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# HMA

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HEALTH MANAGEMENT ASSOCIATES

## *HMA Investment Services Weekly Roundup Trends in State Health Policy*

**IN FOCUS: MEDICAID MCO ENROLLMENT TRENDS**

**HMA ROUNDUP:** OHIO BUDGET INCLUDES 6% CUT TO NURSING HOMES; CALIFORNIA BUDGET ELIMINATES ADULT DAY HEALTH SERVICES; ILLINOIS GOVERNOR ADDS TO HOSPITAL CUTS; FEDERAL HEALTH INSURANCE EXCHANGE REGULATIONS LIKELY DELAYED UNTIL NEXT WEEK

**OTHER HEADLINES:** ARIZONA MEDICAID CUTS TAKE EFFECT; OREGON GOV. SIGNS MEDICAID OVERHAUL BILL; PENNSYLVANIA HOSPITALS AVOID MAJOR RATE CUT; UTAH MEDICAID WAIVER DUE FRIDAY TO CMS

**PRIVATE CO. NEWS:** WARBURG PINCUS COMPLETES ACQUISITION OF RURAL/METRO CORP; WELSH, CARSON, ANDERSON & STOWE ACQUIRE FLORIDA URGENT CARE OPERATOR SOLANTIC

**MEDICAID MANAGED CARE RFP CALENDAR UPDATED:  
KENTUCKY CONTRACT AWARD DELAYED, EXPECTED SOON**

**JULY 6, 2011**

*Research and Consulting in the Fields of Health and Human Services Policy, Health Economics and Finance, Program Evaluation, Data Analysis, and Health System Restructuring*

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## IN FOCUS: UPDATE ON 2011 MEDICAID MCO ENROLLMENT TRENDS

This week, our *In Focus* section reviews recent Medicaid MCO enrollment trends in eighteen states and for ten companies. Many state Medicaid agencies elect to post to their website monthly enrollment figures by health plan for their Medicaid managed care population. We believe this data allows for the most timely analysis of enrollment trends across states and managed care organizations. As the discussion below describes, fourteen states<sup>1</sup> have released monthly Medicaid managed care enrollment data through May 2011. Of these, Medicaid managed care enrollment has increased in all of the states on a year over year basis with total membership up 1.04 million lives, or 6.6%, to 16.9 million. Growth rates range from 0.1% in Arizona to 12% in Texas where the state's Medicaid managed care program has grown by 256,000 lives in the last twelve months. More recently, all but four states showed increased MCO enrollment sequentially, with total enrollment increases for May of 80,817 covered lives (Michigan, Missouri, Ohio and Washington show a net loss in MCO lives over the April-May period). This is up from a 59,067 increase in April but down from peak enrollment expansion of 152,933 in November 2010. We note that these enrollment figures reflect both organic caseload growth as well as state-directed program expansions.

We note that nine<sup>2</sup> of these states have released June 2011 MCO enrollment reports. Thus far, we see continued strong enrollment trends, with just these nine states adding an additional 92,000 covered lives in June.

In the discussion below, we discuss recent enrollment trends in the states where we are tracking data. We also provide company-specific data for ten Medicaid managed care organizations. Before continuing, however, it is important to note the limitations of the data that is presented here. First, we note that not all of the states report the data at the same time during the month so some of these figures may reflect beginning of the month tallies while others are an end of the month snapshot. Second, in some cases this data is comprehensive in that it covers all of the state-sponsored health programs for which the state offers managed care, while in others it only reflects a subset of the broader population. For example, the state of Florida posts Medicaid managed care enrollment on a monthly basis for its Medicaid and Medicaid Reform populations, but not for its Healthy Kids (CHIP) programs. This is a significant limitation of the data and the key factor in drawing direct ties between the data described below and figures publicly reported by Medicaid MCOs. As such, the data we review below should be viewed as a sampling of the enrollment trends across these states as opposed to a comprehensive summary which, unfortunately, is not available on a monthly basis.

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<sup>1</sup> AZ, CA, CT, FL, IL, MI, MO, NY, OH, SC, TX, WI, WA, WV

<sup>2</sup> AZ, CA, FL, IL, MI, NY, SC, WA, WV

## Medicaid Managed Care Monthly Enrollment May 2010 – May 2011

<b>2011</b>	<b>Sep-10</b>	<b>Oct-10</b>	<b>Nov-10</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Arizona	1,200,943	1,197,232	1,208,765	1,201,178	1,195,485	1,196,548	1,192,517	1,191,307	1,199,744
+/- m/m	907	(3,711)	11,533	(7,587)	(5,693)	1,063	(4,031)	(1,210)	8,437
% y/y	4.8%	4.1%	3.0%	1.2%	0.7%	0.4%	0.1%	-0.2%	0.1%
California	3,171,716	3,182,868	3,204,202	3,224,488	3,255,675	3,255,750	3,311,973	3,333,398	3,356,047
+/- m/m	14,575	11,152	21,334	20,286	31,187	75	56,223	21,425	22,649
% y/y	7.7%	7.4%	8.1%	8.3%	8.1%	7.4%	8.8%	8.8%	8.7%
Connecticut	398,416	400,191	402,136	403,841	405,928	406,734	406,885	408,269	409,731
+/- m/m	2,152	1,775	1,945	1,705	2,087	806	151	1,384	1,462
% y/y	8.8%	8.1%	7.6%	8.2%	8.8%	6.9%	6.2%	5.8%	5.0%
Florida	1,074,685	1,076,567	1,095,155	1,112,593	1,107,471	1,120,566	1,128,264	1,129,565	1,130,395
+/- m/m	9,974	1,882	18,588	17,438	(5,122)	13,095	7,698	1,301	830
% y/y	7.2%	5.5%	6.5%	7.0%	5.9%	6.4%	6.4%	6.3%	6.0%
Illinois	195,317	195,312	195,013	196,160	196,739	196,365	196,060	196,403	197,160
+/- m/m	(483)	(5)	(299)	1,147	579	(374)	(305)	343	757
% y/y	N/A	-1.1%	-1.4%	-0.8%	-1.0%	N/A	-0.3%	0.2%	0.9%
Michigan	1,204,869	1,211,079	1,222,927	1,222,475	1,223,264	1,229,783	1,227,476	1,237,623	1,223,433
+/- m/m	(6,489)	6,210	11,848	(452)	789	6,519	(2,307)	10,147	(14,190)
% y/y	9.8%	9.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Missouri	425,312	426,754	428,730	429,096	429,240	432,684	432,409	433,049	430,165
+/- m/m	15	1,442	1,976	366	144	3,444	(275)	640	(2,884)
% y/y	4.1%	2.4%	2.3%	2.2%	2.0%	2.5%	2.3%	2.3%	1.9%
New York	2,817,384	2,824,427	2,857,782	2,872,731	2,888,798	2,907,820	2,920,699	2,923,379	2,938,256
+/- m/m	19,229	7,043	33,355	14,949	16,067	19,022	12,879	2,680	14,877
% y/y	N/A	N/A	N/A	N/A	N/A	N/A	7.1%	6.8%	6.7%
Ohio	1,577,418	1,582,640	1,596,104	1,600,756	1,606,333	1,613,275	1,620,213	1,618,810	1,614,434
+/- m/m	8,214	5,222	13,464	4,652	5,577	6,942	6,938	(1,403)	(4,376)
% y/y	10.2%	9.1%	8.7%	7.9%	7.2%	6.6%	6.2%	5.5%	4.4%
South Carolina	391,433	396,483	400,282	405,675	408,542	408,846	414,429	422,246	422,920
+/- m/m	19,670	5,050	3,799	5,393	2,867	304	5,583	7,817	674
% y/y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Texas	2,199,706	2,209,830	2,230,362	2,257,563	2,321,899	2,321,502	2,326,252	2,341,377	2,390,415
+/- m/m	(3,059)	10,124	20,532	27,201	64,336	(397)	4,750	15,125	49,038
% y/y	16.4%	14.1%	12.7%	12.5%	16.1%	14.8%	12.6%	11.9%	12.0%
Wisconsin	651,470	641,465	651,331	673,622	683,093	698,429	698,225	700,518	705,184
+/- m/m	(9,031)	(10,005)	9,866	22,291	9,471	15,336	(204)	2,293	4,666
% y/y	9.6%	7.5%	8.3%	9.4%	10.4%	6.6%	6.2%	5.0%	5.6%
Washington	693,249	692,175	696,583	702,152	698,584	704,710	698,742	696,862	695,463
+/- m/m	8,349	(1,074)	4,408	5,569	(3,568)	6,126	(5,968)	(1,880)	(1,399)
% y/y	15.6%	13.7%	12.9%	9.9%	6.8%	7.1%	5.4%	4.8%	5.9%
West Virginia	159,524	160,995	161,579	167,313	168,663	166,608	167,823	168,228	168,504
+/- m/m	(1,385)	1,471	584	5,734	1,350	(2,055)	1,215	405	276
% y/y	N/A	N/A	N/A	1.3%	1.7%	1.0%	1.2%	1.3%	2.0%
<b>Total</b>	<b>16,161,442</b>	<b>16,198,018</b>	<b>16,350,951</b>	<b>16,469,643</b>	<b>16,589,714</b>	<b>16,659,620</b>	<b>16,741,967</b>	<b>16,801,034</b>	<b>16,881,851</b>
+/- m/m	62,638	36,576	152,933	118,692	120,071	69,906	82,347	59,067	80,817
% y/y									6.6%

