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# Florida Social Services Estimating Conference

## Statewide Medicaid Managed Care Rate Setting Summary

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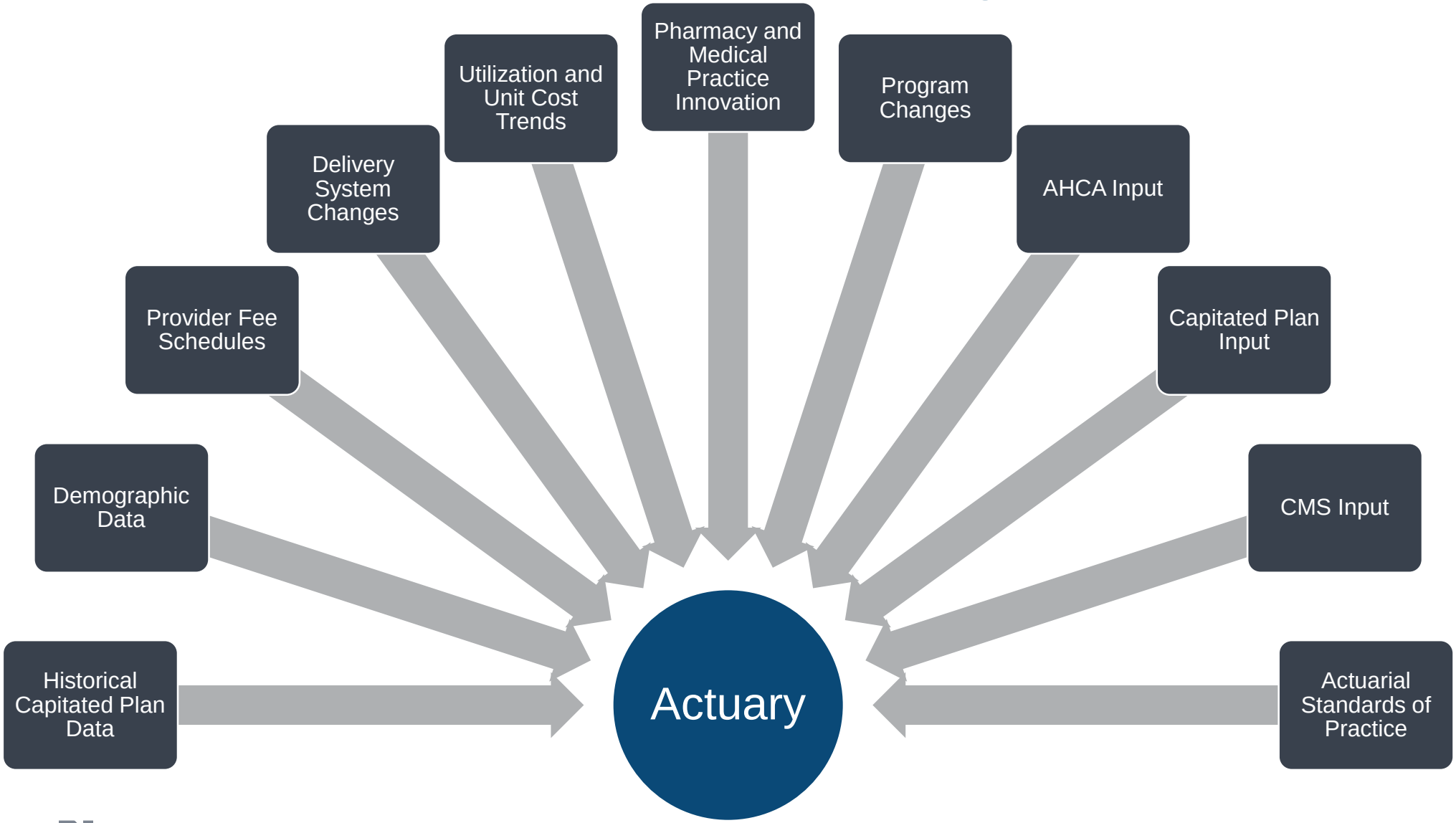
# Agenda

