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**From:** Wuest, Thomas K. M.D.  
**Sent:** Friday, June 12, 2015 1:33 PM  
**To:** KEELING Ryan W \* DCBS  
**Subject:** Centene/Agate Transaction

Dear Mr. Keeling,

I wanted to provide public comment on the upcoming Centene/Agate transaction that is under review by your department. I elected to wait until the last day of comment submission in order to review the information from others and address some of the issues that have been raised. Thank you for your thoughtful review of these submissions.

As you are aware, Agate is the parent/holding company of Trillium. Agate has always been a privately-held, physician-owned corporation that grew from the establishment of LIPA (Lane Independent Practice Association) nearly 18 years ago. At that time, there were no commercial players who were willing to contract in the care of the Oregon Health Plan/Medicaid patients. Over 300 physicians all contributed \$6,000.00 to establish the IPA solely for the purpose of being able to contract and provide care to the OHP patients. To a person, everyone thought that \$6K was "for the good of the order," and no one ever expected any return on that investment. It was just "the right thing to do."

As the majority of the primary care and specialist community in Lane County contributed to the LIPA cause, years ago, over 90% of the shareholders in Agate were actively-practicing physicians. That figure is now barely 20%. We no longer have the "buy-in" of the practice community, and need to look outside of the region for systems, efficiencies, IT expertise, disease management programs, etc. that a larger entity (Centene) can provide to keep the engagement of the physicians providing care to Trillium enrollees. Without the capital and award-winning, progressive, and innovative care delivery and management programs that Centene has used across the country, we run the risk of losing more and more physicians who are willing to care for our OHP clients.

However, despite our operating efficiencies, (paying out \$0.92 to providers, hospitals, et. al. for every \$1.00 we receive) the dramatic increase in our covered lives over the past two years (around 37K --> 58K --> 98K) has resulted in a correspondingly dramatic increase in our Risk Based Capital reserve requirements. The lack of adequate reserves resulted in a probationary period for a number of months as we "hovered" around the 200% level. As our membership has grown, the company has reached a point that we likely cannot generate the profits needed to fund the reserves to the prescribed amounts without assistance (i.e. merger and/or acquisition and/or outside funding).

As you know, the Trillium CCO Board of Directors composition is essentially legislatively mandated,

and so there will be NO CHANGES in the structure of the leadership and decision-making body of Trillium. In fact, part of the transaction requirements (requested by Centene) is that there would be no changes at a senior management level at Agate after the closing. Centene firmly believes in locally-delivered care, with local expertise in management. Thus, the myriad of concerns raised about "a loss of local control" are completely unfounded and are entirely contrary to the business model that Centene has developed.

Centene is a Medicaid delivery expert with plans in 22 states, including CA and WA. Our due diligence in investigating their past acquisitions has only strengthened our firm belief that the Lane County OHP patients will be the true beneficiaries of this transaction. They have the capability to provide, in a timely fashion, a number of services and programs that would take many years and multiple millions of dollars of investment to build on our own. And, there is no assurance that the programs that may potentially/eventually be developed "organically" within Agate/Oregon will be any more effective in reducing costs, providing access, and increasing patient/client satisfaction than those immediately available following the transaction. Agate does not have the flexibility or capital reserves to commit to IT and systems improvements investments as essentially all profits are now directed to RBC requirements. Again, using dollars that we need to commit to reserve requirements just isn't an option for future infrastructure investments.

I have interacted with the CEO of Centene, Michael Neidorff, and he and I and Terry Coplin met with then-governor Kitzhaber regarding the transaction many months ago. Dr. Kitzhaber was not opposed to, nor reluctant to proceed with the merger/acquisition. The Oregon Health Plan was the brainchild of Dr. Kitzhaber, and most would consider him one of the most informed healthcare policy experts in the nation. If he did not want to throw any roadblocks down, the deal must be in the best interest of the OHP members.

Our business performance last year, i.e. the profit figures quoted in multiple letter to your department) was a "one off" anomalous occurrence. It was the culmination of the "perfect storm" of exponential increase in membership (and corresponding state payments to Trillium) with a decrease in utilization. The "pent up demand" that everyone expected after the passage of the Affordable Care Act/Obamacare did not occur immediately, and we clearly reaped some of those benefits. However, that demand is now ramping up every month this year, and we are dedicating more money to provider and hospital payments and reserve requirements to satisfy those needs.

An additional comment is merited regarding a number of the "service complaints" that have been referenced in the comments posted. Trillium experienced a three-fold increase in OHP covered lives over a 9-12 month period. The Trillium and Agate management team and staff did an absolutely exceptional job of coping with such an increase in workload, reporting requirements, audits, etc. There is no doubt that many improvements can be made, and they are dedicated to that on a daily basis. But, without the information systems, capital infusion, disease management programs, and operating efficiencies that Centene can offer, it will be difficult to dramatically improve our service level in the short term. Again, emphasizing that the true beneficiaries of this transaction will be the patients and providers of physical and mental health in our region.

I appreciate your consideration of these comments. As a regulator, you are certainly aware that

the better capitalized, the better reserved, and the more efficiently operated an insurance company can be, the more protected the insured (our Medicaid patients) are against a catastrophic failure of the entity. I trust you will understand that the partnership with Centene will provide just that level of assurance to our Lane County OHP clients.

Thank you.

TKW

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