

August 7, 2014

John Polanowicz, Secretary  
Executive Office of Health and Human Services  
One Ashburton Place, 11th Floor  
Boston, MA 02108

**RE: Merger of Beacon Health Strategies and ValueOptions**

Dear Secretary Polanowicz,

In late May, Beacon Health Strategies (Beacon) announced its plan to merge with ValueOptions, the parent company of the Massachusetts Behavioral Health Partnership (MBHP). As representatives of consumers, providers and organized labor, we are writing to request your assistance to ensure that the Commonwealth's behavioral health consumers are protected as this merger moves forward.

The combined managed behavioral healthcare company will serve 43 million individuals across all 50 states and the United Kingdom and will be headquartered in Boston, led by current Beacon CEO Tim Murphy. Currently, Beacon is partly owned by Diamond Castle Holdings. Anticipating an October 1<sup>st</sup> official merger date, the merged company will be owned fifty percent by Diamond Castle Holdings and fifty percent by Bain Capital.

Massachusetts is in a unique position nationally as ValueOptions and Beacon both hold a large market share in the Commonwealth, particularly for programs paid for through public funds. Beacon currently manages benefits for five of the six managed care options for members of the Group Insurance Commission (GIC), and three of the six MassHealth Managed Care Organizations (MCOs). The MBHP manages benefits for the MassHealth Primary Care Clinician (PCC) program and members of one MassHealth MCO. Once the merger is finalized, it is estimated that Beacon will manage the behavioral health benefits of approximately 78% of GIC members and 70% of MassHealth members.

The current MassHealth MCO and GIC programs are intended to promote consumer choice and competition between managed care entities to control costs and encourage quality for individuals insured in these programs. The merger of Beacon and ValueOptions will limit the already narrow choices offered to insured individuals whose primary diagnosis is related to behavioral health; though these individuals may enroll in one of several different managed care health plans, almost all will have only one option of managed behavioral healthcare company.

We believe it is essential for EOHHS to take an active role in monitoring the merger and its implementation to protect consumers' access to needed health care services. Behavioral health consumers need access to adequate provider network choices and a range of services that must be protected, especially when a single, privately-held, for-profit company will hold such a substantial market share.

## **PCC Plan Behavioral Health Contract**

We are very concerned that the structure of the contract currently in place between MassHealth and MBHP does not align incentives to effectively promote integrated care. Therefore, it is essential for MassHealth to revisit the terms of the PCC Mental Health and Substance Abuse contract.

It is widely acknowledged that the goal of statewide integration efforts is to more effectively coordinate and manage care in an effort to decrease utilization of high-intensity/high-cost/high-frequency medical services for its population. However, the model contract that was incorporated into the RFR places MBHP 100% at-risk by October 1, 2015 and does not appear to incentivize MBHP by allocating to them a percentage of those medical cost savings. Instead, the MBHP contract places them at full risk for profit and loss based solely on their own expenditures on behavioral health services.

In light of the merger of Beacon and ValueOptions, the Commonwealth is presented with an opportunity to align the financial incentives of the contract with the stated goals of MassHealth and with the concepts outlined in Chapter 224 of the Acts of 2012. These goals encourage increased behavioral health spending and coordination to drive down the medical spend of complex patients. We ask EOHHS to revise the incentives in the contract that is currently in place to more appropriately incentivize MBHP to ensure adequate access to behavioral health services. Better aligning the financial incentives of the PCC “carve out” contract will help ensure better access to treatment for MassHealth members who depend on services managed under the contract to live as independently as possible.

## **Behavioral Health Metrics**

We also request that EOHHS include additional reporting requirements for Beacon managed programs that go beyond traditional Healthcare Effectiveness Data and Information Set (HEDIS) measures. It is essential that MassHealth collect utilization data and penetration rates for services delivered to MassHealth members who are assigned to a plan for which Beacon manages behavioral health benefits. Transparent and comparable measures of access to services will be very important so that advocacy organizations can be assured that clients are receiving the services they need.

## **Improved Transparency to Enhance Parity Compliance**

As you know, many MassHealth plans, including MCOs and Alternative Benefit Plans (ABP), are subject to the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), which prohibits health plans from discriminating in the coverage of behavioral health benefits. EOHHS, through the Office of Medicaid, has express statutory authority to enforce MHPAEA through promulgating regulations and issuing annual reports on plans’ parity compliance. *See* Chapter 224 of the Acts of 2012, Section 265. When the MassHealth MCOs and ABPs “carve out” behavioral health benefits to a behavioral health management company, it may become more difficult for the Office of Medicaid to assess whether the plans as a whole are complying with federal parity regulations. To ensure better parity compliance, EOHHS must demand increased transparency into the behavioral

health management companies' utilization review policies, reimbursement rates, and other policies and practices that are subject to MHPAEA requirements.

### **SECTION 188 of the Fiscal Year 2015 Budget**

Section 188 of the Fiscal Year 2015 budget requires MassHealth to collect and make public the terms of the contracts between MassHealth MCOs and their behavioral health carve out companies. We are eager for EOHHS to request and make public this information and believe it is particularly important in light of the merger announcement.

### **Department of Mental Health (DMH) and Department of Public Health (DPH) Authority**

We urge EOHHS to engage the DMH and DPH Commissioners to exercise their authorities (outlined in Chapter 58 of the Acts of 2006, Section 113 and Chapter 60 of the Acts of 2011, Section 132) to oversee the mental health and addiction benefits for MassHealth members. It is essential that these subject-area experts be included in the oversight of MassHealth member benefits.

Thank you for your consideration of the requests outlined in this letter. If we can provide you with any further information, please contact Laura Goodman at lgoodman@hla-inc.org or (617) 275-2917, or Suzanne Curry at scurry@hcfama.org or (617) 275-2977. We look forward to receiving your response.

Sincerely,

Association for Behavioral Healthcare (ABH)  
Children's Mental Health Campaign (CMHC)  
Health Care For All (HCFA)  
Health Law Advocates (HLA)  
Massachusetts Law Reform Institute (MLRI)  
Massachusetts Organization for Addiction Recovery (MOAR)  
Massachusetts Psychiatric Society (MPS)  
Massachusetts Psychological Association (MPA)  
Mental Health Legal Advisors Committee (MHLAC)  
National Association of Social Workers (NASW)  
Massachusetts Mental Health Counselors Association (MaMHCA)  
SEIU Local 509/CliniciansUNITED

cc: Glen Shor, Secretary, Executive Office of Administration and Finance  
Marcia Fowler, Commissioner, Department of Mental Health  
Cheryl Bartlett, Commissioner, Department of Public Health  
Kristin Thorn, Medicaid Director  
Lydie Ultimo-Phil, Acting Director, Bureau of Substance Abuse Services