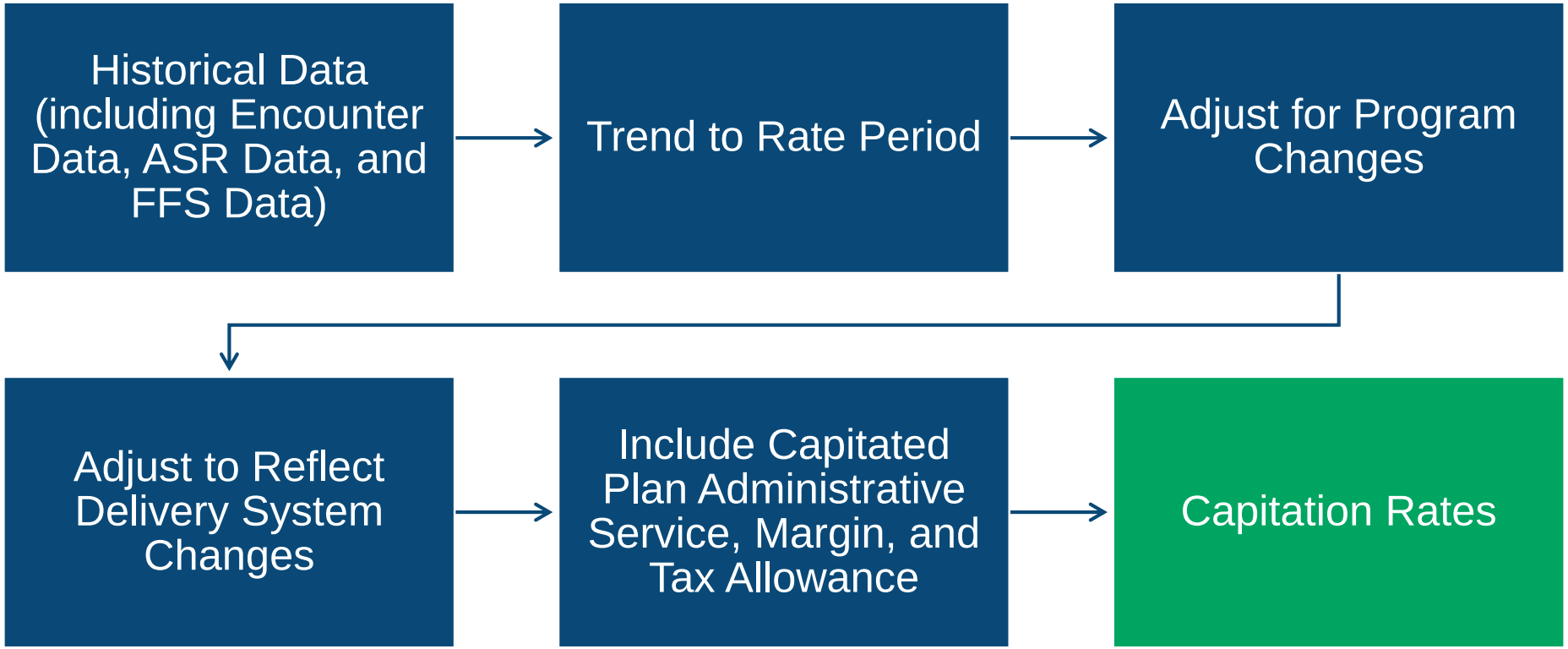
- Overview of SMMC rate setting process
- Rate year (RY) 17/18 high level results and cost drivers
- Future rate change environment
- Questions

# Overview of SMMC Rate Setting Process

# Information Used in Rate Setting



# General Rate Setting Process



# General Rate Setting Process

## Historical Data

- Historical SMMC data (SFY 15/16 for MMA and Oct 2015 – Sept 2016 for LTC)
  - Capitated plan encounter data
  - ASR financial data
  - FFS data for:
    - MMA express enrollment population and new services
    - Mandatory enrollment of waiver populations in LTC

