4.2.3 – Corporate Background and Experience

4.2.3.1. - Publicly Funded Managed Care Contracts

Sendero (owned by Central Health) is a new organization with no managed care contracts. However Sendero’s owner, Central Health, brings the managed care experience described below.

Travis County Healthcare District (d.b.a. Central Health) is a hospital district created under Chapter 281, Texas Health and Safety Code whose boundaries are Travis County, Texas. Central Health conducts business as a local governmental entity. Central Health owns University Medical Center at Brackenridge (UMCB) and leases the facility to the Daughters of Charity Health Services of Austin (d.b.a. Seton Medical Center).

Central Health has been operating a Medical Assistance Program (“MAP”) to care for indigent residents of Travis County since May of 2004. Central Health intends to contract with Sendero Health Plans (“Sendero”) on an ASO basis to manage certain aspects of MAP on or before January 1, 2012. MAP currently covers over 21,000 lives within Travis County. Central Health has a variety of capitated and non-capitated contracts with local providers to provide care under MAP.

Central Health arranges for healthcare services for Travis County residents who are not eligible for other private or public insurance programs. To qualify for full benefits under the Medical Assistance Program (MAP), residents must be at or below 100% of the Federal Poverty Income Guideline (FPIG), unless elderly or disabled, who must be at or below 200% FPIG.

CommUnityCare is a Federally Qualified Health Center (FQHC) and a nonprofit 501(c)(3) corporation affiliated with Central Health that provides comprehensive health services to the medically underserved at 20 health center locations in Travis County. CommUnityCare offers comprehensive primary care services to families including, but not limited to: family medicine, internal medicine, pediatrics, women's health services, behavioral health services, and dental care.

To address the complex health needs of enrollees, along with services provided by CommUnityCare, Central Health has developed a network in Travis County that includes both primary and specialty providers who serve as enrollees’ medical homes.

The Medical Assistance Program’s business processes include: eligibility determinations, member services, medical management including case management and quality improvement, pharmacy benefit management (PBM), provider relations and claims/contract management. Dental services are provided at designated CommUnityCare clinics and Capital Area Dental Foundation.

Eligible MAP members receive Member ID cards and handbooks that are developed within the Eligibility department. Through the Call Center, MAP members’ access assistance with information on how to obtain PCP appointments, filing complaints, scheduling eligibility screening appointments, benefit explanations, etc.

Within the Central Health Medical Management department, case managers maintain a case load between 40 to 60 MAP members with complex and complicated acute and/or chronic medical
conditions as well as concurrent review and discharge planning. Quality Improvement performs HEDIS type quality reviews of each contracted provider for MAP as well as for contracts that provide health services to Travis County residents who do not qualify for MAP (the “unfunded”). Monthly performance improvement reports and activities are presented to a Performance Improvement meeting consisting of Central Health staff for review and action. Also within the Medical Management department, pharmacy technicians assist members and providers with pharmacy benefits by entering real-time membership into the PBM system as well as prior-authorizations and overrides.

In addition to educating contracted providers and assistance with medical and dental claims issues, the Provider Relations department also monitors each contract through data analyses. MAP cost of care analyses reveals contracts that are nearing their maximum budgeted amount. Examination of the services provided by these providers is presented to Central Health’s Budget and Finance Board for approval of expansion funds in order to continue providing health care services.

4.2.3(2) Regulatory Actions, Sanction and/or Fines

No regulatory actions, sanctions and/or fines have been imposed upon either Sendero or its parent Central Health.
4.2.3.1 Organization Chart

Corporate Structure Organization Chart (Chart A)

Exhibit 4.2.3 (A) titled Corporate Structure Organization Chart (Chart A) attached at the end of Section 4.2.3 shows the corporate structure with lines of responsibility and authority for Sendero.

Travis County Healthcare District (d.b.a. Central Health) is a local governmental entity. As a healthcare district, Central Health has provided health care to low income people within Travis County since its formation in 2004 through the Medical Assistance Program (MAP).

The Travis County Commissioners Court provides general oversight and approves appropriations for Central Health.

Sendero is a separate nonprofit organization sponsored and funded by Central Health. Central Health is the sole member of the nonprofit corporation. The Sendero’s bylaws contain reserve powers held by Central Health including the appointment of Sendero’s Board members and approval of the annual budget.

CommUnity Care is a separate nonprofit organization with 20 healthcare clinics in Travis County. Central Health is a co-applicant with CommUnity Care for the FQHC. Central Health provides general oversight and funding to CommUnity Care to support its mission.