Source: State Medicaid Agency websites

## State Specific Analysis

### Arizona

At the end of March 2011, Arizona enrolled nearly 1.2 million lives in MCO plans. Enrollments declined by roughly 1,200 lives in April, but rebounded in May and June, adding over 8,400 lives in May and roughly 10,100 in June, bringing June 2011 final enrollment above 1.2 million lives. Arizona's MCO plans have seen a lot of fluctuation in enrollments over the past year, however overall enrollment has held steady around 1.2 million.

Total	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total Arizona</b>							
Acute Care	1,150,512	1,144,752	1,145,736	1,141,576	1,140,289	1,148,632	1,158,714
LTC	50,666	50,733	50,812	50,941	51,018	51,112	51,192
<b>Total Arizona</b>	<b>1,201,178</b>	<b>1,195,485</b>	<b>1,196,548</b>	<b>1,192,517</b>	<b>1,191,307</b>	<b>1,199,744</b>	<b>1,209,906</b>
+/- m/m	(7,587)	(5,693)	1,063	(4,031)	(1,210)	8,437	10,162
% y/y	1.2%	0.7%	0.4%	0.1%	-0.2%	0.1%	0.5%

### California

At the end of March 2011, California enrolled over 3.3 million lives in MCO plans. Enrollment grew consistently through Q2 2011, adding roughly 22,000 lives in both April and May and another 50,000 in June. This brings June 2011 final enrollment above 3.4 million lives. California's MCO enrollments have grown consistently over the past year, with year-over-year growth rates increasing over the past several months, exceeding 10% in June.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total California</b>	<b>3,224,488</b>	<b>3,255,675</b>	<b>3,255,750</b>	<b>3,311,973</b>	<b>3,333,398</b>	<b>3,356,047</b>	<b>3,406,397</b>
+/- m/m	20,286	31,187	75	56,223	21,425	22,649	50,350
% y/y	8.3%	8.1%	7.4%	8.8%	8.8%	8.7%	10.1%

### Connecticut

At the end of March 2011, Connecticut enrolled 406,885 lives in MCO plans through its Husky A and Husky B programs. Enrollment increased by roughly 1,400 in both April and again in May, bringing May 2011 enrollment up to 409,731 lives. It should be noted that year-over-year growth rates have been consistently declining from over 9% a year ago, to only 5% as of May 2011.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
<b>Husky total</b>						
Husky A	388,765	391,054	391,894	392,000	393,214	394,623
Husky B	15,076	14,874	14,840	14,885	15,055	15,108
<b>Total Husky</b>	<b>403,841</b>	<b>405,928</b>	<b>406,734</b>	<b>406,885</b>	<b>408,269</b>	<b>409,731</b>
+/- m/m	1,705	2,087	806	151	1,384	1,462
% y/y	8.2%	8.8%	6.9%	6.2%	5.8%	5.0%

## Florida

At the end of the first quarter of 2011, Florida enrolled more than 1.1 million lives in MCO plans through its Medicaid and Medicaid Reform programs. Enrollment grew by roughly 1,200 lives in April, slowed in May, but picked up again in June, adding 5,500 lives and holding total membership above 1.1 million lives. Since last fall, Florida has experienced consistent high single digit year-over-year growth in MCO enrollment.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
MMCP	957,533	958,570	969,647	974,091	975,054	975,115	981,159
Reform Pilot	155,060	148,901	150,919	154,173	154,511	155,280	154,733
<b>Total FL</b>	<b>1,112,593</b>	<b>1,107,471</b>	<b>1,120,566</b>	<b>1,128,264</b>	<b>1,129,565</b>	<b>1,130,395</b>	<b>1,135,892</b>
+/- m/m	17,438	(5,122)	13,095	7,698	1,301	830	5,497
% y/y	7.0%	5.9%	6.4%	6.4%	6.3%	6.0%	8.5%

## Illinois

Illinois MCO enrollment grew by roughly 350 lives in April and roughly 750 lives in May. June, however, saw more significant growth, adding just over 2,600 lives and bringing total enrollment just shy of 200,000. This was the largest month-to-month increase in enrollment in over a year and we note it does not include the Medicaid managed care expansion to the Chicago suburbs which went live in May but for which enrollment has not yet been reported. June enrollment represents a nearly 2% increase in year-over-year enrollment.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total MCO</b>	<b>196,160</b>	<b>196,739</b>	<b>196,365</b>	<b>196,060</b>	<b>196,403</b>	<b>197,160</b>	<b>199,765</b>
+/- m/m	1,147	579	(374)	(305)	343	757	2,605
% y/y	-0.8%	-1.0%	-0.5%	-0.3%	0.2%	0.9%	1.9%
Illinois Health Connect (PCCM)	1,828,054	1,840,682	1,853,162	1,798,274	1,800,543	1,816,153	1,816,193
+/- m/m	8,520	12,628	12,480	(54,888)	2,269	15,610	40
% y/y	6.5%	6.3%	6.1%	2.8%	2.8%	1.6%	2.2%
% of total	931.9%	935.6%	943.7%	917.2%	916.8%	921.2%	909.2%
<b>Total managed care</b>	<b>2,024,214</b>	<b>2,037,421</b>	<b>2,049,527</b>	<b>1,994,334</b>	<b>1,996,946</b>	<b>2,013,313</b>	<b>2,015,958</b>
+/- m/m	9,667	13,207	12,106	(55,193)	2,612	16,367	2,645

## Michigan

Michigan Medicaid managed care enrollment grew by roughly 10,000 lives in April before declining by over 23,000 lives in May and June combined. All told, in the first two quarters of 2011, Michigan has had a net decline of nearly 10,000 MCO lives.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total Michigan</b>	<b>1,222,475</b>	<b>1,223,264</b>	<b>1,229,783</b>	<b>1,227,476</b>	<b>1,237,623</b>	<b>1,223,433</b>	<b>1,214,160</b>
+/- m/m	(452)	789	6,519	(2,307)	10,147	(14,190)	(9,273)
% y/y	N/A	N/A	N/A	N/A	N/A	2.6%	1.4%

## Missouri

Missouri MCO enrollment increased by 640 lives in April, but lost more than 2,800 covered lives in May, bringing May 2011 final enrollment down to 430,165 lives. It should be noted that year-over-year growth rates have generally declined from over 5% a year ago, to only 1.9% as of May 2011.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Total Medicaid	382,961	383,030	386,591	387,394	387,756	384,866
Total CHIP	46,135	46,210	46,093	45,015	45,293	45,299
<b>Total Missouri</b>	<b>429,096</b>	<b>429,240</b>	<b>432,684</b>	<b>432,409</b>	<b>433,049</b>	<b>430,165</b>
+/- m/m	366	144	3,444	(275)	640	(2,884)
% y/y	2.2%	2.0%	2.5%	2.3%	2.3%	1.9%

## New York

New York MCO enrollment grew slowly by roughly 2,600 lives in April, but picked up in May and June, adding nearly 15,000 lives in May and over 26,000 in June, bringing June 2011 final enrollment closer to 3.0 million lives. For the past several months, year-over-year growth has hovered between 6% and 7%.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total New York</b>	<b>2,872,731</b>	<b>2,888,798</b>	<b>2,907,820</b>	<b>2,920,699</b>	<b>2,923,379</b>	<b>2,938,256</b>	<b>2,964,826</b>
+/- m/m	14,949	16,067	19,022	12,879	2,680	14,877	26,570
% y/y	N/A	N/A	N/A	7.1%	6.8%	6.7%	6.5%

