

**MEMORANDUM**

**DATE:** December 6, 2023

**TO:** Dave Baden, Interim Director, Oregon Health Authority (OHA); Vivian Levy, Interim Medicaid Director, OHA; and Ali Hassoun, Interim Director of Health Policy and Analytics, OHA

**CC:** Office of Actuarial and Financial Analytics

**FROM:** Medicaid Advisory Committee

**SUBJECT:** Recommendation to disapprove the SCAN Group acquisition of CareOregon, Inc.

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The Medicaid Advisory Committee (MAC) is a federally mandated committee with the charge of advising Oregon on Medicaid policy and planning through a consumer and community lens. We appreciate that OHA put a requirement in [Oregon Administrative Rule 410-141-5280](#) that the Office of Actuarial and Financial Analytics engage the MAC when carrying out its duty to review any Form A Filing whenever a coordinated care organization is involved in a merger or acquisition.

The MAC has serious concerns, as follows, about the lack of information shared in the public Form A Filing regarding specifically how SCAN's acquisition of CareOregon will benefit the CCOs as they carry out their contractual obligation to serve Oregon Health Plan (OHP) members. We need additional information about SCAN's commitment to and experience in eliminating health equities. Further, the flow of taxpayer dollars leaving the state and the potential loss of local control of CareOregon's affiliated CCOs suggests that the merger may harm Oregonians by reducing access to health care, lessening the commitment to addressing health inequities, and diverting financial resources currently available to local communities. For these reasons, **we are recommending that, in the absence of sufficient responses to the questions below, OHA disapprove the SCAN/CareOregon transaction.**

#### [A. Continuing care for Oregonians](#)

The Form A Filing addresses OHA questions about how the merger will affect CCO service to and outcomes of Oregonians under the new entity. Several responses

anticipate that the merger will not harm and may improve CCO service and outcomes. The MAC recommends that OHA seek responses to the following four questions:

#### Item 13(A)(i)

The respondents claim that “the establishment of HealthRight...will allow both organizations to grow their capacity to innovate in their respective markets,” citing two programs that SCAN currently operates targeting particular populations.

Question 1: Does CareOregon already serve these populations?

Question 2: If so, how do these programs compare to similar programs that CareOregon operates in Oregon?

#### Item 13(C)

The respondents mention that SCAN Medicare Advantage Health Plan includes metrics that partially overlap with CCO quality metrics that contribute to its ability to share experience and expertise related to access and quality with CareOregon.

Question 3: Can we see comparisons of performance between SCAN Medicare Advantage Health Plan and CareOregon CCOs on the similar or overlapping metrics?

#### Item 13(E)

The respondents report that CareOregon will not make transfers from either of its CCOs to any non-CareOregon affiliate if those transfers would reduce a CCO’s reserves below six times its risk-based capital requirement.

Question 4: What is each CCO’s current reserve in relation to its risk-based capital requirement?

## B. Addressing health inequities

There are several questions in the Form A filing addressing how the transaction will affect health equity efforts. The MAC suggests that OHA probe into the three follow-up questions below.

#### Item 13(A)(2)

The respondents point out that CareOregon has built addressing health disparities and inequities into its mission. When citing SCAN's commitment to health disparities and inequities, the response lists a single example of an initiative to improve rates of medication adherence to help close the gaps between Black and Hispanic SCAN members and white SCAN members.

Question 5: How widespread is the commitment to reducing health disparities and inequities in SCAN? Are there additional examples of this?

Question 6: How is the commitment reflected in SCAN's governance and policies?

#### Item 13(D)

The respondents claim that the merger will have a "positive impact on health equity in Oregon" because both organizations are mission-driven, giving them the ability to invest in health equity initiatives. They then cite two examples of work that CareOregon CCOs carried out in their communities.

Question 7: How, specifically, would the proposed merger with SCAN enhance CareOregon's ability to continue similar efforts?

### C. Loss of local control

The flow of taxpayer dollars to an out-of-state entity raises concerns about a potential loss of community control and knowledge driving health care innovation and service delivery, one of the hallmarks of Oregon's CCO program. These concerns are not satisfactorily addressed in the Form A Filing. The MAC suggests that OHA seek answers to the following eight questions.

#### Item 4

Respondent states that SCAN and CareOregon "will each make contributions to HealthRight in amounts roughly proportional to their current annual revenues." HealthRight will use those funds to support the work of both SCAN and CareOregon.

Question 8: What does CareOregon and its CCOs gain from sending its capital to another entity to support its work?

Question 9: How will co-mingling these dollars with SCAN affect CareOregon CCOs' money available for the Supporting Health for All through Reinvestment (SHARE) initiative and other community investments?

Question 10: Why is the creation of a CareOregon-funded foundation tied to the SCAN acquisition?

Question 11: What benefit does CareOregon gain through the initial transfer of \$50 million to HealthRight?

Item 5(a)(1)

Respondent states that HealthRight will provide certain administrative supports at fair market value.

Question 12: What supports will HealthRight provide?

Question 13: If CareOregon is currently receiving those supports locally, what is the benefit of receiving them from HealthRight?

Question 14: Is there a loss, economic or otherwise, to the state of Oregon in transferring these functions out of state?

Question 15: What is CareOregon's plan for monitoring how this change may affect day-to-day operations of the CCOs?

*The MAC's recommendation does not reflect the opinion of OHA nor its employees, nor any organizations of which Medicaid Advisory Committee members may be a part.*