

Preliminary April to December 2021 HCC capitation rates

State of Indiana
Family and Social Services Administration

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Background

Populations covered, program overview

Overview of HCC program

Hoosier Care Connect

- Non-dual eligible aged and disabled (ABD) population, excluding those needing long-term care services
- Risk-based managed care, effective April 1, 2015
- Covers short-term institutional care, but those approved for long-term services and supports are dis-enrolled from managed care
 - Up to 30 days considered short-term
 - Hospice coverage is an exception, no limitation on days effective January 1, 2019
- Comprehensive coverage, with some carve-outs:
 - Certain high cost, low utilization drugs, such as hepatitis C and hemophilia drugs
 - Diabetes supplies – test strips and meters
 - Medicaid Rehabilitation Option (MRO) services
 - First Steps services
 - School corporation services

Rate groups

Four rate cells

- HCC Adults (age 21 and older and not HCC Foster)
- HCC Children (under age 21 and not HCC Foster)
- HCC Fosters (foster child, ward, or adoption assistance)
 - Voluntary enrollment
- HCC Duals (to provide reduced payment when enrollees become retroactively eligible for Medicare)
 - Members eligible for Medicare are dis-enrolled from managed care

Members who have been approved for long-term institutional care or waiver services will be dis-enrolled from the HCC program and served on a fee-for-service basis

Mandated minimum fee schedules

Hospital assessment fee

- No less than the Medicaid fee-for-service fee schedule
- Set using an upper payment limit methodology
 - Periodic adjustment factor revisions to remain within UPL
 - Factor only applies for HAF-eligible hospitals
 - Non-eligible hospitals are paid the base Medicaid fee schedule with a 3% rate reduction
 - Inpatient hospital factor only applies to the base DRG cost, not the capital cost or outlier components
 - Outpatient hospital factor does not apply for certain services, such as laboratory services

Current HAF Adjustment Factors

Inpatient hospital	2.7
Inpatient rehabilitation	2.6
Inpatient psychiatric	2.2
Inpatient burn	1.0
Outpatient hospital	2.9

Mandated minimum fee schedules

Physician faculty access to care

- Enhanced payments to faculty physicians employed by Indiana University Health, Inc. (IU) and Health and Hospital Corporation of Marion County and its affiliates (Eskenazi)
 - List of approved providers updated periodically
 - Fee schedule updated annually
 - Targets average commercial rate (currently 148.4% Medicare)
 - Rebased every three years
 - Adjusted based on performance metrics

Preliminary rate highlights

Rates to be updated late 2020

Preliminary rate purpose

Illustrative

- Although preliminary rates are shared in this presentation, it is anticipated these will be updated late in CY 2020 to reflect more recent information
- Intent is to outline the methodology that will be used in rate development
- Anticipated future adjustments (not a comprehensive list):
 - Refresh base data with more recent experience
 - Adjust trend and morbidity assumptions accordingly
 - Implement any program policy changes related to covered benefits or state-directed payments
 - Other methodology changes appropriate for development of actuarially sound capitation rates

Rate summary

HCC projections

POPULATION	APRIL TO DECEMBER 2021	
	MEMBER MONTHS	CAPITATION RATE
Adults	535,788	\$ 1,518.05
Children	194,501	760.91
Fosters	103,497	327.16
Duals	4,143	699.78
Composite	837,929	\$ 1,191.16
Revenue (\$ in millions)		\$ 998.1

Rate build-up

**State of Indiana
Family and Social Services Administration
Procurement Rate Model Development
2021 HCC Attribution
Rate Build-up for CY 2018 Base Data & Adjustments**

	HCC Composite		
	PMPM	Change	% Change
Completed base data ¹	\$ 1,010.26		
Repricing without HAF	740.68	\$ (269.58)	(26.68%)
HAF repricing	1,025.91	285.23	38.51%
PFAC repricing ²	1,037.40	11.50	1.12%
Managed care adjustment	1,033.48	(3.92)	(0.38%)
Hospice adjustment	1,034.02	0.54	0.05%
Trend adjustment	1,102.30	68.28	6.60%
TPL recovery adjustment	1,100.65	(1.65)	(0.15%)
Non-benefit allowance	1,191.16	90.51	8.22%
April to December 2021 Capitation Rate	\$ 1,191.16	\$ 180.90	17.91%

¹Repricing includes the dual cost sharing assumption, VFC reimbursement changes, non-emergency use of the ER, and repricing of zero dollars claims

²Preliminary April to December 2021 rates still utilize the CY 2019 PFAC fee schedule

Adjustment detail

Program changes, assumptions, methodology

Data and data adjustments

Data and methodology

- Base data from calendar year 2018
- Submitted through June 2019
- Adjustment for change in HCC hospice policy, based on emerging experience in CY 2019
- Medicare cost sharing assumption for Duals rate cell

Program and benefit changes

Program and benefit changes reflected in April to December 2021 rates

- Rx carve-out
 - Hemophilia drugs carved out effective May 1, 2018
- Vaccines for children: no vaccine reimbursement, \$15 administration payment for every vaccine
- Physician faculty access to care
- Adjustment for hospice policy that went into effect in CY 2019