## Ohio

Ohio MCO enrollment declined by more than 1,400 lives in April, and lost an additional 4,300 covered lives in May, bringing May 2011 final enrollment down to 1,614,434 lives. April and May represent the first months of negative growth after a year of consistent enrollment increases. It should be noted that, again, year-over-year growth rates have generally declined from over 12% a year ago, to only 4.4% as of May 2011.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
CFC	1,478,068	1,483,067	1,489,554	1,496,034	1,494,295	1,489,626
ABD	122,688	123,266	123,721	124,179	124,515	124,808
<b>Total Ohio</b>	<b>1,600,756</b>	<b>1,606,333</b>	<b>1,613,275</b>	<b>1,620,213</b>	<b>1,618,810</b>	<b>1,614,434</b>
+/- m/m	4,652	5,577	6,942	6,938	(1,403)	(4,376)
% y/y	7.9%	7.2%	6.6%	6.2%	5.5%	4.4%

## South Carolina

As of March 2011, South Carolina enrolled more than 414,000 lives in MCO plans. Enrollment grew by roughly 7,800 lives in April, slowed in May, but picked up again in June, adding roughly 6,300 lives and bringing June 2011 enrollment just shy of 430,000 lives. For the latter part of Q2 of 2011, South Carolina has seen consistent double digit year-over-year growth in MCO enrollment.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total South Carolina</b>	<b>405,675</b>	<b>408,542</b>	<b>408,846</b>	<b>414,429</b>	<b>422,246</b>	<b>422,920</b>	<b>429,247</b>
+/- m/m	5,393	2,867	304	5,583	7,817	674	6,327
% y/y						15.9%	17.2%

## Texas

As of March 2011, Texas enrolled 2,321,502 lives in MCO plans. Enrollment increased by close to 5,000 lives in April, and grew significantly by an additional 15,100 covered lives in May, bringing May 2011 final enrollment up to 2,341,377 lives. Year-over-year growth rates have generally held consistently in double-digits.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
STAR	1,524,378	1,506,748	1,501,457	1,504,787	1,519,561	1,561,723
STAR+PLUS	172,611	251,003	254,626	255,859	256,164	257,509
STAR HEALTH	30,829	30,906	31,218	31,374	31,545	32,046
CHIP	529,745	533,242	534,201	534,232	534,107	539,137
<b>Total all programs</b>	<b>2,257,563</b>	<b>2,321,899</b>	<b>2,321,502</b>	<b>2,326,252</b>	<b>2,341,377</b>	<b>2,390,415</b>
+/- m/m	27,201	64,336	(397)	4,750	15,125	49,038
% y/y	12.5%	16.1%	14.8%	12.6%	11.9%	12.0%

## Washington

As of March 2011, Washington enrolled nearly 700,000 lives in MCO plans. Enrollment declined by roughly 1,800 lives in April and another 1,400 lives in May, but rebounded in June, adding 1,800 lives. Washington's year-over-year growth rates in enrollment have generally declined, from nearly 16% a year ago, to just 2.5% in June.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total Washington</b>	<b>702,152</b>	<b>698,584</b>	<b>704,710</b>	<b>698,742</b>	<b>696,862</b>	<b>695,463</b>	<b>697,268</b>
+/- m/m	5,569	(3,568)	6,126	(5,968)	(1,880)	(1,399)	1,805
% y/y	9.9%	6.8%	7.1%	5.4%	4.8%	5.9%	2.5%

## West Virginia

As of March 2011, West Virginia enrolled roughly 168,000 million lives in MCO plans. Enrollment grew by roughly 400 lives in April and roughly 275 lives in May, before declining by nearly 2,000 lives in June. All told, in the first two quarters of 2011, West Virginia has had a net decline of nearly 2,000 MCO lives. However, year-over-year enrollment is up 2.1%.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Total West Virginia</b>	<b>167,313</b>	<b>168,663</b>	<b>166,608</b>	<b>167,823</b>	<b>168,228</b>	<b>168,504</b>	<b>166,555</b>
+/- m/m	5,734	1,350	(2,055)	1,215	405	276	(1,949)
% y/y	1.3%	1.7%	1.0%	1.2%	1.3%	2.0%	2.1%

## Wisconsin

As of March 2011, Wisconsin enrolled 698,225 lives in MCO plans. Enrollment increased by roughly 2,300 in April, and another 4,600 lives in May, bringing May 2011 final enrollment up to 705,184 lives. It should be noted that year-over-year growth rates have generally declined from over 16% a year ago, to only 5.6% as of May 2011.

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
BadgerCare+	642,122	651,940	666,021	666,838	669,019	672,768
SSI	31,500	31,153	32,408	31,387	31,499	32,416
<b>Total Wisconsin</b>	<b>673,622</b>	<b>683,093</b>	<b>698,429</b>	<b>698,225</b>	<b>700,518</b>	<b>705,184</b>
+/- m/m	22,291	9,471	15,336	(204)	2,293	4,666
% y/y	9.4%	10.4%	6.6%	6.2%	5.0%	5.6%



## Select Company Analysis

### Aetna

We track monthly enrollment data in four states where Aetna operates risk-based managed care plans, with that enrollment representing over 526,000 lives. As of its first quarter earnings release, Aetna reported 388,000 fully-insured Medicaid lives and 824,000 Administrative Services Contract (ASC) members suggesting that it is counting some of the enrollment described below as ASC. Within these four markets, Aetna has experienced sequential monthly enrollment growth in eight of the last twelve months with total membership up 14,612 lives or 2.9%. This growth was driven by solid, organic gains in Texas and Missouri, offset by modest attrition in Arizona.

<b>Aetna</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Arizona	313,340	311,542	311,201	309,938	308,964	310,534
+/- m/m	(2,105)	(1,798)	(341)	(1,263)	(974)	1,570
% y/y	0.0%	-0.5%	-0.8%	-1.4%	-1.9%	-1.8%
Connecticut	96,465	97,070	97,574	98,006	98,304	98,756
+/- m/m	610	605	504	432	298	452
% y/y	8.8%	9.8%	7.7%	7.9%	7.6%	6.8%
Missouri	50,793	50,412	51,048	51,053	51,491	51,605
+/- m/m	367	(381)	636	5	438	114
% y/y	11.6%	10.2%	10.4%	9.8%	9.5%	9.2%
Texas	63,375	61,352	61,133	61,704	62,942	65,637
+/- m/m	1,429	(2,023)	(219)	571	1,238	2,695
% y/y	20.6%	17.5%	16.8%	15.2%	14.5%	17.3%
<b>Total Aetna</b>	<b>523,973</b>	<b>520,376</b>	<b>520,956</b>	<b>520,701</b>	<b>521,701</b>	<b>526,532</b>
+/- m/m	301	(3,597)	580	(255)	1,000	4,831
% y/y						2.9%

Source: State Medicaid Enrollment data

## Amerigroup

We track monthly enrollment data in six of the eleven states where Amerigroup operates. Unfortunately, three of them (Georgia, Maryland and Tennessee) have not updated their monthly enrollment figures recently. Within the three states that have reported monthly enrollment through May, Amerigroup covers over 800,000 lives, which compares to the 1.97 million reported in the first quarter of 2011. In fact, the enrollment in these states is understated by approximately 83,000 lives because Florida does not publicly disclose monthly enrollment in its Healthy Kids (CHIP) program. Nevertheless, within these three markets, Amerigroup has experienced sequential monthly enrollment growth in ten of the last twelve months with total membership up 63,025 lives on a year over year basis through May 2011. This growth was driven by solid gains in Texas, where the company's STAR+PLUS contract in Tarrant County (~28,000 members) went live in January 2011, and Florida, slightly offset by modest attrition in Ohio.

<b>Amerigroup</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Florida	174,376	174,912	177,240	177,959	178,525	179,034
+/- m/m	1,351	536	2,328	719	566	509
% y/y	7.5%	6.8%	7.2%	7.0%	7.1%	6.5%
Ohio	55,100	54,767	55,031	55,285	55,091	54,697
+/- m/m	(1,712)	(333)	264	254	(194)	(394)
% y/y	-7.1%	-5.5%	0.6%	-0.8%	-1.5%	-3.6%
Texas	547,161	564,527	563,649	563,547	565,433	574,321
+/- m/m	6,381	17,366	(878)	(102)	1,886	8,888
% y/y	11.6%	15.7%	14.7%	12.4%	11.2%	10.4%
<b>Total Amerigroup</b>	<b>776,637</b>	<b>794,206</b>	<b>795,920</b>	<b>796,791</b>	<b>799,049</b>	<b>808,052</b>
+/- m/m	6,020	17,569	1,714	871	2,258	9,003
% y/y						8.5%

Source: State Medicaid Enrollment data

## Centene

We track monthly enrollment data in seven of the nine states where Centene operates risk-based health plans. Unfortunately, Georgia has not updated its monthly enrollment figures recently. Within the six states that have reported monthly enrollment through May, Centene covers over 945,000 lives, which compares to the 1.54 million reported in the first quarter of 2011. Across these state, Centene has experienced sequential monthly enrollment growth in eight of the last twelve months with total membership up 40,259 lives or 4.4% on a year over year basis through May 2011. This growth was driven almost entirely by gains in Florida, where the company added 63,000 members in December through the Citrus acquisition, and in Texas where Centene began covering STAR+PLUS membership in Dallas earlier this year. These gains were offset by a contract loss in Milwaukee.

