

September 18, 2019

To: Centene-WellCareMerger@azahcccs.gov

Re: Response to AHCCCS request for Comment re: Centene/WellCare Proposed Merger

This letter responds to AHCCCS's request for public comment relating to the proposed merger of Centene and WellCare and the resulting consolidation of Arizona Complete Health and Care 1st. Phoenix Children's Hospital (PCH) cannot support the proposed merger because it would reduce competition and negatively impact access to quality care for Arizona's most vulnerable children.

A. Merger Will Disrupt Patient Care For More than 11,000 AHCCCS Members:

Phoenix Children's Hospital (PCH) and Phoenix Children's Medical Group (PCMG) proudly participate with all AHCCCS ACC plans, with the sole exception of Centene's Arizona Complete Health. Phoenix Children's has made numerous good faith efforts to contract with Arizona Complete Health, all of which have been inexplicably rejected.

If allowed, the Centene/Wellcare merger would force the reassignment of approximately 106,000 ACC members from Care 1st to Arizona Complete Care. Phoenix Children's Hospital sees nearly 4,000 Arizona Complete Health members per year as a non-contracted provider and more than 14,000 Care 1st members per year. If Care 1st members are reassigned to Arizona Complete Health as part of the transition in the Central GSA, care for more than 11,000 patients may be disrupted due to PCH's out-of-network status and the onerous requirements imposed on PCH by virtue of its non-contracted status.

As a non-contracted provider, the administrative burden imposed on Phoenix Children's Hospital for patients requiring critical services from our providers or at our facilities has substantially increased. This process requires PCH to obtain authorization for all non-emergency services rendered by our providers and at our facilities. This onerous requirement has led to delays in non-emergency care for this vulnerable population of pediatric patients. In addition, Arizona Complete Health has imposed a number of nonessential requirements on PCH that simply create additional and unnecessary burdens on our providers. For example, Arizona Complete Health will not provide the status of an authorization request or notification of approval or denial of authorization requests to the rendering provider. Instead, they will only provide that information to the requesting provider. This then requires our staff to spend an inordinate amount of administrative time trying to track down an authorization, which may not be compatible with the timing needed for a patient to be seen by our providers. PCH has tried to rectify these issues with Arizona Complete Health's customer service staff but they are ineffective in resolving issues and instead

simply cancel authorization requests without providing any information or answering questions about the authorizations.

B. Centene Continually and Materially Violates AHCCCS Requirements, Including Claims Payment Requirements:

In addition to the above, Centene's claims payment processes are completely deficient and not in compliance with the claims payment program requirements established by AHCCCS in the ACC RFP solicitation. Claims are routinely processed erroneously and customer service/claims staff is ineffective. Some examples of the issues PCH has experienced include:

- Inaccurate payment of interim claims, DRG claims processing, and split eligibility. When Arizona Complete Health has heavy call volumes they will not assist with claims over the phone. They take your name and number, but do not return calls.
- Reconsideration requests must be sent multiple times and yet PCH is told that the requests are not on file.
- Aged accounts receivables do not get resolved. As of August 2019, 43% of Arizona Complete Health's accounts receivable are over 60 days, with inappropriate denial for authorization as one of the primary denial reasons. Nearly 400 claims are aged between 40 and 120 days with no adjudication and with the only explanation that the claims are "pending for validation."
- Starting in 2017, AZ Complete Health began rejecting PCMG's professional claims. It took several weeks for AZ Complete Health to even acknowledge this was occurring. Once acknowledged, resolution took 11 months.

Despite all of these claims processing issues, Arizona Complete Health has reduced the frequency of meetings with PCH from bi-weekly to once per month. As a result, issues are not getting resolved and PCH has had no other choice but to escalate issues and provide regular updates to Lola Davis at AHCCCS.