Management Organization Chart (Chart B)

Exhibit 4.2.3 (B) titled Management Organization Charts (Chart B) attached at the end of Section 4.2.3 shows management and staffing for each functional area.

The Management Organization Charts shows all Sendero management and staff positions. The organization chart also outlines the major functions for which each staff person is responsible. Detailed position descriptions have been written and salary ranges assigned.

Filled positions on the organization charts display the name of the employee occupying that position while vacant positions show targeted hire dates. Contracted consultants have been appointed to several key positions on an interim basis. We are currently recruiting key staff members which we expect to hire by mid-summer of 2011.

To develop the new health plan, Sendero is using a cross functional team composed of Sendero staff, Central Health staff and contractors as well as a contracted development team. The development contract (with Central Health) is held by Dennis Edmonds and Associates, LLC which has subcontracted experienced consultants with substantial expertise in health plan management, finance, IT, operations, systems, network management, medical management and quality improvement. In addition, Valence Health has been chosen by Sendero as its TPA, and has assigned Joe Cecil, Regional Director of Operations, to work with Sendero management to develop and operate the health plan claims processing, data reporting, and customer service functions.
The contracted development team is composed of highly experienced managed care professionals:

<table>
<thead>
<tr>
<th>Name</th>
<th>Areas of Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dennis Edmonds</td>
<td>Lead Consultant, Organization, HR, Legal &amp; Regulatory</td>
</tr>
<tr>
<td>Charles Kight</td>
<td>Finance, Operations</td>
</tr>
<tr>
<td>David Lamkin</td>
<td>Operations</td>
</tr>
<tr>
<td>Ernesto Segura</td>
<td>Network Development, Marketing</td>
</tr>
<tr>
<td>Carol Tillman</td>
<td>Network Development</td>
</tr>
<tr>
<td>Patricia Beauvais, RN</td>
<td>Medical Management &amp; Quality Improvement</td>
</tr>
<tr>
<td>Deborah Sidener</td>
<td>Finance</td>
</tr>
<tr>
<td>Doug Smith</td>
<td>Information Technology</td>
</tr>
</tbody>
</table>

Contracted consultants will be utilized throughout the development phase and into early operations as necessary to successfully launch Sendero.

**Management Information Systems Organization Chart (Chart C)**

Exhibit 4.2.3 (C) titled MIS Organization Chart (Chart C) attached at the end of Section 4.2.3 shows Sendero oversight of Valence Health MIS staff assigned to service Sendero.

Sendero is outsourcing its core processing systems to Valence Health. The Sendero Business Process Outsource Director will assure effective coordination between Sendero and Valence. Likewise, Valence has assigned Joe Cecil (Regional Director of Medicaid) as the key management person responsible for the Sendero relationship. A Valence Account Manager reporting to Joe Cecil will work with Sendero to identify and resolve operational and MIS issues on a day-to-day basis.

Within the Valence organization, MIS functions report to Dan Intaorno, VP of Information Systems. Eric Erdman, Director of Information Systems has responsibility for network administration and development as well as software development.

The chart below shows where Sendero operational functions will be performed.
## Material Subcontractors Organization Charts

Sendero has identified the following Material Subcontractors as shown in Section 4 of this proposal.

1. Valence Health – Third Party Administrator (TPA)
2. Corporate Printing – (HUB Vendor) – Printing and Fulfillment Vendor
3. Navitus Health Solutions - Pharmacy Benefits Manager
4. Westport Insurance Corporation – Reinsurance Vendor

## Material Subcontractor Organization Charts

Exhibit 4.2.3(D) contains an organization chart that demonstrates how Sendero will manage its material subcontractors.
4.2.3.2 Resumes of Key Personnel

As a new organization, Sendero is carefully recruiting key staff members. In the interim, Sendero will utilize selected staff from our sponsoring organization (Central Health) as well as contracted consultants. Central Health has contracted with Dennis Edmonds and Associates, LLC, to facilitate health plan development. Edmonds has formed an experienced development team composed of subcontracted experts in health plan management, finance, IT, operations, network management, medical management and quality improvement. This development team is committed to ensuring Sendero provides for top quality care for the Medicaid and CHIP populations.

The table below lists HHSC job titles for key personnel as noted in the RFP and provides related Sendero job titles with assigned staff names. Some of the positions have been filled on an interim basis by members of the development team. Summary position descriptions and résumés are shown for each position. As a material subcontractor Valence Health will administer claims, IT, member services and system configuration. Valence personnel and positions are also shown.