<b>Centene</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Arizona	20,559	20,612	20,720	20,731	20,807	20,905
+/- m/m	9	53	108	11	76	98
% y/y	3.3%	3.4%	3.4%	3.2%	3.1%	3.0%
Florida	192,854	185,721	187,081	186,866	186,713	186,962
+/- m/m	63,522	(7,133)	1,360	(215)	(153)	249
% y/y	88.0%	78.1%	78.5%	76.4%	69.6%	67.8%
Ohio	158,825	158,741	159,233	159,724	159,399	158,611
+/- m/m	(1,128)	(84)	492	491	(325)	(788)
% y/y	6.1%	5.2%	3.5%	3.1%	2.2%	0.7%
South Carolina	89,054	87,920	83,545	82,516	82,904	81,717
+/- m/m	137	(1,134)	(4,375)	(1,029)	388	(1,187)
% y/y	0.0%	0.0%	0.0%	0.0%	0.0%	-4.7%
Texas	420,618	442,756	443,165	444,084	447,473	456,878
+/- m/m	4,257	22,138	409	919	3,389	9,405
% y/y	-2.4%	3.7%	2.4%	1.1%	0.8%	1.8%
Wisconsin	37,833	40,528	41,096	41,052	40,787	40,816
+/- m/m	286	2,695	568	(44)	(265)	29
% y/y	-53.5%	-50.1%	-50.2%	-50.1%	-50.0%	-50.0%
<b>Total Centene</b>	<b>919,743</b>	<b>936,278</b>	<b>934,840</b>	<b>934,973</b>	<b>938,083</b>	<b>945,889</b>
+/- m/m	67,083	16,535	(1,438)	133	3,110	7,806
% y/y						4.4%

Source: State Medicaid Enrollment data

## Coventry

We track monthly enrollment data in four states where Coventry operates risk based health plans. Coventry covers 343,404 lives in these states, which compares to the 468,000 reported in the first quarter of 2011. Coventry operates a large Medicaid managed care plan in Pennsylvania where monthly enrollment figures are not available. Across these states we track, Coventry has experienced sequential monthly enrollment growth in six of the last twelve months with total membership down 2,569 lives or 0.7% on a year over year basis through May 2011. Coventry experienced membership attrition in Florida, and Michigan, offset by modest gains in West Virginia.

<b>Coventry</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Florida	43,312	42,714	42,643	42,218	41,780	41,726
+/- m/m	(357)	(598)	(71)	(425)	(438)	(54)
% y/y	-2.3%	-3.8%	-4.2%	-5.3%	-5.9%	-5.7%
Michigan	50,456	50,215	50,145	49,600	49,756	48,619
+/- m/m	(589)	(241)	(70)	(545)	156	(1,137)
% y/y	N/A	N/A	N/A	N/A	N/A	-7.7%
Missouri	194,584	194,405	195,517	195,231	195,747	194,961
+/- m/m	(615)	(179)	1,112	(286)	516	(786)
% y/y	0.3%	-0.1%	0.2%	0.1%	0.2%	0.2%
West Virginia	56,973	57,751	56,902	57,478	57,944	58,098
+/- m/m	2,705	778	(849)	576	466	154
% y/y	6.9%	7.4%	5.9%	5.9%	6.3%	6.6%
<b>Total Coventry</b>	<b>345,325</b>	<b>345,085</b>	<b>345,207</b>	<b>344,527</b>	<b>345,227</b>	<b>343,404</b>
+/- m/m	1,144	(240)	122	(680)	700	(1,823)
% y/y						-0.7%

Source: State Medicaid Enrollment data

## Health Net

We track Health Net's monthly enrollment data in California where the company covers 621,000 Medicaid members through May 2011. The figures listed below do not include enrollment in the state's Healthy Families program which is operated separately and for which monthly enrollment is not available. Health Net reported 941,000 Medi-Cal/Medicaid lives in the first quarter of 2011. Since then, Health Net's Fresno contract (123,000 lives) was awarded to a local plan called CalViva Health for whom Health Net is serving as a subcontractor. Outside of this change, Health Net has experienced sequential monthly enrollment growth in every month for the last year. Excluding the contract loss, Health Net's Medi-Cal membership is up 50,000 lives organically over the 12 months through May 2011.

<b>Health Net</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
California	728,227	737,407	737,855	615,047	618,629	621,268
+/- m/m	5,004	9,180	448	(122,808)	3,582	2,639
% y/y						-11.0%

Source: State Medicaid Enrollment data

## Humana

We track Humana's monthly enrollment data in Florida where the company covers 50,000 Medicaid members through May 2011. Humana reported 619,000 Medicaid lives in the first quarter of 2011, most of which is in Puerto Rico. In Florida, Humana has shed Medicaid membership in seven of the last 12 months including each of the last five.

<b>Humana</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Florida	52,125	51,830	51,471	50,949	49,965	49,657
+/- m/m	63	(295)	(359)	(522)	(984)	(308)
% y/y						-1.7%

Source: State Medicaid Enrollment data

## Molina

We track monthly enrollment data in eight of the ten states where Molina operates risk based health plans, with only New Mexico and Utah (170,000 lives as of 1Q11) unavailable. Within these eight states that have reported monthly enrollment through May, Molina covers 1.25 million lives, which compares to the 1.65 million reported in the first quarter of 2011. The differential resulting from the absence of the New Mexico and Utah enrollment as well as membership covered in programs for which monthly data is available such as the California Healthy Families program. Across these state, Molina has experienced sequential monthly enrollment growth in nine of the last twelve months with total membership up 124,447 lives or 11.1% on a year over year basis through May 2011. This growth was driven by contract wins in Texas (rural CHIP, Dallas STAR+PLUS) and the acquisition of Abri Health Plan in Wisconsin. The only state where Molina has experienced net disenrollment in the last year is Michigan.

<b>Molina</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
California	188,723	189,561	189,057	189,071	189,392	189,989
+/- m/m	1,817	838	(504)	14	321	597
% y/y	11.9%	8.5%	7.0%	6.9%	6.3%	5.8%
Florida	61,064	61,336	63,289	64,897	64,870	65,054
+/- m/m	1,214	272	1,953	1,608	(27)	184
% y/y	22.1%	20.8%	23.6%	25.6%	25.3%	24.2%
Michigan	218,480	218,083	218,027	216,867	217,453	213,734
+/- m/m	(731)	(397)	(56)	(1,160)	586	(3,719)
% y/y	N/A	N/A	N/A	N/A	N/A	-2.6%
Missouri	80,565	81,331	82,547	82,632	81,954	80,385
+/- m/m	371	766	1,216	85	(678)	(1,569)
% y/y	3.3%	4.4%	5.6%	5.8%	4.8%	3.0%
Ohio	242,589	242,704	244,084	245,228	245,231	244,519
+/- m/m	(1,970)	115	1,380	1,144	3	(712)
% y/y	12.6%	10.9%	8.8%	7.9%	7.3%	5.8%
Texas	88,774	120,955	122,406	122,840	123,055	124,441
+/- m/m	832	32,181	1,451	434	215	1,386
% y/y	136.1%	221.5%	222.4%	220.9%	211.4%	214.4%
Washington	341,912	332,843	331,210	327,206	326,142	327,564
+/- m/m	1,754	(9,069)	(1,633)	(4,004)	(1,064)	1,422
% y/y	9.3%	4.3%	3.1%	0.9%	-0.2%	2.0%
Wisconsin	36,034	39,307	39,780	39,763	39,990	40,649
+/- m/m	(1,083)	3,273	473	(17)	227	659
% y/y	106.7%	124.4%	115.5%	112.7%	118.8%	122.2%
<b>Total Molina</b>	<b>1,222,107</b>	<b>1,246,813</b>	<b>1,250,620</b>	<b>1,248,741</b>	<b>1,248,097</b>	<b>1,245,686</b>
+/- m/m	3,287	24,706	3,807	(1,879)	(644)	(2,411)
% y/y						11.1%

Source: State Medicaid Enrollment data

## UnitedHealth

We track monthly enrollment data in eight states where UnitedHealth operates risk-based health plans. Within these eight states, UnitedHealth covers 1.23 million lives, which compares to the 3.39 million reported in the first quarter of 2011. In this subset of markets, UnitedHealth has experienced sequential monthly enrollment growth in each of the last twelve months with total membership up 105,432 lives or 9.3% on a year over year basis through May 2011. Enrollment growth benefited by a contract expansion in Wisconsin but was primarily caused by solid organic expansion in every market other than Ohio.

