Magellan COMPLETE CARE

July 27, 2105

Elizabeth Dudek
Secretary
Agency for **H**ealth **C**are **A**dministration
2727 Mahan Drive MS 50
Tallahassee, FL 32308

flhospitalcommission@ahca.myflorida.com

Dear Ms. Dudek:

In response to the Agency for Health Care Administration (Agency) letter dated July 17, 2015 (hereinafter referred to as the "Agency Letter"), we appreciate the Agency's comments and assistance with creating a competitive landscape with respect to rates with the hospitals.

I certify that all of Magellan Complete Care's hospital base contracts are at or below 120 percent threshold. However, actual claim payouts are impacted adversely by contract carve-outs and outlier provisions that push aggregate hospital reimbursements to levels greater than 120 percent. Much of this was unanticipated, and affected by worse than expected acuity levels unique to the SMI population. These contracts were agreed upon prior to the roll out of the MMA program and executed contract. Further, we are currently renegotiating those contracts that are paying at higher than anticipated levels.

As a new Specialty Plan HMO to Florida and the nation's first to exclusively serve those persons living with Severe Mental Illness (SMI), Magellan Complete Care faced less than favorable conditions in facility negotiations including little or no leverage from an existing Medicaid, Medicare or Commercial presence within Florida, and general provider apprehension about servicing our SMI membership. Also, while 409.975 F.S. may well contain provisions relating to hospital reimbursement, the statute also contains provider network access standards to ensure the medical needs of the enrollees are being met which limits the plan's ability to drop high cost facilities.

We understand that it is the Agency's current expectation that 409.975 F.S. creates a minimum hospital reimbursement level and a ceiling, only to be exceeded in limited circumstances if specifically approved by the Agency. The most recent Agency Letter outlines these expectations, which we believe will assist with hospital negotiations going forward.

However, we differ in opinion as to the Agency's interpretation of the statutory provisions of 409.975(6). First, the Agency asserts that those contracts valued at more than 120 percent of the Agency rate prior to the implementation of the MMA program are not

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exempt from Agency approval, yet the statutory language states the opposite. The statutory language requires "for rates, methods, and terms of payment negotiated after the contract . . . unless specifically approved by the agency". Clearly, following execution of the contract with the Agency, those contracts valued at more than 120 percent that were negotiated thereafter should have been approved by the Agency, but not those negotiated prior. A plain reading of the statutory language requires managed care plan and hospitals to negotiate mutually acceptable rates, methods, and terms of payment. In our situation, such requirement was completed prior to the execution of the contract between the agency and the plan, leaving no further requirement for Agency approval. The Agency also asserts that the statutory provisions envision that hospital payment rates would be negotiated and/or renegotiated after the contract between the Agency and the plan is executed. We disagree with such interpretation, as there is no statutory language or case law that would imply such requirement, although we now do appreciate the Agency's expectations.

By signing below, I hereby certify that the foregoing information is accurate to the best of my knowledge and belief.

Manuel A. Arisso, CEO
Magellan Complete Care

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