See position descriptions and resumes in Exhibit4.2.3(E).
<table>
<thead>
<tr>
<th>HHSC Job Title</th>
<th>Related Sendero Position</th>
<th>Related Valence Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>Dennis Edmonds President/CEO (Interim)</td>
<td>NA</td>
</tr>
<tr>
<td>Medical Director</td>
<td>Medical Director Thomas Coopwood, MD (Interim)</td>
<td>NA</td>
</tr>
<tr>
<td>Member Services Manager</td>
<td>David Lamkin VP Operations (Interim)</td>
<td>Joe Cecil Regional Director of Managed Care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Heather Luckenbach Manager of Call Center Operations</td>
</tr>
<tr>
<td>Service Coordination Manager</td>
<td>N/A-STAR+PLUS only</td>
<td>N/A</td>
</tr>
<tr>
<td>MIS Manager</td>
<td>David Lamkin VP Operations (Interim)</td>
<td>Joe Cecil Regional Director of Managed Care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional Director of Managed Care</td>
</tr>
<tr>
<td>Claims Processing Manager</td>
<td>David Lamkin VP Operations (Interim)</td>
<td>Joe Cecil Regional Director of Managed Care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional Director of Managed Care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kathy Neubauer Manager of Claims</td>
</tr>
<tr>
<td>Provider Network Development Manager</td>
<td>Laura Fierro Network Manager (April 2011)</td>
<td>NA</td>
</tr>
<tr>
<td>Benefit Administration and Utilization Management Manager</td>
<td>Diane Hosmer Health Service Director (May 2011)</td>
<td>NA</td>
</tr>
<tr>
<td>Quality Improvement Manager</td>
<td>Diane Hosmer Health Service Director (May 2011)</td>
<td>NA</td>
</tr>
<tr>
<td>Behavioral Health Services Manager</td>
<td>Diane Hosmer Health Service Director (May 2011)</td>
<td>NA</td>
</tr>
<tr>
<td>Financial Functions Manager</td>
<td>Charles Kight VP Finance/CFO (interim)</td>
<td>NA</td>
</tr>
<tr>
<td>Reporting Manager</td>
<td>Charles Kight VP Finance/CFO (interim)</td>
<td>NA</td>
</tr>
</tbody>
</table>
4.2.3.3 Financial Capacity
(No page limit)

4.2.3.3.1 Respondent’s Audited Financial Statements
Sendero is a newly formed entity and therefore has yet to produce audited financial statements. Proforma financial statements are contained in Sendero’s COA application, a copy of which is provided to HHSC under separate cover, in electronic form.

4.2.3.3.2 TDI Quarterly and Annual Statements
Sendero has not yet received its HMO Certificate of Authority and therefore has not filed quarterly or annual statements with the Texas Department of Insurance. The first quarterly statement to be filed with TDI will be filed following the close of first quarter, 2012.

4.2.3.3.3 TDI Financial Examination Reports
Sendero has not yet received its HMO Certificate of authority and therefore has not had a financial examination by TDI.

4.2.3.3.4 Form B Registration Statement
Sendero is sponsored by Central Health (a Texas based healthcare district) and not part of any holding company system. Therefore Sendero is exempt from the TDI Form B filing requirement.

4.2.3.3.5 Other Related Documents
Central Health (Travis County Healthcare District) audited financial statements for the fiscal year ended September 30, 2010 are provided in Exhibit 4.2.3 (F) attached at the end of this section.

Sendero is a new organization and will file its first federal tax return (IRS Form 990) in 2012 for the 2011 tax year. Sendero Health Plans has not undergone bond or debt rating analysis. Nor has Sendero Health Plans issued an Annual Report or any press releases.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee
Sendero is sponsored by Central Health (Travis County Healthcare District). There are no intermediate owners. Central Health’s audited financial statements for fiscal year 2010 are provided in Exhibit 4.2.3 (F) attached at the end of this section.

Sendero is owned by Central Health (which is a political subdivision of the State). Based upon vendor questions, HHSC has added the following clarification in Amendment #1 to the RFP “A corporate guarantee is not required for Respondents owned by political subdivisions of the State (i.e. hospital districts).”
Central Health has committed development funding, reserves and risk based capital for Sendero Health Plans. Minutes from the Central Health Board are provided in Exhibit 4.2.3 (G) attached at the end of this section.

4.2.3.5 Bonding

Sendero Health Plans agrees to secure and maintain throughout the life of the Contract:

4.2.3.5.1 - Fidelity bonds required by the Texas Department of Insurance in Compliance with 843.402, Texas Insurance Code, [See Exhibit 4.2.3(H-1) and

4.2.3.5.2 - A performance bond in accordance with the “Uniform Managed Care Contract Terms and conditions” and 28 T.A.C 11.1805 [See Exhibit 4.2.3(H-2)].