<b>UnitedHealth</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Arizona	253,955	252,376	251,983	250,899	250,383	252,358
+/- m/m	(1,604)	(1,579)	(393)	(1,084)	(516)	1,975
% y/y	2.9%	2.3%	1.7%	1.4%	0.9%	1.1%
Connecticut	49,845	50,422	50,572	50,737	51,262	51,677
+/- m/m	433	577	150	165	525	415
% y/y	16.5%	16.8%	15.8%	14.7%	13.9%	12.2%
Florida	112,915	114,293	116,589	117,537	117,569	117,998
+/- m/m	1,691	1,378	2,296	948	32	429
% y/y	12.6%	13.8%	15.1%	14.1%	14.0%	13.7%
Michigan	234,001	235,158	237,160	237,053	239,144	236,664
+/- m/m	1,283	1,157	2,002	(107)	2,091	(2,480)
% y/y	N/A	N/A	N/A	N/A	N/A	7.2%
Ohio	118,599	118,784	119,054	119,264	118,908	118,252
+/- m/m	(1,522)	185	270	210	(356)	(656)
% y/y	0.0%	-0.2%	0.0%	-0.4%	-1.3%	-2.4%
South Carolina	72,883	73,513	73,918	74,976	75,436	74,575
+/- m/m	892	630	405	1,058	460	(861)
% y/y	N/A	N/A	N/A	N/A	N/A	17.1%
Texas	88,929	89,597	89,930	90,421	91,005	92,263
+/- m/m	1,110	668	333	491	584	1,258
% y/y	7.8%	8.9%	9.1%	8.8%	8.6%	8.9%
Wisconsin	265,479	275,043	283,469	283,515	285,581	289,779
+/- m/m	6,545	9,564	8,426	46	2,066	4,198
% y/y	23.5%	26.5%	23.5%	21.2%	20.1%	21.6%
<b>Total UnitedHealth</b>	<b>1,196,606</b>	<b>1,209,186</b>	<b>1,222,675</b>	<b>1,224,402</b>	<b>1,229,288</b>	<b>1,233,566</b>
+/- m/m	8,828	12,580	13,489	1,727	4,886	4,278
% y/y						9.3%

Source: State Medicaid Enrollment data

## WellCare

We track monthly enrollment data in four of the five states where WellCare operates risk based Medicaid health plans (New York excluded). Within these four states, WellCare covers just under 600,000 Medicaid lives, which compares to the 1.33 million reported in the first quarter of 2011. The differential results from the absence of the New York enrollment as well as membership in programs for which monthly data is available such as the Florida Healthy Kids program. Across these states, WellCare has experienced sequential monthly enrollment attrition in ten of the last twelve months with total membership down 19,807 lives or 3.2% on a year over year basis through May 2011. Enrollment losses have been most pronounced in Florida and Illinois.

<b>WellCare</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
Florida	347,901	345,800	346,560	345,347	344,176	342,385
+/- m/m	792	(2,101)	760	(1,213)	(1,171)	(1,791)
% y/y	-3.9%	-4.0%	-3.7%	-3.7%	-3.0%	-3.1%
Illinois	140,270	138,921	138,262	137,496	136,713	135,296
+/- m/m	(368)	(1,349)	(659)	(766)	(783)	(1,417)
% y/y	-5.5%	-5.3%	-5.3%	-5.4%	-5.7%	-6.8%
Missouri	16,346	16,260	16,449	16,385	16,582	16,537
+/- m/m	36	(86)	189	(64)	197	(45)
% y/y	-1.1%	-0.8%	-0.1%	-0.4%	1.9%	2.6%
Ohio	100,810	100,420	100,832	101,139	100,975	100,878
+/- m/m	(1,741)	(390)	412	307	(164)	(97)
% y/y	1.1%	1.0%	1.4%	1.2%	0.8%	0.6%
<b>Total WellCare</b>	<b>605,327</b>	<b>601,401</b>	<b>602,103</b>	<b>600,367</b>	<b>598,446</b>	<b>595,096</b>
+/- m/m	(1,281)	(3,926)	702	(1,736)	(1,921)	(3,350)
% y/y						-3.2%

Source: State Medicaid Enrollment data



## WellPoint

We track monthly enrollment data in four states where WellPoint operates risk based health plans. Within these four states, WellPoint covers 550,000 lives which compares to the 1.8 million reported in the company's state-sponsored programs for first quarter of 2011. In this subset of markets, WellPoint has experienced sequential monthly enrollment attrition in eight of the last twelve months with total membership down 7,272 lives or 1.3% on a year over year basis through May 2011. Enrollment attrition was most pronounced in Texas and Wisconsin, offset by contract wins in Kings and Madera counties in California.

<b>WellPoint</b>	<b>Dec-10</b>	<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>	<b>May-11</b>
California	408,994	409,094	406,011	422,332	422,089	423,927
+/- m/m	(878)	100	(3,083)	16,321	(243)	1,838
% y/y	-2.6%	-3.0%	-3.3%	1.1%	1.2%	1.9%
Texas	20,302	16,780	17,020	17,652	18,493	19,605
+/- m/m	(783)	(3,522)	240	632	841	1,112
% y/y	-28.5%	-39.6%	-38.1%	-35.8%	-33.0%	-29.6%
Wisconsin	29,498	24,412	24,775	24,665	24,553	23,973
+/- m/m	120	(5,086)	363	(110)	(112)	(580)
% y/y	-2.1%	-18.4%	-20.0%	-21.4%	-22.1%	-24.0%
West Virginia	82,519	83,154	82,250	82,753	82,742	82,929
+/- m/m	2,559	635	(904)	503	(11)	187
% y/y	-0.1%	0.2%	0.1%	0.2%	0.1%	1.0%
<b>Total WellPoint</b>	<b>541,313</b>	<b>533,440</b>	<b>530,056</b>	<b>547,402</b>	<b>547,877</b>	<b>550,434</b>
+/- m/m	1,018	(7,873)	(3,384)	17,346	475	2,557
% y/y						-1.3%

Source: State Medicaid Enrollment data

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## HMA MEDICAID ROUNDUP

### California

#### HMA Roundup – Stan Rosenstein / Jennifer Kent

This past week, CMS approved the state's proposal to eliminate the adult day health plan as of December 1, 2011.

The \$100 million premium tax renewal was not included in the budget as passed last week. The hospital fee did not move in the legislature, but may be taken up this week.

As reported last week, Governor Brown signed a budget that includes a \$4 billion revenue assumption, with "trigger" cuts in place if revenue is not received. If the state receives \$2 billion to \$3 billion of the assumed revenue, the state will impose about \$600 million of cuts and roll the remainder into the 2012-13 budget. All cuts would take effect January 1, 2012. The \$600 million in cuts include:

- \$100 million cut to In-Home Supportive Services hours
- \$100 million cut to Department of Developmental Services
- \$15 million cut related to Medi-Cal Managed Care
- \$10 million cut to Department of Social Services in anti-fraud grants

### **In the news**

- **Calif. bill targets excess health insurance rates**

A bill that would allow state officials to reject rate increases proposed by health insurers is under intense lobbying pressure as it faces a key committee vote this week. Groups representing insurers, doctors and hospitals are trying to have the California bill weakened or killed, although for different reasons. The bill, AB52, is scheduled for a vote Wednesday, but legislative staff worked through the holiday weekend on proposed amendments to alter parts of the bill that have drawn some of the heaviest fire from opponents. If approved and signed into law, the legislation would allow the state insurance commissioner or the Department of Managed Health Care to reject rate increases deemed excessive. ([Associated Press](#))

### *Florida*

#### **HMA Roundup – Gary Crayton**

The Florida legislature did not approve the state’s acceptance of a \$35.7 million federal “Money Follows the Person” grant, intended to facilitate moving individuals from nursing facilities to more appropriate care settings. Despite Governor Scott’s support of the grant, it appears the state will forego the funding for the foreseeable future. The grant money was seen by many legislators as tied to the Affordable Care Act and their rejection of the funding is part of a wholesale rejection of health care reform implementation.

