

September 20, 2019

Arizona Physicians IPA, Inc. d/b/a UnitedHealthcare Community Plan (UHCCP) appreciates the opportunity to respond under Arizona Health Care Cost Containment System's (AHCCCS) request for public comment regarding the proposed acquisition agreement by Centene Corporation ("Centene") of WellCare Health Plans ("WellCare").¹ Centene is acquiring control of WellCare which, for Arizona Medicaid, would result in one corporate enterprise as the sole AHCCCS Contractor for all three of the Arizona Medicaid Geographic Service Areas (GSA).

Specifically, Centene would operate exclusively as one overarching enterprise across the entire state that will 1) remain in the North (as Care1st Health Plan)², 2) remain in the South (as Arizona Complete Health - Complete Care Plan)³, and 3) remain in the Central--where roughly 80% of AHCCCS membership reside--as a combination of Centene and WellCare with the same corporate parent owner.⁴

Central GSA

¹ Centene, currently operates in both the Central GSA and South GSA as *Arizona Complete Health - Complete Care Plan* (formerly Health Net Access) and WellCare Health Plan currently operates in the third and final North GSA as *Care1st Health Plan*. Before Care1st Health Plan Arizona, Inc. acquired AHCCCS contractor VHS Phoenix Health Plan Health Plan Arizona, Inc., in early 2017, The WellCare Management Group, Inc. acquired it [Care1st Health Plan Arizona, Inc.] in late 2016.

² "...Care1st Health Plan Arizona, Inc. ("Care1st AZ"), an indirect subsidiary of WellCare Health Plans, Inc. ("WellCare"), a Delaware corporation, respectfully submits this supplemental transition plan, detailing the acquisition of WellCare by Centene Corporation, a Delaware corporation ("Centene"), and the resulting change in ownership of Care1st AZ (such acquisition and change of ownership jointly referred to as the "Transaction") as it relates to the North Geographical Service Area ("GSA")."
WellCare, Inc. Care1st Arizona Transition Plan for the NORTH Geographical Service Area (GSA)
Centene Corporation Acquisition and Change of Ownership

³ "...Arizona Complete Health-Complete Care Plan, an indirect subsidiary of Centene Corporation, a Delaware corporation ("Centene"), respectfully submits this commitment plan, detailing the acquisition of WellCare Health Plans, Inc. ("WellCare") by Centene."
Arizona Complete Health-Complete Care Plan Commitment Plan for the SOUTH Geographical Service Area (GSA) Centene Corporation Acquisition and Change of Ownership

⁴ "...Care1st Health Plan Arizona, Inc. ("Care1st AZ"), an indirect subsidiary of WellCare Health Plans, Inc. ("WellCare"), a Delaware corporation, respectfully submits this supplemental transition plan, detailing the acquisition of WellCare by Centene Corporation, a Delaware corporation ("Centene"), and the resulting change in ownership of Care1st AZ (the "Transaction") as it relates to the Arizona Central Geographical Service Area (GSA)."
WellCare, Inc. Care1st Arizona Transition Plan for the CENTRAL Geographical Service Area (GSA)
Centene Corporation Acquisition and Change of Ownership

Regarding the new Centene and WellCare existence in the Central GSA, WellCare is now asking AHCCCS to waive the state contract (YH19-0001) requirement that expressly disallows such a combination.

Such an activity clearly places one contractor above the rest. But even more compelling than the disparate treatment is the material effect on the auto-assignment algorithm as it exists today should two contractors essentially become one, as Centene desires. In its own words:

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. This transfer is intended to take place at the end of the Transition Period (i.e. 18 months after the closing of the Transaction).⁵

Moreover, it is unclear when the actual close and Transaction will be--leaving the door open for their receipt of auto-assignment as long as March 31, 2019 through September 31, 2020:

At this time, the closing is anticipated to occur in the fourth quarter of 2019 or the first quarter of 2020; however, the exact closing date will not be known for several months and only shortly before the closing occurs.⁶

By permitting proposed Centene and WellCare combination, AHCCCS would permit one entity under the common ultimate ownership of Centene to receive a 2:1 ratio of auto-assignments.

AHCCCS anticipated this as not permissible. State contract YH19-0001 Section D, Paragraph 49:

AHCCCS will not permit one organization to own or manage more than one Contract within the same line of business in the same GSA.

