

**Subject:** Troubling Developments In The MCO Program

**Date:** Friday, August 20, 2021 at 3:11:07 PM Eastern Daylight Time

**From:** Turnage, Wayne (DHCF)

**To:** Gray, Vincent (Council)

**CC:** Cheh, Mary (COUNCIL), Henderson, Christina (Council), Nadeau, Brianne K. (Council), Allen, Charles (Council), Goulet, Eric (Council), Gulstone, Ronan (EOM)

CM Gray:

The purpose of this email is to inform you of a significant development in the Medicaid program that threatens access to care for many of the 230,000 District residents who receive their health services through DHCF’s managed care program - a program which serves both Medicaid and Alliance enrollees. This morning, Karen Dale, the CEO for AmeriHealth, informed me that the MedStar Health System (MedStar) sent her organization a notice of termination for all medical services that the health plan currently purchases from MedStar. This notice had an effective date of November 2021. Subsequently, I contacted a MedStar official to determine the veracity of that information, and it was confirmed. In addition, the MedStar official informed me that CareFirst will receive the same notice but with an earlier effective date, based on the scheduled expiration of their current contract with this managed care plan.

What this means is that if the current contracts between the health plans and MedStar expire without renewal, no enrollee in DHCF’s managed care program will have access to any MedStar hospital, clinic, rehabilitation facility, or their expansive specialty care suite of physicians. The only services that will be available through MedStar will be qualifying emergencies that are handled through the Emergency Department.

So that all might appreciate the gravity of this problem, the table below shows the muscular position that MedStar maintains in just the District’s Medicaid hospital program alone. Specifically, MedStar provides for more than 38 percent of the utilization in the system, and accounts for more than a third of the \$304 million we spent on hospital services in 2018. These numbers are virtually unchanged for fiscal years 2019 through 2020.

Provider	Medicaid Reimbursement Distribution	Medicaid Visits/Trips Distribution
All Providers	\$304,325,262.82	117,927

Washington Hosp Ctr	28.03%	30.20%
George Washington Univ Hosp	16.76%	16.52%
Howard Univ Hosp	15.52%	9.60%
Providence Hosp	10.16%	10.99%
Children's Natl Medical	7.87%	4.55%
United Medical Ctr	6.61%	8.16%
Georgetown Univ Hosp	6.60%	6.05%
HSC Pediatric Ctr	2.24%	1.75%
Natl Rehabilitation Hosp	1.99%	2.68%
Bridgepoint Capitol Hill	1.84%	4.04%
Bridgepoint National Harbor (Hadley)	1.31%	3.76%
Sibley Mem Hosp	0.81%	0.92%
Psychiatric Inst of Washington	<b>0.25%</b>	<b>0.80%</b>

The reverberations from the loss of MedStar from the managed care program will undoubtedly echo through the city's entire health care system with a significant and pernicious impact. The remaining providers will face the unwelcomed and unplanned challenge of absorbing 30 percent of the Medicaid market share with no time to increase capacity. This will occur precisely at a time when all medical facilities are struggling with staff shortages. Worse than that witnessed with the closure of Providence Hospital, residents will almost certainly face interminable waiting periods in crowded hospital emergency rooms, difficulty securing primary care visits, and lengthy 3- or 4-month delays for specialty care appointments.

During the deliberations for the vote on Mayor Bowser's Budget Support Act Amendment, which would have provided MedStar the opportunity to simply complete the procurement process, one councilmember characterized the very genuine concern you expressed about just this specific potential outcome as a "red herring" – a contrivance on your part to secure support for the amendment you moved. Clearly, this

myopic and short-sighted view -- shared by this councilmember and the six others who similarly dismissed your concern -- was void of the necessary prescience to foresee the very serious quandary we now face.

If MedStar executes the contract terminations that were proffered today, as Director of DHCF, I have the discretionary authority to rescind the health system's entire Medicaid agreement and terminate the contract of both health plans with whom they could not reach a new agreement. Obviously, this would be unwise, irresponsible, and destructive, for it would leave the District of Columbia without a Medicaid managed care program in the middle of the worse pandemic this country has seen in a century, while also separating our very medically fragile fee-for-service population from the health care services they desperately need and receive through the MedStar Health System.

Accordingly, I will be meeting with my executive team at DHCF and our Medicaid actuary later today, to bring potential solutions to the Mayor for her consideration over the next few days. We know, for example, that for FY2022, MedStar provided significant provider rate discounts to the other two Medicaid health plans because they had a health plan in the Medicaid program as well. I fully anticipate those discounts -- which are worth millions of dollars given the high utilization of the system by the city's Medicaid enrollees -- will quickly vaporize as the starting point in any negotiation between MedStar providers and the health plans. Unfortunately, the MCO rates in the approved FY2022 budget did not contemplate the loss of these discounts. Consequently, the health plans will not have the revenue to absorb higher hospital, clinic, and specialty care cost from MedStar providers without experiencing ruinous financial losses.

So, at this point, I cannot say precisely how DHCF and the Administration will proceed. However, absent the potential exercise of some executive authority that abates this problem, DHCF must move with considerable rapidity as the new contract year starts in roughly six weeks, and over 61,000 members must be established in new plans. This absolutely mandates that we decide on a course of action by no later than August 27, 2021.

As I learn more about the Executive's next steps, I will be certain to keep you and the Committee on Health informed. As always, I am especially grateful for your unwavering support of the Medicaid and Alliance programs and the more than 300,000 total city residents we serve.

Wayne Turnage  
Deputy Mayor of Health and Human Services