medicaid and Child Health Plan *Plus* (CHP+) joint purchasing initiative for pregnant women, families and non-disabled children:

- AmeriChoice
- Amerigroup Corporation
- AmeriHealth
- Anthem/Wellpoint
- Centene Corporation
- **Colorado Access**
- **Denver Health Medical Plan**
- **Kaiser Permanente**
- Molina Healthcare
- **Rocky Mountain Health Plan**

The four organizations listed in boldface are current CHP+ managed care plans, some of which also contract with Medicaid. The remaining six organizations operate Medicaid and/or S-CHIP managed care programs in multiple states and represent potential new entrants to the Colorado Medicaid/CHP+ managed care marketplace.

II. Level of Interest in Bidding on a Joint Purchasing Initiative

All of the above plans were asked whether they would be interested in bidding on a request for proposals (RFP) issued by the Department of Health Care Policy and Financing (HCPF) for a joint purchasing initiative that included non-disabled children, pregnant women and families eligible for either Medicaid or CHP+. The level of interest in the Colorado joint purchasing initiative varied across organizations with many respondents wanting confirmation that the joint purchasing initiative would include mandatory managed care for both Medicaid and CHP+ members.

Existing Contractors

Two of the four managed care organizations who currently contract with HCPF indicated that they were “very likely” to submit a bid to participate in the joint purchasing initiative for at least the geographic areas in which they are currently serving CHP+ members. The other two existing plans were more cautious about predicting their organization’s response to the RFP. These two plans indicated that they supported the concept of the joint purchasing initiative but wanted to see the details in the RFP. All existing managed care plans were interested in retaining their current service areas and members, but wanted more specifics particularly regarding rates before they committed to larger enrollment or service areas. One plan indicated that the senior executives in the plan were “terrified of a Medicaid risk contract.” Two existing plans indicated an interest in risk sharing with the state rather than full risk capitation for Medicaid.

Potential New Entrants

All potential new entrants interviewed said they would definitely explore participation in a joint purchasing RFP issued by HCPF for non-disabled children and families enrolled in CHP+ and Medicaid. Three of the six potential new entrants indicated that they would be “somewhat likely” to bid on the RFP as currently conceived. Two potential new entrants said they would be “very likely” to bid on the joint purchasing RFP. One potential new entrant indicated that it was “somewhat unlikely” to bid on the proposed RFP. All potential new entrants said they would look at the RFP very carefully before making a decision on whether or not to bid.

Five of the organizations not currently contracting with HCPF have looked at Colorado Medicaid as a potential business opportunity in the past two or three years. These health plans indicated that their organizations had decided against entering the Colorado Medicaid market in the past due to concerns over the State’s level of commitment to Medicaid managed care and the lack of a viable health plan to purchase to gain entrance into the market. All potential new entrants noted managed care organizations’ withdrawals from Medicaid in Colorado and the lawsuit when discussing the Colorado market. One respondent noted, “There is a credibility issue with Colorado.”

III. Service Areas

All ten organizations were asked about the service area the plan would be interested in bidding on for a joint purchasing initiative in Colorado. Virtually all health plans interviewed would be interested in serving the Denver metro area. As one plan indicated, “Denver is critical to success.” The level of interest in other parts of the state varied across potential bidders.

Three existing HCFP managed care contractors indicated interest in retaining their current service areas, but were cautious about any service area expansions. These plans were concerned with their organization’s capacity to expand to other service areas, as well as the increased risk of taking capitation for more members. One existing contractor would be willing to consider a statewide service area.

Three potential new entrants expressed a willingness to at least consider most metropolitan statistical areas throughout the state, and two potential new entrants are willing to consider a statewide service area.

Responding health plans indicated that their decision on whether to serve urban and more rural areas outside of Denver would depend on a number of factors, including:

- adequacy of the rates, particularly in rural areas;
- the plan’s ability to leverage resources and infrastructure from nearby areas (e.g., Denver);
- the state’s HMO network requirements;
- the plan’s ability to contract with providers, including whether providers would be required to accept Medicaid fee-for-service (FFS) rates;
- potential volume of enrollment related to the number of health plan competitors in the region; and

- the overall financial arrangement, such as whether or not an insurer could serve rural areas under a shared-risk contract.