## Trend to RY 17/18

- Project historical data for estimated changes due to:
  - Changes in utilization patterns
  - Unit cost changes due to underlying FFS fee schedules
  - Unit cost changes due to plan contracts with providers
  - Pharmacy and medical practice innovation
  - Emerging HCBS service trends

## Adjust for Program Changes

- Reflect any changes in covered services, populations, or policy, such as:
  - FFS payment policies that impact plan payment levels
  - Moving services from FFS to capitated services
  - Impact of the mandatory enrollment of waiver populations in LTC

# General Rate Setting Process

## Adjust to Reflect Delivery System Changes

- Reflect managed care savings due to:
  - Movement of services and populations from FFS to SMMC
  - Targeted initiatives to identify and redirect avoidable events
- Reflect changes in access to care or other changes in the provider network

## Include Capitated Plan Administrative Service and Tax Allowance

- Include funding for:
  - Plan administrative services (9.3% of revenue for MMA and 3.3% of revenue for LTC)
  - Plan margin and cost of capital (2% of revenue)
  - Required taxes and fees, such as the ACA Health Insurer Provider Fee (HIPF)

## Capitation Rates

- Monthly capitation rates vary by region and rate cell
- Kick payments (i.e., case rates) for maternity deliveries, behavioral health reform waiver services, and transplants
- Separate rates for medical school faculty physician group minimum fee schedule arrangement
- LTC rates are paid on a blended basis assuming a 3% annual transition from nursing facility / institutional hospice to HCBS location of care

# Rate Year (RY) 17/18 High Level Results and Cost Drivers

# Summary of SMMC Capitation Rate Change

| | Annualized June 2016 Member Months | LTC Program Expansion Member Months | RY 16/17 Capitation Rate[1] | RY 17/18 Capitation Rate (Prior To Program Changes)[1] | RY 17/18 Capitation Rate (After Program Changes)[1] |
|---|---|---|---|---|---|
| **MMA Program** | | | | | |
| Per Member Per Month (PMPM) | 37,931,204 | N/A | $323.51 | $321.28 | $311.85 |
| Annualized Expenditures (State & Federal) | | | $12,271,146,607 | $12,186,711,539 | $11,828,932,950 |
| Percentage Change | | | | -0.7% | -3.6% |
| Annualized Expenditure Change | | | | ($84,435,068) | ($442,213,657) |
| **LTC Program** | | | | | |
| Per Member Per Month (PMPM) | 1,161,420 | 14,281 | $3,492.03 | $3,607.77 | $3,574.87 |
| Annualized Expenditures (State & Federal) | | | $4,055,710,560 | $4,190,131,335 | $4,202,975,023 |
| Percentage Change | | | | 3.3% | 3.6% |
| Annualized Expenditure Change | | | | $134,420,775 | $147,264,463 |
| **Combined MMA + LTC** | | | | | |
| Annualized Expenditures (State & Federal) | | | $16,326,857,167 | $16,376,842,874 | $16,031,907,973 |
| Percentage Change | | | | 0.3% | -1.8% |
| Annualized Expenditure Change | | | | $49,985,707 | ($294,949,194) |

[1] The capitation rates exclude the following items that will impact SMMC expenditures: enrollment growth, LTC transition percentage adjustments, medical school faculty physician group minimum fee schedule arrangement payments, transplant kick payments, additional behavioral health reform waiver services payments, and payments for Medicare Advantage enrollees.

# Summary of MMA Capitation Rate Change

| Impact of Program Changes on the RY 16/17 to RY 17/18 Rate Change (Excluding Impact of Medical School Faculty Physician Group Minimum Fee Schedule Arrangement, Transplant Kick Payments, and Additional Behavioral Health Reform Waiver Services Payments) Statewide for all MMA Populations | |
|---|---|
| **Gross Rate Change from RY 16/17 to RY 17/18, Before Program Changes[1]** | -0.1% |
| Savings Allocated to Offset Physician Compensation Increase Related to MMA Physician Incentive Program[2] | -0.6% |
| **Net Rate Change from RY 16/17 to RY 17/18, Before Program Changes[1]** | -0.7% |
| Physician Compensation Increase Related to MMA Physician Incentive Program[2] | 0.6% |
| Legislative Hospital Reimbursement Reduction | -3.4% |
| Removal of Rate Year Seasonality Adjustment[3] | 0.1% |
| IMD Adjustment | -0.1% |
| **Final Rate Change from RY 16/17 to RY 17/18[4]** | -3.6% |

