'Stunningly opaque' merger of two of NY's largest Medicaid insurers sparks concern

JACQUELINE NEBER, CRAIN'S HEALTH PULSE, 4/15/24

A quiet acquisition deal between two of New York's largest Medicaid contractors, which together manage home care services for 110,000 people, has sparked fears among industry experts who wonder what consolidation would mean for the state, home care providers and patients.

The report, released Thursday by Albany's Empire Center for Public Policy, outlines Elevance Health's plans to acquire Centers Plan for Healthy Living and one of its affiliates, which are part of Centers Health Care. Elevance owns New York's second-largest managed long-term care plan and Centers is the state's largest plan. The pending purchase, expected to be finalized in the third quarter of 2024, was quietly disclosed in Elevance's annual report for 2023, senior fellow for health policy Bill Hammond wrote.

Long-term care plans cover elderly and disabled Medicaid beneficiaries who live outside of nursing facilities but need support at home. The plans receive monthly premiums from the state's Medicaid program for each enrollee, which they use to coordinate care. If Elevance acquires the Centers plan, the Indianapolis-based company would manage 38% of individuals enrolled in managed long-term care plans in New York, or about 110,000 people. For some industry experts, the prospect is concerning.

"Health care is not a game of Monopoly where the goal is to make the most money and acquire the most companies," said Lauri Cole, the executive director of New York State Council for Community Behavioral Health Care.

She told *Crain's* the deal would "inevitably" carry consequences for patients, providers and taxpayers due to a lack of competition in the marketplace. She pointed to February's Change Healthcare cyber attack as evidence of the potential downfalls of large companies. As part of the UnitedHealth group, Cole said, Change is so large–processing 16 billion claims per year–that it and any security issues it experiences can influence outcomes for providers and patients around the country.

Kathy Febraio, the chief executive of the New York State Association of Health Care Providers, expressed fear around whether the deal would make it harder for home care agencies to negotiate reimbursement rates with insurers. The 100 agencies her organization represents already struggle to negotiate with the managed long-term care plans to be paid for their services, she said, and the situation could become more tenuous if they had to deal with just one company for a high percentage of their patients.

Home care providers already struggle to make enough money to employ enough workers, Febraio said. If things were to shift, agencies would have to make "very tough decisions," including potentially turning patients away because of inadequate staffing.

Hammond, the author of the report, injected skepticism into consolidation fears. If the deal were to go through, New York's home care providers would still have plenty of choices of plans to do business with, he told *Crain's*.

However, Hammond noted that the deal comes at a time when New York is trying to rein in its already-high Medicaid spending, and questioned whether this would help accomplish that goal.

"[Medicaid is] growing extraordinarily quickly. The money has been growing. The enrollment has been growing. Utilization, employment, everything about it is growing," Hammond said. "And that's why somebody like Elevance wants to be part of it. It's an investment opportunity. I wouldn't be surprised if other companies do [the same] down the road."

For John Kaehny, the executive director of government watchdog nonprofit Reinvent Albany, concern around the deal comes from how quietly it happened.

"You have this major acquisition going on that's going to lead to this 38% market share for Elevance," he said. "And there was no public process around it at all. When you look at the amount of public funds that are in play here, it's a very sharp contrast to any other part of government spending."

Kaehny declined to comment on the deal's potential benefits or consequences, but emphasized that other states are more transparent about Medicaid spending and New York's policies are "stunningly opaque."

"In terms of the debate over, is 38% of market share too much…There is no debate. That's pretty much the problem," he said.

The acquisition will depend on getting regulatory approval, according to Hammond's report, although there is limited further detail on which government bodies need to greenlight the deal. Cadence Acquaviva, a representative for the state Department of Health, said the agency became aware of the agreement in February and is in the beginning stages of reviewing it to ensure it meets requirements.

Hammond noted that New York Attorney General Letitia James also brought a lawsuit against four nursing homes operated by Centers Health Care in 2023, alleging neglect and misuse of Medicaid funding.

A representative from Centers Health Care declined to comment on the transaction, while representatives from Elevance did not respond to requests for comment. Elevance is a large for-profit managed care company in the Blue Cross Blue Shield Association, with an annual revenue of $170 billion in 2023. Centers Health Care currently performs 1.4 million home care visits per year for patients.