In essence, Centene and WellCare request that AHCCCS waive this state contract requirement which has been in place for years. Specifically, as part of its Central Transition plan, WellCare seeks the following:

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.

Said differently, WellCare, while it is being absorbed by Centene, is asking AHCCCS to temporarily suspend the state contract requirement for 18 months after the floating closing date of the transaction while the parties enact proposed operational changes. Then, per the request, AHCCCS would switch back on the requirement, once all members and operations have integrated into one resulting combined entity.

⁵ WellCare, Inc. Care1st Arizona Transition Plan for the CENTRAL Geographical Service Area (GSA) Centene Corporation Acquisition and Change of Ownership

⁶ WellCare, Inc. Care1st Arizona Transition Plan for the CENTRAL Geographical Service Area (GSA) Centene Corporation Acquisition and Change of Ownership

If AHCCCS were to waive this requirement as Centene and WellCare combine their operations, UHCCP proposes the following:

- a) Freeze the Arizona Complete Health-Complete Care Plan and Care1st AZ auto-assignment during the 18-month transition, and;
- b) Open auto-assignment for all contractors in the Central GSA, and;
- c) Redirect auto-assignment to the remaining 5 Central GSA Medicaid plans.

At the very least, these new-to-Centene members must be permitted a special open enrollment period at the outset of the Transition Period and the option to request a new Medicaid plan. Centene/WellCare may even tacitly, or parenthetically, endorse member choice to a different contractor, "As part of the member transition process, transitioning members will receive Arizona Complete Health-Complete Care Plan's (or plan of choice's) existing new member welcome materials and ID card."⁷

North and South GSAs

During the competitive RFP (YH19-0001), AHCCCS made it clear that it would not award contracts for all GSAs to a single Offeror.⁸

Now, however, the Centene acquisition of WellCare would result in the award of state contracts for all GSAs to a single corporate parent owner which is contrary to AHCCCS's objective.

For nearly 40 years AHCCCS has modeled itself as a providing its Medicaid members the opportunity for choice while governing the nation's longest statewide Medicaid managed care program.

The promotion of membership choice was made clear by AHCCCS by requiring Offerors to submit an "Offeror's Bid Choice Form" with the RFP response. Offerors were required to complete and submit the following as part of their proposals: "Offerors bidding in all three GSAs shall also identify below GSA priority preferences for award by indicating (1st choice, 2nd choice, 3rd choice) in the Priority Choice by GSA Column."⁹

A resulting Centene and WellCare combination that would span the entire state disadvantages all the remaining contractors. The best interest of the state and the Medicaid members is not served unless a standard is equitably applied to all contractors. Therefore, UHCCP recommends two options for AHCCCS to consider:

Option 1

⁷ WellCare, Inc. Care1st Arizona Transition Plan for the CENTRAL Geographical Service Area (GSA) Centene Corporation Acquisition and Change of Ownership

⁸ Major Decisions as of 05/02/2017; RFP, YH19-0001, Section H, Paragraph 12., Award of Contract

⁹ RFP, YH19-0001, Section I, Exhibit B

Based on the terms of the proposed acquisition, WellCare and Centene are advocating that their respective Arizona Medicaid plans be allowed to serve all Arizonans in the North and South and Central GSAs. Clearly, if the transaction is approved as proposed, this would run contrary to AHCCCS intentions.

Under the terms of the RFP (YH19-0001), AHCCCS has the authority to:

At any time during the term of this Contract, including extensions thereof, AHCCCS may make additional awards to Offerors based on the evaluations of the Proposals received in response to this RFP.¹⁰

Therefore, based on the award scoring¹¹, AHCCCS can look to the next highest Offeror/scorer in both the North and the South and permit those next two highest scoring contractors, respectively, the opportunity to enter those GSAs to enhance member choice.

Option 2

If AHCCCS elects not to allow the next highest scoring Medicaid plans to enter the North and the South, then UHCCP suggests that all contractors be afforded the same opportunity to serve all GSAs which includes the ability to enter the North and South GSAs simultaneous to the approval of the proposed merger.

Thank you for the opportunity to offer our public comments to this proposed transaction.

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¹⁰ RFP, YH19-0001, Section H, Paragraph 12., Award of Contract (Emphasis added.)

¹¹<https://www.azahcccs.gov/PlansProviders/Downloads/RFPInfo/YH19/AnticipatedProcurementTimeline/ACCAwardsScoresGSA.pdf> Last visited September 20, 2019.