



Iowa High Quality Healthcare Initiative

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Medicaid : Fee-for-service versus Managed Care

- Medicaid managed care programs are growing and expanding
 - More than 40 million Medicaid beneficiaries are enrolled in MCOs
- Goals of transitioning to Medicaid managed care programs
 - Quality of care
 - Access to providers
 - Fiscal impact
- CMS Oversight and Actuarial Soundness

Growth in Medicaid Managed Care – National Data

	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014
Medicaid Revenue (\$ billions)	\$54.6	\$62.0	\$73.8	\$83.6	\$110.6
Average Annual Enrollment (millions)	18.2	19.2	20.8	21.8	25.9
Medical Loss Ratio	85.3%	85.5%	87.9%	87.4%	86.0%
Administrative Loss Ratio incl. Taxes / Fees	12.1%	12.1%	11.4%	11.5%	11.9%
Underwriting Ratio	2.6%	2.4%	0.7%	1.2%	2.1%

- Notes:
1. Based on statutory annual statement filings.
 2. Excludes California and Arizona
 3. Taxes and fees that are included under the Administrative Loss Ratio would be estimated at 2.5% to 3.5%

Source: Palmer, Jeremy D. and Pettit, Christopher T. Medicaid risk-based managed care: Analysis of financial results for 2014. Milliman Research Report, June 11, 2015

Quality : Medicaid HMO Results Healthcare Effectiveness Data and Information Set (HEDIS)

HEDIS Measure	2006	2010	2014
Adult BMI Assessment Rate	N/A	42.2%	79.9%
Breast Cancer Screening Rate	49.1%	51.3%	58.8%
Discussing Cessation Medications	35.1%	42.7%	46.8%
HBA1C Screening	78.0%	82.0%	86.3%
TDAP/TD Vaccine	N/A	67.8%	83.7%
Timeliness of Prenatal Care	81.2%	83.7%	82.4%
Health Plan Rating of 8, 9 or 10	70.1%	72.4%	75.1%

Source: The State of Health Care Quality 2015. National Committee for Quality Assurance.

Quality : Minnesota Report Comparing Managed Care vs. Fee-for-Service

Conclusions

Public Consulting Group's comparative analysis of health outcomes has yielded three major observations regarding fee-for-service versus managed care environments

1. Limited ability to report health outcomes in fee-for-service
2. Health outcomes in fee-for-service lags behind health outcomes measured in managed care
3. FFS infrastructure is underdeveloped in measurement and quality measures compared to managed care

Source: Report on the Value of Minnesota Health Care Programs (MHCP) Managed Care, as Compared to Fee-For-Service. Presented to the Chairs and Ranking Minority Members, Health and Human Services Legislative Committee, September 24, 2013.

Quality: Analysis of New York Managed Care Program

Managed Care Performance

- As of 2013, Medicaid performance results matched or exceeded commercial results for over 65 percent of all measures.
- New York's Medicaid managed care plans have continued to close the gap between Medicaid and commercial performance, including these key areas in preventive care, prenatal care, women's health, and care for people with chronic conditions.

Source: Quality Strategy for the New York State Medicaid Managed Care Program 2014. Prepared by The New York State Department of Health Office of Quality and Patient Safety Bureau of Performance Improvement and Patient Safety, July 14, 2014.

Access: Managed Care vs. Fee-for-Service California Program for Seniors and Persons with Disabilities

Beneficiaries of Medicaid managed care (MMC) were asked to rate retrospectively their access to various services compared to when they were in fee-for-service (FFS).

	Access to ...		
	Primary Care	Prescription Drugs	Disability Services
Better in MMC	43.0%	39.1%	32.2%
Same in MMC and FFS	44.3%	46.9%	55.2%
Worse in MMC	13.1%	14.0%	12.6%

Source: Graham, Carrie L., Kurtovich, Elaine, Ivey, Susan L., and Neuhauser, Linda. Fee-for-Service and Managed Care for Seniors and People with Disabilities on Medicaid: Implications for the Managed Care Mandate in California. Fee for service and managed care Medicaid for SPD beneficiaries. *Journal of Health Care for the Poor and Underserved*, The Johns Hopkins University Press, Volume 22, Number 4, November 2011

CMS Oversight: Establishing Managed Care Capitation Rates Federal Regulation (effective August 2003)

- 42 CFR 438.6(c) requires managed care capitation rates to be actuarially sound, according to the following criteria:
 - The capitation rates have been developed in accordance with generally accepted actuarial principles and practices
 - The capitation rates are appropriate for the populations to be covered, and the services to be furnished under the contract
 - The capitation rates have been certified, as meeting the requirements of this paragraph, by actuaries who meet the Qualification Standards established by the American Academy of Actuaries and follow the practice standards established by the Actuarial Standard Board

Source: <http://www.actuarialstandardsboard.org/asops/medicaid-managed-care-capitation-rate-development-and-certification/>

Actuarial Requirements

Actuarial Standard of Practice (ASOP) No. 49

Medicaid Managed Care Capitation Rate Development and Certification

Definitions, Section 2.1 Actuarially Sound / Actuarial Soundness

Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, ***projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs***. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, ***costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes***.

{bold and italics added for emphasis}

Source: <http://www.actuarialstandardsboard.org/asops/medicaid-managed-care-capitation-rate-development-and-certification/>

Fiscal Impact: Establishing Managed Care Capitation Rates

Actuarial Standard of Practice (ASOP) No. 49

Medicaid Managed Care Capitation Rate Development and Certification

Section 3.2.10 Managed Care Adjustments

The actuary may apply managed care adjustments based on the assumption that the program will move from the level of managed care underlying the base data to a different level of managed care during the rating period. ***The adjustments may be to utilization, unit cost, or both, and the impact of the adjustments may be either an increase or a decrease to the base data.*** If managed care adjustments are included, the changes reflected in the adjustments should be attainable in the rating period, in the actuary's professional judgment.

The actuary should consider the following when reviewing the need for and developing the managed care adjustments:

- a. state contractual and operational requirements, and relevant laws and regulations;
- b. current characteristics of the provider markets; and
- c. the maturity level of the managed Medicaid program.

{bold and italics added for emphasis}

Source: <http://www.actuarialstandardsboard.org/asops/medicaid-managed-care-capitation-rate-development-and-certification/>

Fiscal Impact : IHQHI State Fiscal Impact Analysis State Share (in millions)

	Milliman Estimates		DHS SFY 2017
	SFY 2016	SFY 2017	Estimate
Net Capitation v. FFSE	\$25.7	\$93.5	\$120.9 ⁽¹⁾
Case Rate Timing Adjustment	5.3	(2.6)	(2.6)
Current HMO Administrative Cost			
• Iowa Plan and Voluntary HMO	10.5	20.3	20.3
Pharmacy Rebate Impact	0.0	(9.0)	(9.0)
Incentive Payment	0.0	(19.2)	(18.6)
Estimated Fiscal Impact	\$41.5	\$83.0	\$111.0

Note: (1) Consistent with Joint Forecasting Group and Governor's budget recommendation, which reflects a higher fee-for-service trend than the Milliman projection and lower member months.

Limitations

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The services provided for this project were performed under the contract between Milliman and IDHS dated July 17, 2014 and amended January 26, 2015.

Qualifications:

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this report.