PCH fails to understand how AHCCCS can allow a health plan such as Centene to expand its membership when that health plan materially fails to satisfy the requirements of the State contract. As stated above, this is harmful to not only providers but to members. Significantly, in January 2019, Arizona Complete Health was subject to an AHCCCS compliance action and a resulting \$125,000 sanction due to their untimely and inaccurate claims payments to providers. As of June 2019, AHCCCS found that the migration issues had not been fully resolved as reflected by continued provider complaints. Arizona Complete Health's system migration was cited as the primary cause for the claims issues. Arizona Complete Health's lack of transparency and communication about the migration issues and subsequent inability to provide timely resolution are concerning, particularly with this proposed potential merger. With the cost of delivering care a concern for both patients and providers, impediments such as these only serve to drive up the cost of care through unnecessary administrative burden, not manage it.

C. Merger Eliminates a Competitive Option and Unfairly Rewards Centene:

When AHCCCS issued its Request for Proposal for Arizona Complete Care on November 2, 2017 (and in later guidance), the agency made it clear that it would NOT award all three GSAs (North, Central and South) to any single contracted Managed Care Organization (MCO). Currently, Centene's Arizona Complete Health services the South and Central GSAs and Care 1st services the North and Central GSAs.¹ However, should the merger be approved, Centene (by virtue of its acquisition of Care 1st) will be the only health plan providing services in all GSAs in the State (where other MCOs continue to be limited to two). This result is contrary to AHCCCS's stated policy, unfairly rewards Centene for eliminating a competitor, and will negatively impact patient care.

In the Central GSA, Centene plans to transition all Care 1st members to Arizona Complete Health after 18-months. This means that approximately 106,000 ACC members will be transitioned from Care 1st to Arizona Complete Health, increasing Centene's leverage in future negotiations and unfairly rewarding Arizona Complete Health for eliminating a competitive rival while disadvantaging the remaining competitive MCO's.²

D. Phoenix Children's Recommendations:

Phoenix Children's Hospital recommends that AHCCCS oppose the anticompetitive merger of Care 1st by Centene due to the significant and unnecessary administrative burdens placed on providers by Arizona Complete Care, the disruptions and delays in patient care that have occurred with patients assigned to Arizona Complete Care, and the lack of appropriate coordination of care for these children. With the national recognition AHCCCS has achieved for patient satisfaction, efficiency, cost-effectiveness, and innovation, it seems counterintuitive to reward consistently substandard behavior and compromise the good work that has been accomplished by the State.

Notwithstanding the above, in the event that the State chooses to approve the merger, we believe that, at a minimum, certain steps should be taken by the State to mitigate any additional problems. Specifically, PCH requests that all Care 1st contracts for the North and Central GSAs remain in place throughout the duration of the ACC contract term. If the Care 1st members are transferred to Arizona Complete Health, PCH requests that AHCCCS conduct an auto-assignment of the Care 1st members among all of the MCOs versus transferring all Care 1st members to Arizona Complete Health. Additionally, PCH requests that AHCCCS provide Care 1st members with an opportunity to select a different MCO in connection with the transfer of their membership from Care 1st to

¹ Transition plan documents indicate that Care 1st will remain in place in the North GSA through October 2025, the term of the current ACC contract.

² Through the auto-assignment process described in the AHCCCS ACC RFP solicitation, members who do not select an MCO are distributed based on an algorithm that includes calculation of target enrollment percentages for each MCO. The intent of the assignment process (which is to maintain balanced competition among the MCO's and thereby benefit patients), is undermined if Centene is allowed to acquire significant additional market share through its anticompetitive acquisition of Care 1st. That the acquisition would increase Centene's share by 140% in the Central GSA, and thereby result in even more members being attributed to them, only worsens the problem.

another MCO. Regardless of the position the State adopts, PCH requests that AHCCCS revisit its network adequacy requirements related to pediatric specialty and subspecialty care and act as an intermediary to quickly remedy the administrative challenges that continue to plague Arizona Complete Health and that negatively impact patients and their families.

We appreciate the opportunity to share our comments regarding the proposed merger. Please let us know if you would like to discuss further or if you need any additional information. Thank you for your time and attention to this important matter.

Sincerely,



Robert L. Meyer
President & CEO

cc: Carmen Neuberger, EVP & General Counsel
Kari Cornicelli, EVP & CFO
Renee Clarke, VP, Managed Care
Annie Mooney, VP, Public Affairs & Advocacy