### *Illinois*

#### **HMA Roundup – Jane Longo / Matt Powers**

On June 30 Governor Quinn signed the budget bill that had been on his desk since May , including an additional \$376 million in hospital cuts, \$276 million more than contemplated by the legislature. If the legislature does not override the cuts, or make additional changes, the \$276 million in additional cuts will extend the delayed provider payment cycle.

### **In the news**

- **Gov. Quinn’s budget hits Medicaid, school transportation funding**

Gov. Quinn enacted a \$32.9 billion state budget late Thursday but cut the spending package state lawmakers sent to him by \$712.5 million, targeting schools and hospitals that serve low-income patients. The bulk of the governor’s cuts came from areas that Quinn said had been “double appropriated” in the budget package, with aides describing that as programs that had been mistakenly funded twice. That total amounted to \$336 million. Hospitals that serve the poor would get hit under Quinn’s proposed

changes by seeing state Medicaid reimbursements cut by \$276 million, though his administration emphasized inner-city “safety-net” medical centers aren’t affected by the move. The governor failed to persuade lawmakers to cut Medicaid reimbursements rates during the spring, so his cut in Medicaid spending could have the effect of simply pushing those health-care bills off to the 2012-2013 budget year, meaning hospitals would have to wait to be paid even longer. A spokesman for Quinn budget director David Vaught said the Medicaid spending reduction would not have an impact on Stroger Hospital (Cook County), and he stressed that the cut would not cause any hospital in Illinois to close. ([Chicago Sun Times](#))

- **Edward Hospital to launch ambulance service**

Edward Hospital in Naperville is teaming up with a Michigan ambulance service to provide non-emergency transportation in the west and southwest suburbs of Chicago. The joint venture between Southfield, Mich.-based Community Emergency Medical Service Corp. and the 309-bed hospital is the first of its kind in the Chicago area, according to an Edward Hospital announcement. Thirty emergency medical technicians and paramedics will be hired and trained by Edward to run four new ambulances. The financial terms of the deal were not disclosed. The service will carry patients between the hospital, Edward’s Plainfield location which has its own emergency room, and other facilities such as assisted living centers and nursing homes. The service will operate 24 hours a day, seven days a week beginning Sept. 1. The joint venture will be managed by Parastar Inc., a Southfield-based emergency medical services management and consulting firm. ([Crain's Chicago](#))

## *Massachusetts*

### **HMA Roundup – Tom Dehner**

The 2012 budget has been finalized by the legislature and will continue to provide funding for the Commonwealth Care Bridge program, which provides coverage to illegal immigrants. However, funding will only cover individuals in the program now and does not provide funding for new enrollment. Several weeks ago, we reported that Centene renewed their contract with the state for the Commonwealth Care Bridge program.

### **In the news**

- **Doctors: Insurers should turn over part of premiums to hospitals and physicians’ groups**

On the final day of hearings on controlling health care costs today, state officials estimated that at least \$2 billion was spent in Massachusetts in 2009 on potentially avoidable emergency room visits, hospitalizations and readmissions. These are problems that can be addressed in part by having primary care doctors closely oversee patients’ care, to look for and treat medical issues before they become serious. Dr. Michael Cantor, quality medical director for the New England Quality Care Alliance, said the hundreds of thousands of dollars collected by insurance companies for “care management” programs -- having nurses call patients to remind them to take medications, follow-up on tests, and take other steps to stay healthy -- should be redirected to doctors. ([Boston Globe](#))

- **Freeze sought on health insurance rates**

Two leading consumer groups are asking them to give ratepayers a one-year reprieve from premium increases. At a noontime rally at the State House last Thursday, Health Care for All and the Greater Boston Interfaith Organization plan to call for a 2012 freeze on base premium rates that have jumped sharply in the past decade. The idea is to pressure decision makers, particularly insurers and hospitals, to hash out a long-term plan at a quicker pace. ([Boston Globe](#))

## *Michigan*

### **HMA Roundup – Esther Reagan**

The Senate passed the Claims Tax bill last Thursday; however, the House has yet to vote on the bill. The Claims Tax bill (SB 248) proposes a 1% tax on all health related claims to replace an expiring 6% use tax on Medicaid MCOs. Since there was an assumption of its passage when the Senate and House approved the budget for the Department of Community Health (DCH), failure to pass it would create a significant hole of more than \$100 million in the DCH budget. The Michigan Manufacturers Association has been lobbying heavily against the bill's passage. Objection to the bill focuses on the potential that the tax could generate far more revenue than is needed to balance the budget. Additionally, the bill's sponsor reported opposition from the Attorney General's office to certain parts of the bill, a claim denied by the AG's spokesman. Governor Snyder has publicly said he expects the bill to pass before the legislature adjourns for the summer.

## *Ohio*

### **HMA Roundup – Alicia Smith**

As reported last week, the passed budget includes a \$130 million Medicaid reserve fund carved out of Office of Budget and Management funding projections for caseloads, which were higher than estimated by the legislature's budget analysts.

The budget also includes an additional \$86.8 million in Medicaid funding for nursing homes, with the state share of those funds totaling \$31.2 million. The funding was added through an amendment that also included 16 items on regulatory relief. A brief analysis of the nursing home amendment is available here: ([Gongwer News](#)). Below we summarize some of the key points:

- Reduces the statewide average rate reduction from 7.3% to 6.0%;
- Increases direct care from 100% to 102% of the 25<sup>th</sup> percentile in 2012 and 2013;
- Provides stop-loss provisions for facilities facing rate reductions of 10% or more in fiscal year 2012;
- Increases the direct services quality component of the price in 2013;
- Sets the rate for low acuity residents at \$130 per day in 2013;
- Exempts nursing facility residents from Part B crossover payment restrictions;
- Recalibrates leave day policy; and

- Nursing facilities receive 100% of franchise fee gains from these changes.

Additionally, the amendment clarifies three points related to integration of care for dual eligible individuals. Ohio was not awarded a dual integration planning grant from CMS, but the administration declared it would still pursue dual integration . The amendment:

- Creates a joint legislative committee for unified long term care services and supports;
- Requires Medicaid to report to the committee at least quarterly on the dual eligible integrated care demonstration, unified Medicaid waiver, and other topics; and
- The legislature at any time can decide to enact legislation related to dual eligibles.

## *Texas*

### **HMA Roundup – Dianne Longley**

The legislature passed the health care reform bill (SB 7) and it is now awaiting the Governor’s signature. Of the two remaining “must pass” bills (SB1 and SB 2) related to the state’s budget, SB 2 passed on Monday, while SB 1 passed the Senate Tuesday morning and is now headed to the House, where it is expected to pass. These two bills are primarily related to school finance issues.

Senate Bill 7 achieves at least \$467 million in savings assumed in the state budget. The bill:

- Carves in prescription drug benefits into Medicaid MCOs with existing patient protections;
- Repeals the prohibition against managed care in South Texas;
- Includes co-payments for non-emergency visits to hospital emergency rooms;
- Implements Medicaid and CHIP reimbursement focused on patient outcomes;
- Creates the health care collaborative certificate, which provides safe harbor from antitrust lawsuits for providers who join together to provide care, promoting quality and coordination of services;
- Requires public reporting of hospital rates of preventable re-admissions and complications; and
- Authorizes Texas to enter into a health care compact.

## *United States*

### **HMA Roundup – Lillian Spuria**

State health insurance exchange regulations, previously due to be released on July 7, are now rumored to be delayed to July 11 or even later. These regulations are expected to have significant impact on states in the process of exchange planning, as well as the stakeholder community. Other rules and regulations due in the next week focus on eligibility rules under the ACA, as well as regulations on the federal 100% Medicaid matching funding for newly-eligible Medicaid enrollees.