[1] RY 17/18 rate cell specific rates were composited using June 2016 capitated plan member months by region and rate cell adjusted to reflect an appropriate number of SMI members expected for RY 17/18 given the permanent nature of the SMI flagging process.

[2] Consistent with Section 409.967(2)(a) of the Florida Statutes, the costs associated with the MMA Physician Incentive Program are offset by savings included in the RY 17/18 capitation rates. Table 2 reflects the incremental value of the MMA Physician Incentive Program for RY 17/18 compared to RY 16/17.

[3] The removal of the rate year seasonality adjustment reflects the movement from a 13-month rate year (September 2016 – September 2017) for RY 16/17 to a 12-month rate year (October 2017 – September 2018) for RY 17/18. A seasonality adjustment was used to set RY 16/17 capitation rates but was not used to set RY 17/18 capitation rates.

[4] The Final Rate Change from RY 16/17 to RY 17/18 does not match the sum of the individual components due to rounding.

# Drivers of MMA Rate Change

- The change between the Oct 2014 - Sept 2015 data used to develop the RY 16/17 capitation rates and the SFY 15/16 data used to develop the RY 17/18 capitation rates was only an increase of 1.6%
  - Much lower than annual 4.2% trend assumed in RY 16/17 rate calculation
- Decreases in PMPM trend projections for generic and brand prescription drugs
  - 9.9% for RY 16/17 to 5.9% for RY 17/18 (excluding hepatitis C drugs)
- Decreases in projected hepatitis C drug costs
  - $6.17 PMPM for RY 16/17 vs. $3.35 PMPM for RY 17/18
- Decreases to AHCA's FFS hospital rates effective July 1, 2017
  - 3.4% reduction to capitation rates
- Partially offset by increases for:
  - Acuity change related to the additional voluntary movement of members from CMSN to MMA capitated plans after the SFY 15/16 base period
  - Additional private duty nursing (PDN) costs based on recent encounter data

# Steps to Finalize MMA Rates

- The August 2, 2017 report is intended to be a draft version of the final report pending resolution of the following issues:
  - Further review of the acuity change related to the additional voluntary movement of members from CMSN to MMA capitated plans after the SFY 15/16 base period
  - Incorporation of the final RY 17/18 MMA Physician Incentive Program (MPIP) specifications and projected costs
  - Evaluation of a potential PDN kick payment or risk pool arrangement
  - Incorporation of the final medical school faculty physician group minimum fee schedule arrangement
  - Final RY 17/18 risk adjustment methodology and risk weights
    - Introducing risk adjustment for the TANF SMI and SSI Medicaid Only SMI rate groups

# Summary of LTC Capitation Rate Change

| Impact of Program Changes on the RY 16/17 to RY 17/18 Rate Change<br>Statewide for All LTC Populations | | |
|---|---|---|
| | **PMPM** | **Expenditures** |
| **Net Rate Change from RY 16/17 to RY 17/18, Before Program Changes[1, 3]** | **3.3%** | **3.3%** |
| Mandatory Enrollment of Waiver Populations in LTC Program[2] | -0.9% | 0.4% |
| **Net Rate Change from RY 16/17 to RY 17/18, After Program Changes[3]** | **2.4%** | **3.6%** |

[1] RY 17/18 HCBS and Non-HCBS rates were composited using June 2016 capitated plan member months by region.

[2] Mandatory enrollment of Project AIDS Care, Traumatic Brain and Spinal Cord Injury, and Adult Cystic Fibrosis waivers in the HCBS rate group. These individuals are on average lower cost than current members in the HCBS rate group, lowering the HCBS PMPM. However, an enrollment increase of an estimated 14,281 member months increases the program expenditures.

