

John Santa MD MPH Comments on CareOregon transaction---What does SCAN offer to CareOregon?

I submitted a comment on October 18 opposing the transaction and focusing on “following the money” when it comes to the CareOregon/SCAN transaction. It showed that CareOregon was giving SCAN authority over direct and indirect access to billions of dollars as part of the transaction. Given that kind of “investment,” it would seem that CareOregon should be given significant resources and power in return. This comment focuses on what HealthRight/SCAN promises to do for CareOregon.

It is easy to summarize what HealthRight SCAN is directly giving to CareOregon via new cash investments-- zero dollars--nothing. All the cash involved is going one way----From CareOregon to HealthRight/SCAN. And all the cash flow from CareOregon businesses will go through HealthRight, all the administrative revenues will go through HealthRight, all the reserves will be controlled by HealthRight.

Does SCAN make any commitments to CareOregon that can be valued in some way? As far as I can tell the answer is no. SCAN promises to discuss various options with CareOregon. That’s it. What does SCAN suggest might be worth discussing with CareOregon?

The Opportunities Fund. 50 million dollars of CareOregon’s contribution is dedicated to an Opportunities Fund focused on CareOregon. Possible uses of this fund are listed that are perceived by SCAN to benefit CareOregon. The first listed is a PACE program---but the program will be in Lane County not in a county CareOregon serves. How will this benefit CareOregon? The second project focuses on homeless people CareOregon serves but it would use a current for-profit SCAN subsidiary to assist in the effort. How much funding would go to the SCAN subsidiary? Why does CareOregon think it needs to give its assets to another company and then have that company decide how a small portion of that money it just gave it will be spent?

Expertise: SCAN could assert that they have superior expertise and experience to CareOregon. They don’t. The SCAN documents are filled with statements describing their expertise but always cautioning this expertise comes primarily in a health insurance business, Medicare Advantage, very different than Oregon Medicaid CCO business. SCAN consistently states they plan to keep CareOregon in charge of CCO Medicaid business and acknowledge they do not have expertise in Medicaid.

Delivery System: The vast majority of dollars in health insurance goes to health delivery systems. SCAN focuses on delivery systems expert at taking care of older patients via medical groups that take FULL RISK for all health care costs. CareOregon focuses on delivery systems that take care of low income, vulnerable populations from birth to old age. A portion of CareOregon’s population is also covered by Medicare but the overlap is modest. CareOregon has a diverse delivery system that includes many safety net clinics, county health clinics, rural health clinics, large and small independent medical groups and a significant number of very small groups. Most of CareOregon’s delivery system is not at full risk but rather is paid via various forms of “value based purchasing.” The term “value based” can describe multiple different reimbursement approaches. SCAN suggests that both parties will benefit from the use of various “analytic tools” to better understand reimbursement strategies. SCAN has a past history (1986-2009) of allegations of inappropriate Medicare payment strategies. These types of strategies have been pursued by many of the large Medicare Advantage plans SCAN seeks to better compete with. A 2022 NY Times article focuses on these controversial strategies. Is CareOregon’s delivery system part of these discussions and aware of these controversies?

Administration: Transactions of this sort often promise there will be advantages due to scale. For example, eligibility is a huge issue in Medicaid but fairly straightforward in Medicare. A variety of other differences between Medicare and Medicaid will make integrating various administrative systems challenging.

Risk: Health insurance is a risky business. SCAN acknowledges that in 2021 it “launched a negative margin product.” It appears SCAN underpriced a Medicare Advantage product. Its product likely attracted more interest than estimated and their losses were greater than anticipated. As a result, they had to liquidate more reserve funds than they had anticipated. Is CareOregon prepared to share in risk of this sort?

Equity: Both SCAN and CareOregon can rightfully claim success at innovative efforts to reverse health disparities especially during the pandemic. Given the difference in populations due to age, income and a variety of other variables it may be difficult to use approaches developed in one, in the other. Both organizations have contributed to national efforts that reduce inequity. They can both still do so regardless of this transaction. The Oregon Health Authority’s highest priority is to achieve health equity by 2030. Where will this priority fit when it comes to HealthRight?

IT: IT systems play an important role in administrative performance but can also be costly. For example, CRM systems are discussed that could improve patient experience. These systems can require substantial training and commitment and implementation can result in prolonged periods of uncertainty and lead to decline in service levels. While a reduction in costs might be available to CareOregon that reduction is small compared to the assets CareOregon is contributing.

Competing priorities: Oregon has a unique Medicaid waiver enabling the state to administer and distribute over one billion dollars related to “health related social needs” including housing and nutrition. At present CCOs will play a major role in administering this program, identifying recipients, community partners and distributing resources. Where will this Oregon priority fit when it comes to other HealthRight priorities? Likewise, Oregon has had significant problems with Behavioral Health approaches. Some studies rank Oregon near the bottom of states when it comes to Behavioral Health. Currently CareOregon plays a major role in administering behavioral health processes on behalf of Health Share. Where will this priority fit when it comes to HealthRight?

Bottom line. At this stage there are few commitments SCAN is able to make in return for control of billions of dollars of CareOregon revenues and assets. Both organizations serve unique populations with different needs. SCAN has considerable experience in health insurance, but it has had significant problems in the past as recent as 2021. As a participant in the Oregon CCO system CareOregon has made a commitment to Oregon priorities---equity, behavioral health, the HRSN waiver but CareOregon and Oregon get little or nothing from this transaction beyond the promise of “bigger” and potential access to billions of dollars controlled by HealthRight. But a significant portion of those dollars come from Oregon. Why is CareOregon giving up control of those dollars?

The final piece of this transaction that raises concerns relates to Governance issues. For this transaction to make sense, CareOregon and Oregon should be assured that the Governance system of HealthRight/SCAN will treat CareOregon fairly. I don’t think it will and will explore why in a final comment.