## In the news

- **Medicaid payments go under the knife**

To curb rising Medicaid costs, about a dozen states are starting a new budget year by reducing payments to doctors, hospitals and other health care providers that treat the poor. Some health care experts say the cuts, most of which went into effect July 1 or will later this month, could add to a shortage of physicians and other providers participating in Medicaid. Besides South Carolina, other states reducing Medicaid payments to physicians this month are Colorado, Nebraska, Oregon and South Dakota. Arizona, which cut rates in April, will impose another cut in October. States reducing payments to hospitals include Colorado, Connecticut, Florida, Nebraska, New Hampshire, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, Virginia and Washington. New York cut hospital payment rates in April. In March, California approved a 10% Medicaid cut to doctors and hospitals, but those reductions are pending because of an existing lawsuit. ([USA Today](#))

- **Sources: Republicans tout drug rebates as revenue raisers in debt deal**

Republican budget negotiators might agree to Medicare drug rebates as their contribution to debt-ceiling negotiations, several sources told The Hill. By demanding that the rebates count as revenue raisers rather than spending cuts, Republicans would be able to say they're meeting Democrats halfway – without actually having to raise taxes, which is anathema to conservatives. The proposal would extend Medicaid drug rebates to the nation's 9 million "dual eligibles," who are on both Medicaid and Medicare but aren't currently covered by the rebates. ([The Hill](#))

- **Governors say feds could owe states \$4B for Medicare errors**

The National Governors Association is requesting that the federal government reimburse states for Medicare errors that might have cost their Medicaid programs more than \$4 billion over several decades. For 30 years, states say, many Americans with disabilities were denied the Medicare benefits they were entitled to because of errors by the Social Security Administration. In many cases, state Medicaid programs picked up their care – and their tab. Payment to the states would be in the form of credits to the states to be used as the state share of current Medicaid expenditures. ([The Hill](#))

- **States slow in setting up central piece of Obama healthcare law**

State insurance exchanges are not being set up fast enough to meet the 2014 deadline set by the healthcare law, advocates and policy experts say. The delay means that a number of state legislatures are at risk of handing over the central component of the reform effort to the federal government, which will set up the exchanges for states that fail to do so. Governors in 10 states have signed laws that establish an insurance exchange – a new marketplace where individuals and small businesses will be able to buy insurance. ([The Hill](#))

- **House Democrats Urge CMS Against Caving to Pressure to Reduce Medicaid Rolls**

House Democrats have written a letter to top HHS officials urging them not to grant waivers to states permitting them to reduce Medicaid coverage levels beyond their right to do so under the health law. The MOE provision of the health law requires

states to maintain “eligibility standards, methodologies and procedures” for adults on Medicaid until 2014 when state health insurance exchanges start, and for children on Medicaid through 2019. The MOE rule also applies to states’ Children’s Health Insurance Programs through 2019. The health law does permit states meeting certain criteria to obtain waivers from the MOE. As it is, a number of states appear to potentially qualify for exemptions under the three criteria. According to the Kaiser Family Foundation, 22 states provide at least some Medicaid coverage to non-pregnant, non-disabled adults with incomes above 133 percent of the federal poverty line. (CQ Healthbeat)

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## OTHER HEADLINES

### Arizona

- **Arizona Medicaid cuts to go into effect**

Arizona's generous Medicaid program will become significantly less generous this Friday (July 8), when the state will begin denying health insurance coverage to childless adults, Capitol Media Services reports. An estimated 100,000 residents will be affected in the first year alone. Republican Governor Jan Brewer has been seeking federal approval for the policy change for months as she makes deep cuts to the state budget. While Arizona can change many aspects of its Medicaid program on its own, changing who can qualify for coverage has been a far tougher task, given strict eligibility rules under the joint state-federal health insurance program for the poor. ([Stateline](#))

### Colorado

- **Colorado lawmakers worried about proposed Medicaid rule change, but providers back idea**

Colorado lawmakers are warily eyeing a proposed federal rule that would make it harder to cut fees paid to health care providers that serve Medicaid patients. The proposed rule could take away a tool that state legislators have used to save millions of dollars as they have worked to balance the budget in recent years. Colorado has cut Medicaid-provider rates for the past three budget cycles, reducing state spending by more than \$120 million. The cuts – up to 6.25 percent in some cases – have affected payments to physicians and durable medical equipment providers as well as home- and community-based health services. ([Denver Post](#))

- **Health care exchange board members announced**

Gov. John Hickenlooper Wednesday announced his nine appointees to the board that will oversee the creation and implementation of the state's health care exchange, a key component of national health care reform. Senate Bill 200, passed and signed into law earlier this year, created the exchange, an online marketplace where individuals and small businesses can band together to find more affordable plans. Five members were appointed by the Governor, while the other four were appointed by the leaders of the four caucuses. ([Fox Denver](#))

## District of Columbia

- **D.C. settles with Chartered over Medicaid rates**

The District has agreed to close the books on a long-running contract dispute with its top Medicaid managed care contractor, D.C. Chartered Health Plan, agreeing to pay the company \$10.2 million. The federal government and D.C. will contribute to an immediate \$3.7 million cash payment, and the remaining \$6.9 million will be included in proposed rates for fiscal 2012. The settlement, announced Wednesday, is one of the drivers behind Mayor Vincent Gray's late request to add \$32 million to the proposed health-care finance budget for next year. Under the settlement, Chartered will get higher rates than the UnitedHealthcare Community Plan, the other Medicaid contractor. ([Washington Business Journal](#))

## Georgia

- **Ga. doctors brace for cuts in Medicaid payments**

Gov. Nathan Deal had originally proposed a 1 percent cut to health care providers, excluding hospitals hit with a separate bed tax. Lawmakers softened that to a 0.5 percent cut. It's expected to save the state some \$13.8 million this year. But it could spur some doctors to stop seeing Medicaid patients altogether, even as the Obama administration ramps up plans to expand the Medicaid rolls as part of the national health overhaul in 2014. ([Greenwich Time](#))

## Kentucky

- **Beshear close on Medicaid plan but misses deadline**

State officials are close to announcing who will take over most of its Medicaid program, Gov. Steve Beshear said Friday. But they didn't meet a self-imposed deadline. Officials had pledged to have a contract in place by Friday — the start of the new fiscal year — to fulfill their promise during this year's legislative session that they can balance Medicaid's budget and achieve significant savings by contracting for outside managed care services. ([Courier Journal](#))

## Louisiana

- **Dozen entities vying for new health care delivery system for poor**

The Advocate reported that insurance companies and other private groups submitted proposals by the deadline for those interested in running what are called coordinated care networks. The networks are scheduled to be in operation across the state by May 1. Under the program, the state will turn part of its \$6.7 billion Medicaid program for the poor to private insurance companies with taxpayers paying premiums for those enrolled. The new system would cover two-thirds of the state's 1.2 million Medicaid recipients, mostly children, with emphasis on preventive and primary care. At least four of the companies are in the Louisiana insurance market now. Others want to come in exclusively to do Medicaid managed-care business. Nineteen companies originally expressed interest in the contracts. Seven companies, including Blue Cross Blue Shield of Louisiana, decided not to file proposals. DHH is scheduled to announce its contract award recommendations on July 25. ([Greenfield Reporter](#))



## Oregon

- **Kitzhaber signs overhaul of Oregon Health Plan**

Governor Kitzhaber's signed a bill that will change the Oregon Health Plan from a fee-for-service model to one that rewards doctors and other care providers for keeping their patients healthy. The health plan is Oregon's version of Medicaid, a program for low-income health care jointly funded by the state and federal governments. The bill lays out a framework for creating community-based nonprofits called coordinated care organizations that would be responsible for patients in their region. A CCO would coordinate mental health, physical health and dental care in a way that reduces duplicated treatments and ensures patients have access to the resources they need to stay healthy and away from the hospital. The plan leaves much to be decided. Kitzhaber's health care advisers will spend the rest of the year working out details of how the plan should be implemented, and the Legislature will have the sign off when they meet again in February. It's unclear whether the plan would be able to reduce costs by the needed \$250 million. The proposal calls for restructuring payments and incentives to move away from the current system in which doctors are paid for the services they provide. Kitzhaber, a former emergency room physician, wants doctors to be paid based on their effectiveness at keeping patients healthy. ([Gazette Times](#))

## Pennsylvania

- **Pennsylvania hospitals dodge huge cuts in proposed budget**

Pennsylvania hospitals are happier with the final proposed budget than they were with Gov. Tom Corbett's original plan. The original plan called for about \$150 million in cuts, which the hospitals said would result in an even bigger cut in federal matching funds. The final plan gives the hospitals an \$18.5 million increase in Medicaid funds toward hospital inpatient care, and averts the huge loss in federal funds. Still, it includes cuts to items including burn centers, trauma centers and Medicaid payments toward pregnant women. ([PennLive](#))

## Utah

- **Optum takes over Salt Lake County mental health programs**

After winning a competitive bid, OptumHealth took over administration of the county's \$50 million mental health programs for the next three years from longtime manager Valley Mental Health. It promises the county's 16,000 patients more options for care, a new crisis response system to reduce hospitalizations and a stronger emphasis on helping patients recover. But the Minnesota-based company faces skepticism from providers, patients and their allies, who fear the already-stressed system could get worse under a for-profit model. OptumHealth is a subsidiary of UnitedHealth Group, which also includes health insurance giant UnitedHealthcare. ([Salt Lake Tribune](#))

- **Utah's Medicaid waiver, which seeks to modify delivery and reimbursement methods, due Friday to feds**

In an effort to contain the growing costs of Utah's Medicaid system, officials are seeking to bypass federal rules and change how the program incentivizes local health care providers as well as charge participants higher co-pays. Instead of paying for each ser-

vice provided, the Utah Department of Health is proposing to give doctors and hospitals one lump sum per patient per month, potentially saving money in the long run. The waiver request was due to CMS last Friday. ([Deseret News](#))

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## PRIVATE COMPANY NEWS

- **Warburg Pincus** has completed its \$670 million take-private acquisition of **Rural/Metro Corp.**, a Scottsdale, Ariz.-based provider of ambulance and private fire protection services. The deal is valued at around \$437 million, or \$17.25 per share (37% premium over Friday's closing price).
- **Welsh, Carson, Anderson & Stowe** has acquired **Solantic**, a Jacksonville, Fla.-based operator of 32 urgent care centers in Florida. No financial terms were disclosed.

