Preliminary Report from the JMOC Actuary

Presentation to JMOC Committee

September 22, 2016

Setting a Growth Target for Medicaid: JMOC Responsibilities

- **Under ORC Section 103.414, JMOC must**
  - Contract with actuary to determine the projected medical inflation rate for the upcoming biennium
  - Determine if it agrees with the actuary's findings
    - If not, JMOC must develop its own projected medical inflation rate
  - Complete a report and submit to Governor and General Assembly

Setting a Growth Target for Medicaid: Medicaid Responsibilities

- **Under ORC Section 5162.70, the Medicaid Director must**
  - Limit growth at an aggregate PMPM level to the JMOC rate or 3 year average CPI, whichever is lower; ***and***
  - Improve the health of Medicaid recipients
  - Reduce the prevalence of comorbid conditions and mortality rates of Medicaid recipients
  - Reduce infant mortality rates among Medicaid recipients
  - Help individuals who have the greatest potential to obtain income move to private health coverage

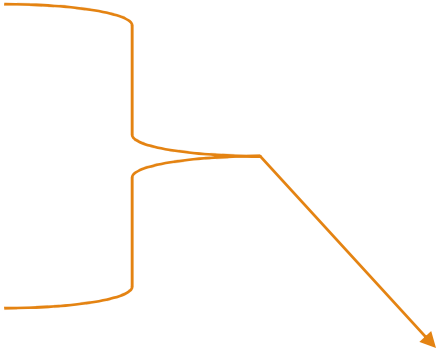
Agenda

- Background
  - Objective
  - Data
  - Process
  - Trend
- Projections
  - Normalized Growth
- Supplemental Summaries
  - Rx Cost Drivers
  - Population Cost Drivers
  - Other Considerations
- Next Steps

Objective

4 Determinants of Risk:

- Program Design
- Population
- Benefits
- Network



$$\text{PMPM} = \frac{\text{Utilization per 1,000 x Unit Cost}}{12{,}000}$$

Objective

PMPM (Per Member Per Month) Projections

- PMPM – Developed category of aid level PMPM projections
  - Projected costs are normalized at an average per-member per-month level
  - Takes into account total expenditures and total enrollment. Comprised of two components:
    - Unit Cost – Average cost per service/visit
    - Utilization – Average rate of service utilization across all eligible members

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Objective

Projected PMPMs Include:

- Total Medicaid Spend
- Excluded Costs – Does not include spending that is not tied to a recipient
  - State Administration, HCAP, Hospital UPL, P4P, HIF, Settlements and Rebates handled outside of the claims system and paid outside of managed care capitation rates
- Current Policy – Assumes current policy continues and one time spending removed
- Base Data – CY 2014/2015 base is updated to reflect current policy

HCAP – Hospital Care Assurance Program, UPL – Upper Payment Limit, P4P – Managed Care Pay for Performance, HIF – Health Insurer Fee

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Data

Data Sources:

- **FFS and Encounter Data** – CY 2014 – CY 2015 detailed, claims-level data
- **Member Level Eligibility** – CY 2014 – CY 2015 member-level eligibility data by month
- **Cost Benchmarks** – Monthly Medicaid Variance Reports and MCP Cost Reports for benchmarking
- **Caseload Benchmarks** – Ohio Department of Medicaid Caseload Reports for benchmarking
- **Managed Care Rates** – Certification Letters containing CY2016 (July 2016) Capitation Rates
- **Medicare-Related Spend** – Actual and Projected Medicare Premiums/Part D claw-back Amounts

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Projection Categories

PMPM Projections

- **Level of Detail** – Developed at a category of aid (COA) and category of service (COS) level
- **Biennial Projections** – COA and COS PMPMs are projected into the biennium period
- **Enrollment Mix** – CY2015 Q4 membership (Annualized) is used to calculate the aggregate PMPM, to consider recent population mix

Projection Categories

Categories of Aid	
SNF (Non-MyCare Duals/Non-Duals)	ABD Non-Dual
ICF/DD Private (Duals/Non-Duals)	CFC
ICF/DD Public (Duals/Non-Duals)	Extension
Aging Waivers (Duals/Non-Duals)	MyCare
DD Waivers (Duals/Non-Duals)	ADFC
Medicaid Waivers (Duals/Non-Duals)	Breast & Cervical Cancer (BCCP)
Non LTSS – Dual	RoMPIR/Presumptive/Alien
Medicare Premium Assistance	Refugee/Not Assigned