All but one respondent encouraged HCPF to limit the number of plans in Denver, as well as in other areas, depending on the potential membership volume in the various regions. Many respondents also indicated that the RFP would be more appealing if managed care organizations were not competing against other Medicaid program options in the same service areas, such as a primary care case management program.

IV. Enrollment Targets

The health plans were asked what minimum enrollment they would target for participation in the joint purchasing initiative. Potential new entrants cited membership minimums in the 30,000 to 60,000-member range. One plan noted that it would like to be able to get “30,000 members relatively quickly”, and foresee the ability “to eventually get to 50,000.” A plan interested in statewide service area cited an enrollment target of 100,000. A couple potential new entrants noted that the membership minimum depended in part on whether organizations would be allowed to bid on the RFP and on other potential business related to serving Medicaid and/or CHP+ members on a non-risk or shared-risk basis.

The existing contractors had different types of enrollment targets. Two of the four existing contractors wanted to keep their current enrollment as a minimum and were interested in increasing their membership in the future. The other two existing contractors were more concerned with being able to establish maximum enrollment levels to limit the plan’s potential financial liability.

V. Concerns, Questions and Issues

All ten organizations were asked about concerns they had about the joint purchasing initiative and if there were any specific questions and issues that the plans would want to have HCPF address in a joint managed care RFP. Most of the respondents’ questions and concerns related to finances, volume, and the State’s level of commitment to the joint purchasing initiative in particular, and Medicaid managed care in general.

Financial questions and suggestions included:

- “Will the rates be actuarially sound?”
- “Share with our actuaries the same data used by the State’s actuaries to come up with the rates.”

Volume questions included:

- “How will members be allocated or re-allocated to HMOs?”
- “What is the membership by region and by rate cell?”
- “Will the HMOs directly compete against other plan options and/or Medicaid FFS in the same geographic areas?”
- “Will members be locked in to plans? For how long?”

Questions regarding the State's commitment to managed care included:

- Are the Governor and the legislature supportive of Medicaid managed care in general and the proposed joint purchasing initiative in particular?
- Will HCPF make public statements about its commitment to managed care?
- Will the proposed managed care contracts be multi-year contracts?

Concerns of Potential New Entrants

In addition to the questions and comments cited above, some potential new entrants cited the following concerns regarding the Colorado marketplace:

- a general lack of providers in the state, particularly in growing communities;
- the anti-managed care attitude of some physicians and hospitals in Colorado;
- specific challenges of contracting with certain providers; and
- whether new plans would have a level playing field with existing plans.

Potential new entrants also raised questions about the timing of the RFP, implementation and how networks would be assessed. One respondent stated that the state could make the RFP more attractive by creating "a timeline that does not preclude new entrants. We would need at least six months to do contracting before a readiness review." Another respondent indicated that nine months was needed between the announcement of the award and the implementation start date to be able to deliver trouble-free implementation on day one.

Other network questions from potential new entrants included:

- "What will the network requirements be?"
- "When will bidders be required to demonstrate a sufficient network?"
- "Will letters of intent to contract from providers be sufficient for a bidder's RFP response or will signed contracts be required at the time of the bid submission?"

Other Questions from Various Respondents

- "Will Medicaid eligibility requirements change?" (Some plans noted the 12 month guaranteed eligibility for CHP+)
- "How will bidders be evaluated?"
- "Does the state envision expanding the eligible population over time?"
- "How will the joint program be managed? What if there are disputes between the Medicaid and CHP+ staff?"
- "How does the Department propose to continue to support safety-net providers?" (This was asked regarding both the Denver metro area and throughout the state)
- "When does the state expect to resolve data issues with its enrollment broker?"

VI. Conclusion

The prospects for a new Medicaid and CHP+ joint purchasing initiative for pregnant women, families and non-disabled children could, under the right conditions, attract sufficient interest and participation from potential managed care contractors. The growth of national Medicaid-

focused managed care organizations in recent years has added to the list of these potential contractors.

It is clear, however, that the recent history of Medicaid managed care in Colorado has made both current and potential contractors somewhat wary about contracting with the State on a risk-basis. Bidders would require clear and significant assurances regarding:

- a) HCPF and legislative commitment;
- b) reimbursement rates and risk;
- c) competition; and
- d) enrollment volume.

If managed care organizations receive, what they consider to be, adequate assurances in these areas, and if a sufficient amount of time is allotted for the procurement process, HCPF should be able to expect a competitive procurement with committed bidders, including at least one new entrant.