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## RFP CALENDAR

Below we provide our updated Medicaid managed care RFP calendar. The events are color coded by state/program and are listed in date order. Contract awards in the Kentucky HMO RFP are expected by the end of this week.

Date	State	Event	Beneficiaries
July 8, 2011	Kentucky	Implementation	460,000
July 15, 2011	Washington	RFP Released	880,000
July 19, 2011	Massachusetts Behavioral	Proposals due	386,000
July 25, 2011	Louisiana	Contract awards	892,000
July 30, 2011	Kentucky RBM	Contract awards	N/A
August 1, 2011	New Jersey LTC	Implementation	200,000
August 3, 2011	Washington	Bidder's conference	880,000
August 15, 2011	Kentucky RBM	Implementation	N/A
August 31, 2011	Texas	Contract awards	3,200,000
September 1, 2011	Texas (Jeff. County)	Implementation	100,000
October 1, 2011	Arizona LTC	Implementation	25,000
October 3, 2011	Massachusetts Behavioral	Contract awards	386,000
October 17, 2011	Washington	Proposals due	880,000
December 19, 2011	Washington	Proposals due	880,000
January 1, 2012	Virginia	Implementation	30,000
January 1, 2012	Louisiana	Implementation	892,000
January 1, 2012	New York LTC	Implementation	120,000
March 1, 2012	Texas	Implementation	3,200,000
March 1, 2012	Massachusetts Behavioral	Implementation	386,000
July 1, 2012	Washington	Implementation	880,000
July 1, 2012	Florida	LTC RFP released	2,800,000
January 1, 2013	Florida	TANF/CHIP RFP released	2,800,000
October 1, 2013	Florida	LTC enrollment complete	2,800,000
October 1, 2013	Florida	TANF/CHIP enrollment complete	2,800,000

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## HMA WELCOMES...

### Lynne Fagnani, Principal

Lynne Fagnani will join HMA as a Principal in our DC office on Tuesday, July 5th. For the last twenty years, Lynne has served as a senior executive with the National Association of Public Hospitals and Health Systems (NAPH). Most recently, Lynne was NAPH's Senior Vice President and was responsible for policy development, communications, advocacy, and lobbying for 140 hospitals that treat large numbers of low income and uninsured individuals. In this role, she developed NAPH policy positions, lobbied at the Federal level, prepared financial impacts of various proposals on NAPH-member hospital systems, wrote papers, and developed conference programs in areas such as federal and state health care reform legislation; Medicaid, Medicare and hospital reimbursement; and Graduate Medical Education. She was also instrumental in launching the NAPH Transformation Center to assist safety net hospital systems in transforming their delivery systems into fully integrated and coordinated systems of care. Previously, Lynne served as the Chief Financial Officer for NAPH and the National Public Health and Hospital Institute, where she provided financial oversight of NAPH and its education and research institute. Early in her career, Lynne was Manager of Budget Analysis at The New York Hospital, and prior to that served in the New York City Office of Management and Budget.

Lynne earned her Master's in Business Administration at Columbia University Graduate School of Business, and her Bachelor of Arts at Radcliffe College, Harvard University.

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## HMA RECENTLY PUBLISHED RESEARCH

### Health Reform: "DNA Profile"

*National Update from Health Management Associates*

Health care reform creates both opportunities and challenges for providers of all types: hospitals, FQHCs, physician groups and others. To take advantage of the opportunities and to mitigate the challenges, timely and accurate information on what health reform means to individual providers within their own service area is essential. Information on specific and potential policy changes and opportunities, community impacts and institutional financial performance, must all be assembled, integrated and made practicable at the individual organizational level. HMA has developed a comprehensive, strategic summary for individual hospitals, hospital systems and state hospital associations called the Health Reform DNA Profile. There are two integrated parts, The Community Profile and the Financial DNA Profile. ([Link to more](#))

### Accountable Care in the Safety Net

*National Update from Health Management Associates*

Accountable care has emerged as a critical delivery system redesign companion to expanded coverage within federal health reform. Accountable care calls for providers to organize to provide a full continuum of services to patients and populations, to commit

to improving quality while controlling cost, and to be rewarded as they succeed. However, the principles of accountable care are based upon CMS-supported demonstrations and lessons learned primarily in Medicare populations served by highly organized and integrated health systems. The "safety net" differs in the patient populations it serves, the structures and relationships between its providers, and its funding, which is mainly concentrated in Medicaid and local government reimbursement. Thus, the federal emphasis on the development of accountable care will need to be tailored for the safety net. CMS appears to understand this imperative and has created a "safety net unit" within the Center for Medicaid and Medicare Innovation, which is committed to seeding new approaches to integrated delivery and accountable care for current and future Medicaid populations. ([Link to more](#))

## **California Exchange: "As Ambitious As You Can Be"**

*National Update from Health Management Associates*

Led by its newly-appointed Board, the California Health Benefit Exchange continues to make progress toward January 1, 2014 - the date by which millions of Californians will be seeking health coverage through its competitive marketplace. Since the first organizational meeting in April 2011, the Exchange Board has met several times and is steadily working on the critical items that must be in place before the organization can turn its attention to developing the coverage products that will be offered to Californians. Among the most pressing issues are the recruitment and retention of its first Executive Director and the preparation and submission of the Level 1 Establishment Grant to the federal government. ([Link to more](#))

## **States in Action: States' Role in Promoting Meaningful Use of Electronic Health Records**

*The Commonwealth Fund*

Principal Renee Bostick provided the following update to The Commonwealth Fund's April/May 2011 newsletter, *States in Action*:

This issue of States in Action discusses the responsibilities, opportunities, and challenges for state Medicaid agencies in implementing programs to encourage providers to adopt electronic health records (EHRs). It focuses on the Medicaid Electronic Health Record Incentive Program, established by the Health Information Technology for Economic and Clinical Health (HITECH) Act in the American Recovery and Reinvestment Act of 2009 and jointly administered by the Centers for Medicare and Medicaid Services (CMS) and state Medicaid agencies. The issue includes lessons from states' early experiences in implementing the Medicaid EHR Incentive Program.

The EHR Incentive Program is just one of many health information technology (HIT) initiatives supported and encouraged by the federal government. With state Medicaid agencies facing competing demands as well as limited resources, states can benefit from aligning their efforts to promote health information technology and collaborating with other agencies, states, and stakeholders to share or reduce costs, limit duplication, and avoid confusion for providers. ([Link to Brief](#))

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## UPCOMING HMA APPEARANCES

### **National Commission on Correctional Health Care: “Health Administrator Boot Camp”**

*Donna Strugar-Fritsch, featured speaker*

July 8, 2011

Las Vegas, Nevada

### **15th Annual 340B Coalition Summer Conference:**

*“State, Local and Tribal Government” (July 11);*

*“Expansion of the Medicaid Rebate Program to Managed Care: Implications for 340B Payors, Providers and Manufacturers” (July 12);*

*“Medicaid Billing and Reimbursement: Evolution of Shared Savings Arrangements” (July 13)*

Kevin Gorospe, featured speaker

July 11-13

Washington, D.C.

### **The Health Industry Forum: “The Evolution of State Health Insurance Exchanges”**

*Jennifer Kent, featured speaker*

July 13, 2011

Washington, D.C.

### **Michigan Association of Health Plans’ 2011 Summer Conference: “The Case for Integration: Mental Health and Substance Abuse Services and Primary Care”**

*Alicia Smith, featured speaker*

July 16, 2011

Boyne Falls, Michigan