[3] The overall rate change reflects the June 2016 population mix. We expect to see a modest decrease to the combined capitation rate change as members continue to be transitioned from the non-HCBS to the HCBS rate group prior to RY 17/18.

# Drivers of LTC Rate Change

- HCBS rate group
  - Rate increase of 10.5%
  - Capitated plan data showed higher than expected historical annual trend of 7.0% for HCBS services
  - Assumed a reduced trend of 4.5% from RY 16/17 to RY 17/18
  - Program changes reduced PMPM rate 1.0%
- Non-HCBS rate group
  - Rate increase of 1.0% due to facility fee schedule increases effective September 1, 2017

# Future Rate Change Environment

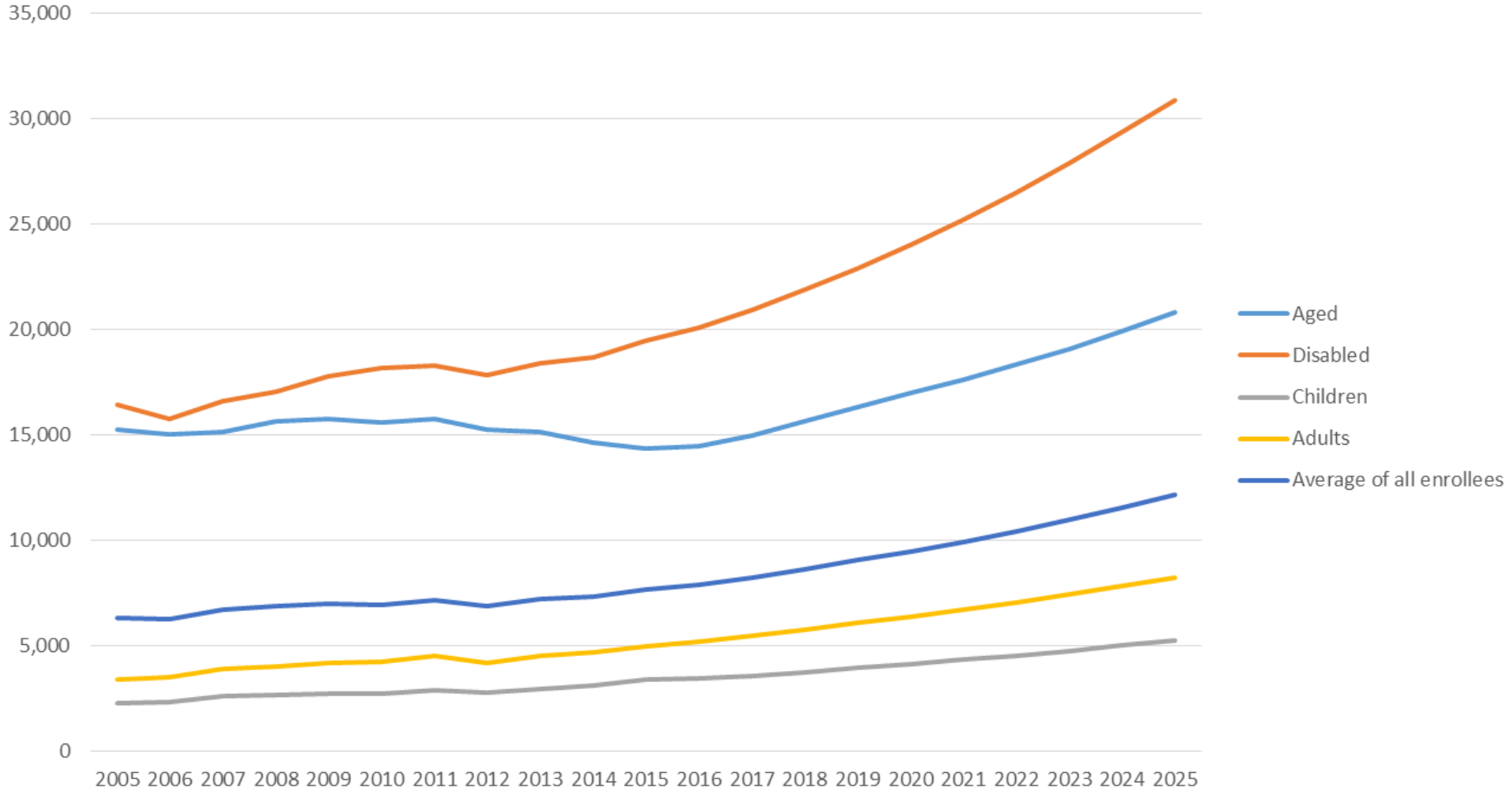
# Future Rate Change Environment

- SMMC reprocurement includes negotiation of RY 18/19 capitation rates
- Future SMMC rate changes will be impacted by local conditions, national trends, and future federal and state policy changes
- Florida-specific factors may include:
  - Hospital and other provider rate changes
  - Pharmacy trends and statewide PDL management
  - Attainment of program efficiencies through targeted initiatives to identify and redirect avoidable events
  - Requirement to redirect MMA program savings into enhanced physician compensation through MPIP
  - Future LTC population transition goals
  - Program changes and reaction to any federal policy changes

