



Minnesota Department of **Human Services**

July 23, 2012

The Honorable David Hann
Capitol Building, Room 328
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

The Honorable Jim Abeler
479 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

The Honorable Steve Gottwalt
485 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

Dear Committee Chairs:

In light of the concerns expressed by some state legislators, federal lawmakers, federal regulators, and the public regarding how Minnesota set Medicaid rates paid to managed care companies prior to 2011, the Minnesota Department of Human Services has decided to issue a Request for Proposal (RFP) for an independent actuarial analysis. Specifically, the analysis will conduct a thorough review of Minnesota's Medicaid payments to third party managed care companies for the fiscal years of 2003 through 2011. This independent analysis will allow an outside independent expert to address, once and for all, whether the state's payments to those contractors were higher than the amounts allowable under state and federal law. The results of this analysis will also inform the Medicaid contracting reforms undertaken by our administration since 2011. We will share the results of this analysis with state and federal lawmakers, federal government agencies, and the public. This RFP was developed after consultation from the Legislative Auditor and is enclosed.

Since taking office in 2011, our administration has aggressively pursued reforms to improve taxpayer value in our Medicaid managed care program. In March 2011, Governor Dayton ordered competitive bidding for the largest contracts; demanded audits for managed care contracts; and announced a one percent profit cap on the 2011 contracts we inherited. That cap ultimately resulted in \$73 million in savings for state and federal taxpayers. In addition, Minnesota has achieved more than \$600 million in savings for taxpayers related to managed care contracting reforms, passed with strong support from Republican and Democratic leaders in the 2011 budget agreement. Looking forward, the Department of Human Services continues to advance new strategies to lower taxpayer cost for health care delivery. These strategies include extending competitive bidding into Greater Minnesota, pursuing a Medicaid

Redesign federal waiver (Reform 2020), and contracting directly with health care providers and community organizations.

Thank you in advance for your support and participation in this work. I am available to meet at your convenience to provide additional information and answer any questions you may have about these issues.

Sincerely,

A handwritten signature in cursive script that reads "Lucinda E. Jesson". The signature is fluid and includes a long horizontal flourish at the end.

Lucinda E. Jesson
Commissioner