



December 31, 2014

Suzanne Hoffman
Director
Oregon Health Authority
500 Summer Street, NE E-20
Salem, OR 97301

Dear Ms. Hoffman:

FamilyCare, Inc. has today returned the Document Return Statement and signature page for Contract #143114-4 (the "2015 Contract"). FamilyCare has provided services to the Oregon Medicaid population since 1984 and looks forward to continuing to do so.

In submitting this signature page, FamilyCare understands that the concerns we have raised with Oregon Health Authority representatives about the rates reflected in the 2015 Contract will be promptly reviewed and, if inaccuracies are identified, retroactively corrected.

Our current contract (Contract #143114, as amended by Amendments 1, 2 and 3) (the "2014 Contract") requires that amendments be presented to CCOs by OHA at least 15 days before the proposed effective date. Rate changes are required to be presented no less than 30 days in advance. 2014 Contract, Exhibit D, paragraph 20(c). FamilyCare received the proposed 2015 rates on December 12, 2014 and the associated 2015 CCO Capitated Rate Report on December 17, 2014. FamilyCare received the 2015 Contract on December 24, 2014.

Upon review, FamilyCare identified and brought to OHA's attention significant concerns with the rates reflected in the 2015 Contract. Concerns expressed to OHA include, but are not limited to, the following:

- Methodology for calculating ACA Expansion Population capitation rates, including unexplained variation in individual plan rates that vary widely across the state, as well as among plans operating in the same geographic region. The rate setting for this new population is contrary to OHA's past actuarial practice of maintaining uniform rates until data that support actual differences in experience is available.
- Utilization and cost trends used in the 2015 capitation rate calculations to roll forward 2013 base period data do not reflect actual changes occurring subsequent to the base data period. For example, FamilyCare provided information related to specific contractual rate changes in provider reimbursements that had occurred during the roll forward period. However, OHA applied lower trend rates, referencing less specific, national indexes of cost trends. In addition, FamilyCare has inquired how underlying organizational differences in individual plan base data costs were analyzed and accounted for in developing the 2015 capitation rates.

FAMILYCARE INCORPORATED
503 - 222 - 2880

825 NE MULTNOMAH, SUITE 1400
800 - 458 - 9518
TTY: 800 - 735 - 9200

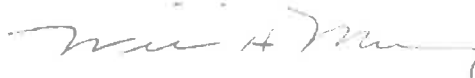
PORTLAND, OREGON 97232
WWW.FAMILYCAREINC.ORG

- Presentation and calculation of the statewide and individual plan impact of the 2015 capitation rates as contained in the 2015 CCO Capitated Rate Report. FamilyCare communicated that it is unable to validate calculations contained in this report and has provided the State with its calculations which vary significantly from the amounts contained in this report. As communicated, FamilyCare's calculations show a weighted average rate *decrease*, compared to the State's calculation of a weighted average rate *increase*.
- The methods used to set the 2015 capitation rates have had a disproportionately adverse impact on FamilyCare.

OHA failed to provide adequate notice in accordance with the 2014 Contract to permit a reasonable opportunity to review and address these concerns. State representatives have acknowledged that FamilyCare has raised legitimate questions about the 2015 rates, but have failed to provide responses to these concerns. Instead, FamilyCare has been advised that state personnel are unavailable to address these concerns before the required signing deadline. FamilyCare has been told that, regardless of the timeline of events and our legitimate concerns, the 2015 Contract must be signed today. OHA's failure to follow the timelines set forth in the contract and unavailability to address our concerns before the signing deadline gives us no choice but to sign the new agreement under duress.

As noted at the outset, FamilyCare is a longtime participant in the OHP and has signed the 2015 Contract within the intent to continue its participation. We understand that OHA will respond to our concerns as expressed in this letter and our recent discussions with state representatives, and make appropriate retroactive rate adjustments that are supported by its review.

Sincerely,



William H. Murray, CPA
Chief Operating Officer
FamilyCare, Inc.

CC: Rhonda Busek
Leslie Clement
Katrina Smith
David Fischer