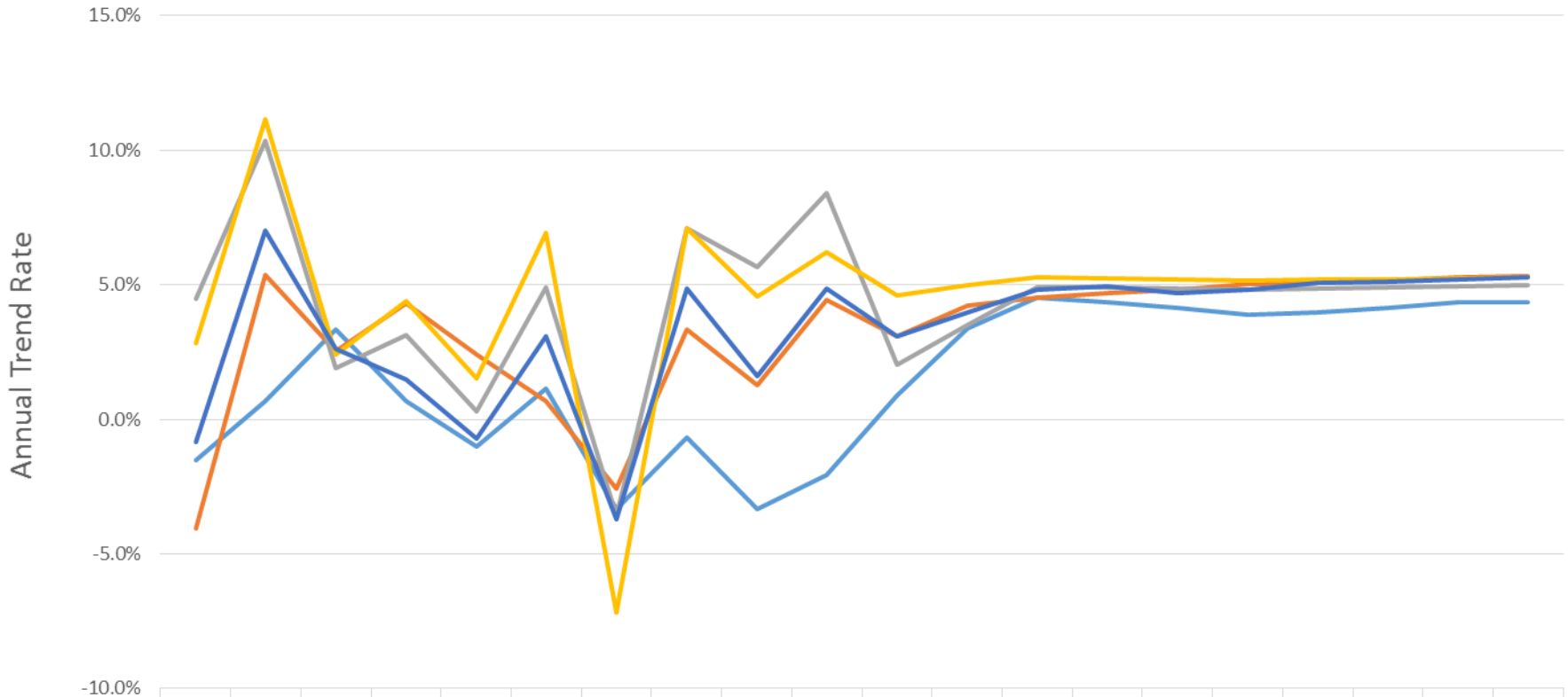
# CMS Trend Projections

- CMS recently published its 2016 Actuarial Report on the Financial Outlook for Medicaid
  - https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2016.pdf
- The next two pages show historical and projected national Medicaid benefit expenditures per enrollee and annual trends by eligibility category
  - Includes the cost of both acute care services and LTSS
  - LTSS trends are typically lower than acute care service trends
  - Includes Medicaid beneficiaries eligible only for Medicaid and beneficiaries eligible for both Medicaid and Medicare (dual eligibles)
  - Excludes the impact of the ACA Medicaid expansion population

## Summary of National Medicaid Benefit Expenditures per Enrollee Estimates
## Table 19 of the 2016 Actuarial Report on the Financial Outlook for Medicaid
## Published by the CMS Office of the Actuary



# National Medicaid Benefit Expenditures per Enrollee Annual Trend Rates
# From Table 19 - 2016 Actuarial Report on the Financial Outlook for Medicaid
# Published by the CMS Office of the Actuary




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aged | -1.5% | 0.7% | 3.4% | 0.7% | -1.0% | 1.2% | -3.3% | -0.7% | -3.3% | -2.1% | 0.9% | 3.4% | 4.5% | 4.3% | 4.1% | 3.9% | 4.0% | 4.1% | 4.3% | 4.4% |
| Disabled | -4.0% | 5.4% | 2.6% | 4.3% | 2.4% | 0.7% | -2.6% | 3.3% | 1.3% | 4.4% | 3.1% | 4.2% | 4.5% | 4.7% | 4.8% | 5.0% | 5.1% | 5.2% | 5.3% | 5.3% |
