

## 4. Financial Security Obligations (Section 13.0 Contractor's Financial Security Obligations)

a. Describe how the Vendor will comply with net worth, solvency, and surplus requirements.

UnitedHealthcare acknowledges the requirement to satisfy the obligations specified in Attachment C – Draft Medicaid Managed Care Contract, Section 13.0 Contractor's Financial Security Obligations. UnitedHealthcare Community Plan of Kentucky (UnitedHealthcare) is part of UnitedHealth Group Incorporated, the nation's largest diversified health and well-being company. UnitedHealth Group currently serves 142 million Americans in both the private and public health insurance markets. The financial strength and diversification of UnitedHealth Group helps protect UnitedHealthcare from market fluctuations that may lead a smaller company to insolvency. Neither UnitedHealthcare, nor its parents, affiliates and subsidiaries, have ever filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee or assignee for the benefit of creditors in the last 10 years. UnitedHealth Group had assets of \$174 billion as of Sept. 30, 2019, with equity of \$58 billion.

**Solvency:** KRS Chapter 304.380-070 defines requirements for protection against insolvency and risk-based capital requirements for HMOs as maintaining unimpaired paid in capital stock of \$1 million and initial free surplus of not less than \$2 million. We meet this obligation(s) as UnitedHealthcare is required to use risk-based capital as a regulatory tool for measuring the minimum amount of capital appropriate for a health organization to support its overall business operations in consideration of its size and risk profile. UnitedHealthcare is dedicated to the highest standards of fiscal and program integrity and continually strives to work in partnership with our state customers to be good stewards of the public resources entrusted to us. Our standard is to maintain a 300% risk-based capital requirement, which will meet the state's requirement and will eliminate enrollees' liability in case of insolvency.

Our financial strength means we are a dependable partner. In the unlikely event of insolvency, we will immediately notify DMS and take a range of efforts to transition enrollees to other MCOs or fee-for-service programs. We will pay providers for covered services and will protect enrollees from financial liability for services rendered for the duration of the period for which payment has been made to UnitedHealthcare and for inpatient admissions until discharge.

***In no event will we hold an enrollee liable for our legal obligations (except in instances of enrollee fraud.)*** In addition, our provider contracts contain hold harmless clauses that ***do not allow providers to balance bill*** enrollees, and in all circumstances where providers are supplying covered services to our enrollees, we will verify that providers do not hold enrollees liable for payment for those services. In the event of insolvency, we will continue to pay network and non-network providers for covered services subject to relevant prior authorization requirements and support the transition of enrollees into other programs.

***In no event will we hold the Commonwealth, Finance and Administration Cabinet, DMS or enrollee liable for the payment of any debt or fulfillment of any obligation of*** UnitedHealthcare, or subcontractor to any subcontractor, supplier, out-of-network provider or other party, for any reason whatsoever. This includes the unlikely event of UnitedHealthcare's insolvency or subcontractor insolvency. Our subcontracts will contain a hold harmless provision, per Attachment C – Draft Medicaid Managed Care Contract, Section 13.2 Contractor Indemnity.

b. Provide documentation of lines of credit that are available, including maximum credit amounts and available credit amount.

**Line of Credit:** UnitedHealthcare does not need external financing. UnitedHealth Group is the ultimate 100% parent of UnitedHealthcare. UnitedHealth Group makes available to UnitedHealthcare a sufficient line of credit to supplement UnitedHealthcare's strong financial position. We have provided documentation as Attachment C.4.b Credit Agreement and Promissory Note. This agreement between UnitedHealth Group (ultimate parent) and UnitedHealthcare of Kentucky, Ltd. is a revolving credit agreement designed to meet short term cash needs. The maximum amount of the agreement may not exceed \$5 million. UnitedHealth Group will infuse long-term capital as needed to meet the state's risk-based capital requirements outside of this revolving credit agreement.

c. Describe any risk arrangements the Vendor proposes to have with providers for contracted services and describe oversight of such arrangements.

**Risk Arrangements:** We do not plan to implement risk-based, value-based payment (VBP) arrangements during the first year of the contract; rather, we will assess and work with providers to improve readiness to take on downside risk. Because we do not have historical data and VBP is new to many providers, we will employ a quality-only all upside program in year 1. This program will introduce quality measurements to providers to help them acclimate to measuring their performance against specific metrics. As historical data becomes available and prior to the initiation of any risk arrangements with providers, we will conduct an assessment to gain a thorough understanding of the provider's overall readiness, model of care, capacity, capabilities and experience with our initial quality program. The assessment will review criteria such as financial solvency, platform optimization, and medical management clinical operations and performance.

**Oversight/Monitoring:** Our Kentucky provider quality engagement consultants (PQECs) will meet with practices regularly and review goals, data, quality outcomes and technology training needs to make certain each staff member is using the tools and the data to effectively track outcomes. For example, they may re-educate the provider on the many resources available to them through our provider portal (*Link*), such as real-time alerts on medical encounters that signal opportunities for the provider to intervene and follow up with enrollees and on-demand reporting on VBP/HEDIS measures. We also provide service interventions for providers who are working to meet their VBP targets but are facing staffing or communication barriers, such as offering a cobranded enrollee communication program, assisting the practice in scheduling appointments or using community outreach (e.g., Clinic Day or health fair) to bring patients into the practice to close gaps in care. This engagement, partnership and oversight is critical in advancing Kentucky providers readiness to take on future downside risk opportunities. When practices are ready for risk-based arrangements, UnitedHealthcare employs additional comprehensive oversight processes for providers in full risk arrangements, regularly monitoring performance in the arrangement through review of performance reports, on site and remote assessments, and collaborative discussions. If UnitedHealthcare determines that the medical group has not maintained adequate or satisfactory performance of the risk based agreement, as communicated and stipulated by UnitedHealthcare through UnitedHealthcare policies, UnitedHealthcare may exercise its rights as set forth in this Agreement, including, but not limited to, the rights to require an improvement action plan and to revoke any or all of the risk agreement.