

The Honorable Governor Bruce Rauner
Governor of Illinois
207 State House
Springfield, IL 62706

Tuesday, May 2, 2017

Dear Governor Rauner:

I am writing you today in my capacity as the State's Chief Fiscal Officer to express my concerns over the Illinois Department of Healthcare and Family Services (HFS) request for proposals (RFP) to restructure the State's Medicaid managed care organization (MCO) system.

In recent weeks, I have received a number of inquiries regarding this issue and I directed my staff to prepare a report regarding the proposal. I hope this correspondence serves to highlight some key points.

First, the proposal, as currently outlined, includes a four-year contractual commitment at as much as \$9 billion a year. If approved, this would likely be the largest procurement in the history of the State. Illinois is in the midst of the greatest fiscal crisis in its history. It has been without a budget for 22 months. We are effectively seeking to restructure the State's largest budget item without a budget. Why are we making this monumental change during this period of unprecedented upheaval?

The State currently owes its MCOs more than \$2 billion, a large portion of the State's \$12 billion bill backlog. The frustration among the MCOs over the fact that there is no State money to pay them is highlighted in a recent legal motion filed by Medicaid recipients in a decades-old consent decree case. The instability of this situation raises another red flag in terms of the timing of the proposed restructuring.

I worry that this undertaking could very well further limit our ability to support our failing social service agencies, universities and other basic State functions. Right now we need greater flexibility – not fewer resources and options – to navigate the ongoing crisis.

Additionally, it is my view that the programmatic changes are taking place in an environment sorely lacking for the requisite accountability and transparency measures for a project of this scope and impact.

I was disappointed to discover that HFS did not learn from the mistakes of the Quinn Administration when it labeled this procurement a "Purchase of Care." The implementation of similar programmatic changes under the previous administration left a lot to be desired. The lack of transparency and of independent oversight led to a lot of problems for patients, doctors, providers and others touched by the healthcare system.

Moreover, in a normal budgetary environment, the General Assembly serves as a check on State functions through the appropriations process. However, this procurement will be funded on an ongoing basis through appropriations currently mandated by court order, outside of the purview of the General Assembly.

The fact that a historic procurement such as this is proceeding as a purchase of care; coupled with the lack of direct, ongoing oversight by the General Assembly, is troubling.

I am most concerned about this proposal's impact on the lives of Illinois' most economically challenged. The scope of it is such that it directly affects not only the State's 2.5 million Medicaid recipients, but also every health care provider and doctor.

This much is clear: The current proposal seeks to increase participation in MCOs by about 25 percent over a larger geographic area. At the same time, it seeks to reduce the number of managed care providers by as much as two-thirds.

In April, you said, "I believe in competition and opening up markets as much as possible. Competition can increase quality and drive down cost. So making sure that people have choices, and they're not locked into a monopoly or one limited market, I think is generally a good philosophy in every aspect of life, including healthcare."

This proposal, by design, *limits* competition. Studies support your assertion that competition is good for consumers who get to choose from multiple health care providers. Insurance premiums have increased at a statistically significant rate over the last three decades, a time of unprecedented healthcare industry consolidation.

Similar initiatives in other states, advanced without appropriate questions being raised, have been met with unforeseen challenges, including reduced access to service and increased administrative costs.

Lastly, I am interested in findings on the proposal's impact on the healthcare job market and local economies. Nearly one in ten Illinoisans work in the healthcare industry, and at least one MCO has publicly stated they will close their doors due to an inability to respond to the RFP as currently written. They provide Medicaid coverage to more than 225,000 residents in five counties and their dissolution will result in the loss of at least 500 jobs and threaten the hospitals in its support network.

Higher healthcare costs or decreased access and quality of service or the loss of jobs are unacceptable outcomes for the people of our State.

As a member of the General Assembly I supported bipartisan legislation to move Medicaid beneficiaries into managed care and I support the work of our MCOs on behalf of the most economically challenged. I also understand a goal of this initiative is increased efficiency – a concept I strongly support – but further, unbiased review of the proposal is clearly warranted.

I would welcome a discussion, in advance of our commitment, of the need for this restructuring, the timing of it, program goals and whether or not the changes under consideration will accomplish those goals. Taxpayers and Medicaid recipients deserve that much.

I have asked leaders in the General Assembly consider providing a forum to share additional information. I would also ask you to consider extending deadlines relating to the proposal to provide time for deliberation.

Respectfully Submitted,

Susana A. Mendoza
Comptroller, State of Illinois