

September 18, 2019

AHCCCS Public Comment Request
Centene-WellCare Change in Ownership Activity
Centene-WellCareMerger@azahcccs.gov

To Whom it May Concern,

As an AHCCCS Complete Care plan currently providing integrated healthcare services in the Central GSA, Magellan Complete Care of Arizona (MCCAZ) welcomes this opportunity to provide feedback on the Proposed Health Care Plan Merger between Centene Corporation (Centene) and WellCare Health Plans (WellCare) Specifically, MCCAZ would like to comment on the Transition Plans submitted by two AHCCCS health plans, Arizona Complete Health (a Centene subsidiary) and Care1st Health Plan of Arizona (a WellCare subsidiary), both of which are directly impacted by the proposed merger.

In reviewing the individual proposed Transition plans for the Central, North and South Geographic Service Areas (GSAs) submitted by Arizona Complete Health and Care1st, MCCAZ has identified several subjects for consideration as AHCCCS prepares for transition planning.

1. Distribution of AHCCCS Membership across the North, Central and South GSAs.

Collectively, the Transition Plans submitted by Arizona Complete Health and Care1st propose the following ultimate disposition of impacted AHCCCS members:

- **North GSA:** Care1st (a WellCare subsidiary) will continue to provide integrated healthcare services to AHCCCS members through the expiration of the current contract in 2025. The Care1st program will function in parallel to Centene operations in other GSAs. Current executive leadership, financial reporting structure and certain network and quality functions will remain in place pending post-merger review for efficiencies by Centene Corporation; and approval by AHCCCS.
- **South GSA:** Arizona Complete Health – Complete Care Plan (a Centene subsidiary) will continue to provide integrated health care services to AHCCCS members post-merger. No changes are envisioned for the South GSA.
- **Central GSA.** Both Care1st and Arizona Complete Health – Complete Care Plan administer AHCCCS contracts in the Central GSA today. The documents submitted by Centene Corporation describe a transition period of 18 months for integration planning, after which time: *“The parties’ intent is for Care1st AZ to transfer the membership of its AHCCCS Complete Care plan in the Central GSA only to Arizona Complete Health-Complete Care Plan.”*

All of the AHCCCS Complete Care contracts in place to date were negotiated following a competitive procurement for [Solicitation number YH19-0001, AHCCCS Complete Care Program Contract](#), issued

November 2, 2017 and effective October 1, 2018. Amendment #1 to this solicitation states on page 33 of 37 that:

“AHCCCS does not intend to award Contracts for all GSAs to a single Offeror. Pima County-only awards are counted as an award of a GSA for this purpose. A single Offeror cannot be awarded a contract in the Central GSA, the North GSA and Pima County.”

As stated on page 2 of the [Transition Plan](#) submitted by Care1st for the Central GSA, dated July 10th 2019, upon closing of the Centene acquisition of WellCare:

“Centene will directly own 100% of the issued and outstanding shares of capital stock of WellCare, and will thereby indirectly own 100% of the issued and outstanding shares of Care1st AZ.”

Given the shared ownership structure, and regardless of the fact that “Care1st AZ’s corporate structure in the North GSA will not change,” MCCAZ concludes the proposed transition plan, if implemented, will result in **Centene and its subsidiaries holding AHCCCS Complete Care contracts in all three GSAs** which may be contrary to the contract provisions laid out in Solicitation number YH19-0001. We understand that AHCCCS will take this into account during the review of all Transition Plans submitted to date.

2. Distribution of AHCCCS Membership within the Central GSA.

Section D, Paragraph 36 (“Provider Agreements”) on page 165 of Amendment 4 of the ACC contract (April 1, 2019) states, “AHCCCS will not permit one organization to own or manage more than one Contract within the same program in the same GSA.” Centene Corporation acknowledges this on page 2 of the [Central GSA Transition Plan](#), and clarifies that:

“The parties request a limited suspension of this requirement during the Transition Period so that the parties can undertake integration planning activities that will allow for a seamless, minimally-disruptive transition of members in the Central GSA at the end of the Transition Period.”

It is our understanding that AHCCCS will consider whether a limited suspension of the Complete Care Contract provisions for a period that could exceed two years (depending on when the deal is finalized) is in the best interests of Complete Care members, and specifically whether such an arrangement fosters AHCCCS’s explicitly-stated program goal of ensuring member choice and plan competition. MCCAZ believes that there are several options that AHCCCS can implement in this regard, to equitably and appropriately assign existing and new AHCCCS members in the Central GSA.

3. Lack of Precedent for the Centene/WellCare Merger

To date, there have been several mergers and acquisitions in the Arizona managed care marketplace:

- WellCare acquired Care1st in January 2017
- UnitedHealthcare purchased Maricopa Health Plan’s Medicaid membership in February 2017
- WellCare acquired the Medicaid assets of Phoenix Health Plan in December 2016
- Health Net of Arizona and Cenpatico Integrated Care merged to become Arizona Complete Health, effective October 1, 2018
- Aetna has an ASO agreement with Mercy Care/Dignity Health

However, none of these transactions resulted in a single plan achieving statewide coverage and dominant market share, as will be the case if Centene’s proposed Transition Plans for the Central, North and South GSA be approved and implemented as written. It appears that if bid proposals had been

submitted to AHCCCS on this basis, AHCCCS would have most likely rejected the proposals as inconsistent with the RFP.

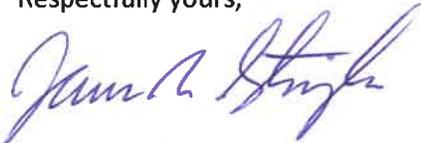
We suggest AHCCCS take these observations into account as you develop your response to the Transition Plan submitted by Centene Corporation in each of the three GSAs. As stated in its current [Complete Care contract](#) with each of the MCOs, AHCCCS has considerable flexibility to take any steps deemed necessary to ensure the ongoing effectiveness of the Complete Care program in consequence of the proposed merger:

“AHCCCS may impose enrollment caps in any or all GSA’s as a result of a change in ownership. AHCCCS may also offer open enrollment to the members assigned to the Contractor should a change in ownership occur.”

During your implementation and ongoing oversight of the Complete Care program, AHCCCS has consistently emphasized the importance of continued plan choice for members of the program. This is the primary justification for the two-GSA limit included by AHCCCS in Solicitation number YH19-0001. MCCAZ respects and supports this goal for the AHCCCS Complete Care program. Since its inception in 1982, competition of plans and providers, together with patient choice, has been fundamental to the design and structure of the AHCCCS program. If AHCCCS determines in its review that, following the merger with WellCare, Centene Corporation holds Complete Care contracts in all three GSA regions, we believe competition and patient choice will be diminished in the long term.

MCCAZ applauds AHCCCS for your ongoing focus on developing a best-in-class Medicaid managed care program for the citizens of Arizona, and we likewise thank AHCCCS for your commitment to a thoughtful and open public comment process. Please do not hesitate to contact me directly at (602) 572-5955 should you wish to discuss any of the concerns raised in this document.

Respectfully yours,



James R. Stringham
Chief Executive Officer
Magellan Complete Care of Arizona