

August 7, 2014

David Seltz, Executive Director
Health Policy Commission
2 Boylston Street, 6th Floor
Boston, MA 02116

RE: Merger of Beacon Health Strategies and ValueOptions

Dear Director Seltz,

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 1st 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 the Health Policy Commission (HPC) 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.

We urge the HPC to include a review of the Beacon-ValueOptions merger in its upcoming cost trends hearings and report. Integration of behavioral health with physical health is an important goal of Massachusetts payment and delivery system reform. Previous cost trends reports have

discussed challenges to the integration of behavioral health and persistent barriers residents face in accessing behavioral health services. In addition, the HPC is charged with evaluating the consolidation of providers and other health care entities. As such, we believe the Beacon-ValueOptions merger fits within the scope of the HPC cost trend hearings and should be considered as a topic for discussion.

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: Dr. Stuart Altman, Chair, Health Policy Commission
Dr. Wendy Everett, Vice-Chair, Health Policy Commission
Dr. Carole Allen, Commissioner, Health Policy Commission
Dr. David Cutler, Commissioner, Health Policy Commission
Dr. Paul Hattis, Commissioner, Health Policy Commission
Rick Lord, Commissioner, Health Policy Commission
John Polanowicz, Secretary, Executive Office of Health and Human Services
Glen Shor, Secretary, Executive Office of Administration and Finance
Marylou Sudders, Commissioner, Health Policy Commission
Jean Yang, Commissioner, Health Policy Commission
Aron Boros, Executive Director, Center for Health Information and Analysis
Margaret Cooke, Office of the Attorney General