HCC hospice

Policy change effective January 1, 2019

- Allows for full hospice coverage, either in a facility or non-facility setting with no limitation on number of days
 - Previously, inpatient hospice was limited to 5 days, and members were dis-enrolled if they received other facility-based hospice (like in a nursing home)
- April to December 2021 rates include adjustment for two types of claims that will be paid under new policy
 - Hospice services in base data experience that were previously denied
 - Hospice services that were provided in fee-for-service after the member was dis-enrolled during base data period
- Based on emerging experience in CY 2019, it appears that a limited amount of experience has actually been shifted from fee-for-service to HCC
- Value of adjustment in April to December 2021 rates: \$0.5 million

HCC dual eligible adjustment

Duals rate cell

- Reflect payments expected to be recouped after it has been determined that Medicare is the primary payer
- Adjust reimbursement based on historical Medicare eligibility and cost sharing
 - A portion of this population does not appear to be eligible for all Medicare benefits, e.g., some members are enrolled in Part A but not Part B, and a large percentage appear not to have been eligible for Part D benefits
- Assumed enrollment
 - Part A 95.7%
 - Part B 90.5%
 - Part D 40.0%

Reimbursement

Methodology

- Inpatient
 - 2.7 DRG HAF factor
 - APR-DRG update to v36 expected in CY 2020
- Outpatient
 - 2.9 HAF factor
 - Reflects current outpatient fee schedule (July 2019)
 - Adjustment for non-emergency ER based on MCE experience by program
- Physician and ancillary
 - Zero paid were repriced
 - Physician faculty access to care
 - VFC

Physician faculty access to care

New directed payment

- Physician reimbursement for eligible providers has been incorporated in the benefit cost
- Impact:
 - HCC \$9.6 million
- Implementation is similar to HAF
- MCEs will adjust reimbursement to pay the enhanced PFAC rate to eligible providers
- Final 2019 PFAC fee schedule, NPI lists provided 11/30/2018
- Will amend rates if there are:
 - Material changes in the CY 2021 PFAC fee schedule
 - Material changes in updated NPI lists
 - Next NPI list is expected to be materially larger than previous list

Pharmacy reimbursement

Data and methodology

- Reflects pharmacy benefit costs
 - Spread and supplemental rebates are not included
- Trended based on observed NADAC repriced values and MCE paid amounts through June 2019
- \$2.20 cost per script included in the admin
 - Based on industry standards and FSSA's fee-for-service contract
 - Additional QI allowance may be used for value-added services
 - Is in addition to funding provided for MCEs to hire their own in-house pharmacists

Trend

37.5 months of trend applied

Category of Service	HCC - Adults (D1)	HCC - Children (D2)	HCC - Fosters (D4)	HCC - Duals (D3)
Hospital				
Inpatient	(0.6%)	(3.0%)	(3.0%)	(0.6%)
Outpatient	4.9%	(1.0%)	(1.0%)	4.9%
Pharmacy	4.3%	(1.0%)	(1.0%)	4.3%
Emergency Transportation	(1.6%)	(9.8%)	(9.8%)	(1.6%)
NEMT	(0.6%)	10.2%	10.2%	(0.6%)
Dental	(1.0%)	1.0%	1.0%	(1.0%)
Ancillaries	(2.0%)	1.9%	1.9%	(2.0%)
Physician	<u>(0.0%)</u>	<u>7.2%</u>	<u>7.2%</u>	<u>(0.0%)</u>
Composite	2.2%	1.4%	1.7%	2.6%

Managed care adjustments

- Inpatient
 - Based on AHRQ potentially avoidable admissions
- Preventive care increases

Non-benefit allowance

Category of Service	2021
HCC Composite	
Fixed component (PMPM)	\$ 20.00
Variable component (%)	6.00%
Total load (PMPM)	\$ 90.51

Risk mitigation

- Budget neutral risk adjustment
 - Assuming there is at least one new MCE, risk adjustment for the first contract year will likely be performed on a retrospective basis, using concurrent risk scores from CY 2021
 - As credible data becomes available, risk adjustment will be done on a prospective basis
 - Planning to use CDPS with customized weights for April to December 2021
- Minimum medical loss ratio
 - 90%
 - Must comply with 42 CFR 438.8

Not yet reflected

- Risk adjustment
- Withhold amounts – 1.85%
- Changes that may be reflected in an amendment, if impact is material
 - Expanded coverage of smoking cessation medications
 - Changes to state policy on how MCEs may identify non-emergency emergency department visits
 - Change to APR-DRG grouper version 36, with fee schedule change
 - Any changes to *state-directed* provider reimbursement
 - Refresh base data with more recent experience
 - Adjust trend and morbidity assumptions accordingly
 - Other methodology changes appropriate for development of actuarially sound capitation rates

Limitations

This presentation has been prepared for the State of Indiana, Family and Social Services Administration (FSSA) to provide highlights of the preliminary 2021 capitation rate development for the HCC program. The data and information presented may not be appropriate for any other purpose.

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The services provided for this project were performed under the contract signed December 5, 2018.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The actuaries preparing this presentation are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.



Thank you

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