Projection Categories

Categories of Service[1]	
SNF	Clinics
ICF/DD Private	Clinics - Mental Health
ICF/DD Public	FQHC/RHC
Aging Waivers	Health Homes
DD Waivers	Laboratory/Radiology
Medicaid Waivers	ODADAS/MARP
Home Health/PDN	DME/Supplies
Hospice Services	EPSDT
Inpatient Hospital	Family Planning
Outpatient Hospital	Medicaid Schools Program
Prescribed Drugs	Mental Inpatient Hospital
PCP	Transportation
Specialist	Vision
Dental Services	

[1]Projected for each COA listed on slide 10

Adjustments

- Reflect Current Policy – Adjustments are made to historical expenditure data to reflect current policy (*Projections assume that current policy continues*)
- Population/Membership – Adjusted the base years to reflect recent population mix. These include:
  - Change in populations covered in managed care
  - Change in populations covered in FFS (Family Planning)
  - Adjustment to remove members with Spenddown
- Policy Changes – Adjusts for policies implemented within the base data that have the potential to impact the risk of the program. These include:
  - Reimbursement rate changes
  - Implementation of new programs

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What is Trend?

- **Adjust Time Period** – Trend factors project cost from the base period to future time periods
- **Multiple Components** – Trend is comprised of multiple factors:
  - Secular trend
  - External influences
  - Change in demographics
  - Other reimbursement changes

What is Trend?

- Levels of Trend – Trend factors are estimated by major categories of service and categories of aid
  - Trend is reviewed at various levels and estimated as a reasonable range of what change could occur over time
- Secular Trend – Components of secular trend include:
  - Utilization rate – captures the change (increase or decrease) in frequency of services over time
  - Unit cost – captures the change in service reimbursement over time, as well as change in mix of services over time
- Other Considerations – Enrollment Changes:
  - Spenddown membership and costs have been removed from projections, due to transition of this population through the end of this year.

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Overall Projection

SFY 2017 Projection		
SFY	Lower Bound	Upper Bound
2017 - Optumas	$620	$629

	Biennium PMPM and Growth Rate Projections			
	PMPM		Growth Rate	
SFY	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2018	$638	$652	2.8%	3.8%
2019	$653	$679	2.4%	4.0%
2018 - 2019			2.6%	3.9%

Cost Drivers - Pharmacy

- **Pharmacy** – Observing trends commensurate with national average (gross of rebates)
  - FFS – Rx is 5-7% of PMPM
  - MC – RX is 25%+ of PMPM

  Differences are driven by population and service mix

- **National Sources**[1] - Estimated annual Medicaid Rx trend to be between 8-10% through 2018, primarily driven by cost increase rather than utilization change
  - This level of trend translate to ~0.5% for FFS and 2.0%-2.5% for MC based on Ohio
- **Non-MyCare Rates** – CY16 rates include 6-14% annual pharmacy trend
  - ~8.5% across all Managed Care populations

[1] ***Express Scripts 2015 Drug Trend Report***

Cost Drivers – Population Mix

- Change in Population Mix – Influences overall PMPM
  - Increase in Expansion population over time:
    Increases enrollment of lower than average cost members, decreasing PMPM at the aggregate level

- Change in Benefits – Removal of Family Planning-only coverage group:
  - Benefit package for these members who remained on Medicaid has changed to include more services, increasing PMPM at the aggregate level

- Adults vs. Children – Distribution of members who are adults vs. children influences the aggregate PMPM. Children often cost between 40-60% of adults in similar eligibility categories.

