

June 24, 2024

To: Chairwoman Brenda Landwehr, Bob Bethell KanCare Oversight Committee

Subject: Testimony regarding CareSource Protest of KanCare Awards

Chairwoman Landwehr and members of the KanCare Oversight Committee:

I am Chad Moore, the Market President of CareSource Kansas. Thank you for the opportunity to testify on behalf of CareSource which is a nonprofit, nationally recognized managed care organization with a proven expertise in partnering with providers and serving Medicaid members. We developed a strategic alliance with three (3) well respected Kansas organizations: InterHab, the Association of Community Mental Health Centers of Kansas, and The Children's Alliance, to prepare and submit a bid for the KanCare Medicaid Managed Care contracts earlier this year.

For background, CareSource opened an office in Topeka in 2021. Since then, we have met with thousands of providers, members, and other stakeholders across the state to learn how we can improve their experience with Medicaid managed care. After more than two years working with Kansas community-based partners and providers to address longstanding concerns with managed care, CareSource is disappointed that we along with our partners may potentially not be able to work with the State to reduce administrative burdens, reimburse providers fairly and support you in ensuring the health and wellbeing of your constituents is improved.

Our protest raises concerns about the evaluation process and the decision-making criteria applied during the contract awards, but the real issue is making sure that the underbidding that has happened does not result in provider rate cuts, health care access being limited, and the state being forced to re-negotiate higher rates to avoid it.

Background of the Award Process

The State intended to award three (3) Medicaid MCO contracts. Contracts were awarded to Sunflower and UnitedHealthcare as the top scorers. The third-place score was a tie between Aetna and Healthy Blue, with CareSource trailing by less than 2% of the available points. Healthy Blue was awarded a contract.

Key Issues Identified in CareSource's Protest

As we have noted in our protest document, we believe that the Department did not comply with the RFP (Request for Proposals) and Kansas procurement law and that the contracts were unfairly awarded. Specifically, we note that:

- Healthy Blue should have been disqualified due to significant conflict of interest concerns, and
- The procurement process was flawed resulting in a technical scoring process that was arbitrary and capricious.

Additionally, CareSource is protesting the following:

- CareSource was one of only two bidders who priced our bid within the actuarially sound rate range and closest to the Offer Point without exceeding it. This means that a third-party expert agrees that the health services that the State has sought for its members, your constituents, cannot be delivered while paying providers in your communities what is fair. Our state has seen MCOs cut provider rates to make margin. We contend that the MCOs that have dramatically underbid the award have put members, providers, and the State at significant financial risk. This underbidding is in conflict with the Legislation that just passed intended to increase provider rates statewide.
- CareSource offered the best value to the State but before that could be demonstrated, we were unfairly excluded from consideration, inconsistent with Kansas procurement law.

Due to the reasons outlined in our protest and summarized above, CareSource was placed at a competitive disadvantage to successful bidders. Had these failures not occurred, CareSource would have been awarded the third contract award and we along with our HealthAlliance organizations would be partnering with the State to improve managed care.

We have requested that the Office of Administration stay all procurement and contract implementation activities pending a thorough review of the protest. This stay is essential to prevent confusion among Kansas Medicaid enrollees and ensure equitable treatment of all bidders.

Our protest highlights procedural and evaluative concerns in the KanCare contract award process. The exclusion of CareSource from the cost proposal review and the acceptance of bids below sustainable levels warrant a thorough review. Ensuring a transparent and fair evaluation process is essential for maintaining the integrity of KanCare, its providers and the quality of services provided to its beneficiaries.

Thank you for considering this summary. We urge the Committee to review these issues to ensure that the best interests of KanCare members are safeguarded.

Respectfully submitted,

Chad Moore
Market President, Kansas
CareSource Kansas, LLC