| Children | 4.5% | 10.3% | 1.9% | 3.1% | 0.3% | 4.9% | -3.6% | 7.1% | 5.7% | 8.4% | 2.0% | 3.5% | 4.9% | 4.9% | 4.8% | 4.8% | 4.9% | 4.9% | 5.0% | 5.0% |
| Adults | 2.8% | 11.2% | 2.4% | 4.4% | 1.5% | 6.9% | -7.2% | 7.1% | 4.6% | 6.2% | 4.6% | 5.0% | 5.3% | 5.3% | 5.2% | 5.1% | 5.2% | 5.2% | 5.3% | 5.3% |
| Average of all enrollees | -0.9% | 7.0% | 2.6% | 1.5% | -0.7% | 3.1% | -3.7% | 4.8% | 1.6% | 4.9% | 3.1% | 4.0% | 4.8% | 5.0% | 4.7% | 4.8% | 5.0% | 5.1% | 5.2% | 5.3% |

# Caveats and Limitations on Use

- This document is intended to be used by AHCA in a presentation to the Florida Social Services Estimating Conference summarizing the Statewide Medicaid Managed Care rate setting process. This information may not be appropriate for other purposes.
- This presentation summarizes the RY 17/18 rate setting process. Please refer to our draft final rate setting reports for the MMA program (dated August 2, 2017) and the LTC program (dated August 2, 2017) for complete documentation of the rate setting methodology, base data, assumption, and results.
- This information should not be relied upon by anyone other than AHCA. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This presentation assumes that the reader is familiar with the Florida Medicaid program.
- The presenters are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.
- This presentation is subject to the October 22, 2014 contract between AHCA and Milliman.

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# Questions