Other Program Considerations

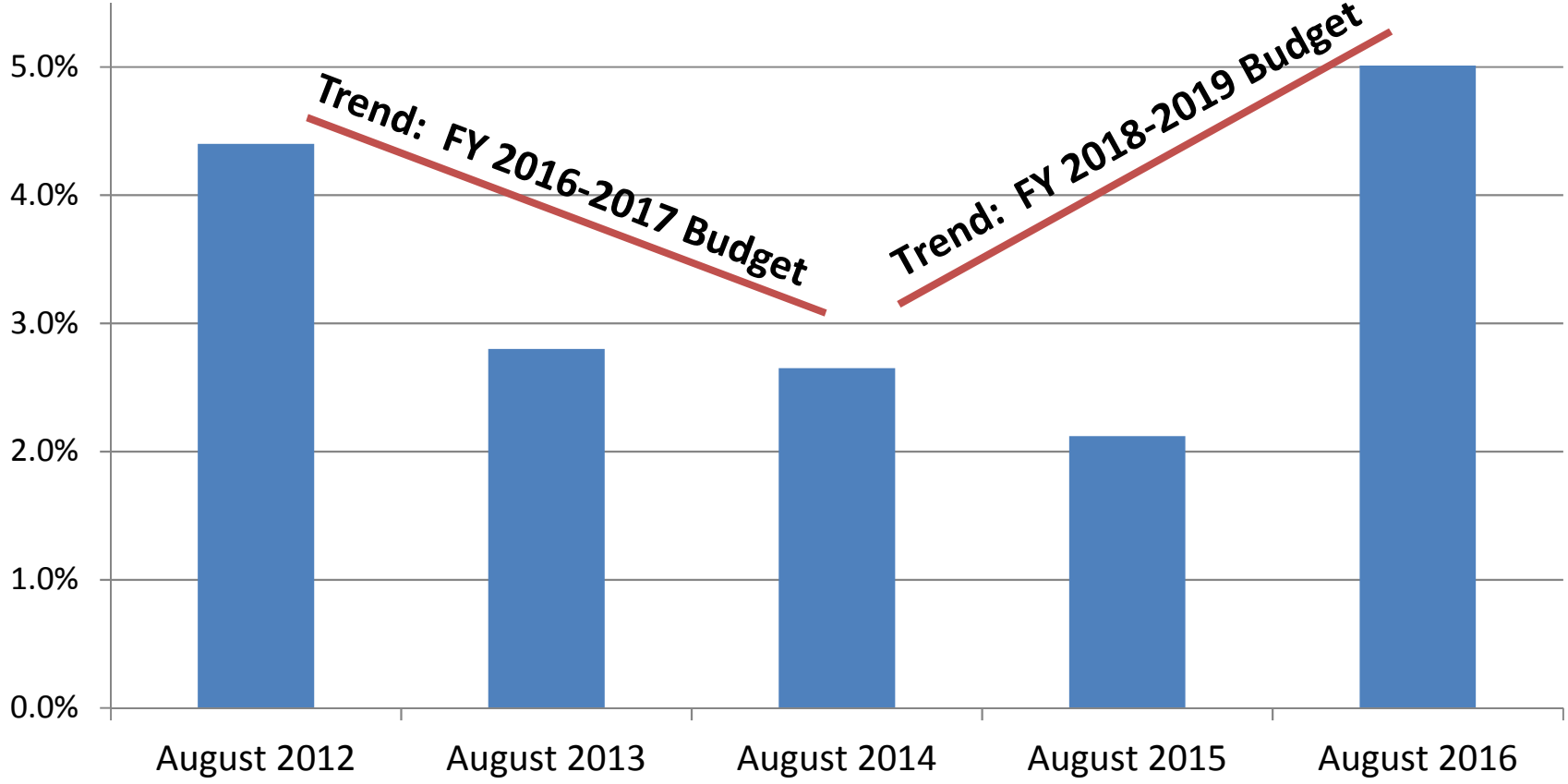
- Behavioral Health Integration – Consistent with Current Policy projections, this has not been adjusted for in the projections
- Spenddown Eligibility Changes – Enrollment has been adjusted through 2015 in projections, but upcoming enrollment changes for this population has not been adjusted
- Population Mix Impact – Eligibility conversion could ultimately change population mix, and mix of Managed Care vs. FFS members, which could in turn change the aggregate PMPM

JMOC Target in the FY 2016-2017 Budget

	FY 2015	FY 2016	Growth Rate	FY 2017	Growth Rate	Biennial Average
October – Actuary Lower Bound	$628	$638	1.6%	$652	2.2%	1.9%
October – Actuary Upper Bound	$628	$647	2.9%	$675	4.5%	3.7%
3 year average CPI						3.3%
JMOC Growth Target for FY 16-17			2.9%		3.3%	3.1%
ODM - Executive Budget	$628	$636	1.4%	$665	4.5%	2.9%
Actual/*Estimate*	$608	**	**	*$620-$629*	**	**

**Preliminary numbers show the actual rate of growth will be lower than originally estimated. The FY 2016 PMPM will be calculated after the close of the first quarter of FY 2017.

Benchmark: Consumer Price Index – Medical Care, Midwest Region



Source: Bureau of Labor Statistics

Three Year Average CPI

	Midwest CPI	Weights
August 2014	2.65%	25%
August 2015	2.12%	25%
August 2016	5.01%	50%
	Unweighted	Weighted
3 Year Average	**3.26%**	**3.70%**

Source: Bureau of Labor Statistics

Optumas Projection for FY 2018-2019 Budget & CPI Benchmark

SFY 2017 Projection		
SFY	Lower Bound	Upper Bound
2017 - Optumas	$620	$629

	PMPM		Trend	
SFY	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2018	$638	$652	2.8%	3.8%
2019	$653	$679	2.4%	4.0%
2018 - 2019			2.6%	3.9%

	Unweighted	Weighted
3 Year Average CPI	3.3%	3.7%

Next Steps

- Review presentation and actuary report
- JMOC staff and actuary are available for further questions over the next month
- Select JMOC target at October 20th meeting
- Submit report to Governor by October 25th