

Managed Long Term Care Risk Adjusted Payment Methodology

Original:

Albany Meeting: October 7, 2009

Revised and Updated:

Conference Call: December 23, 2009

Revised and Updated:

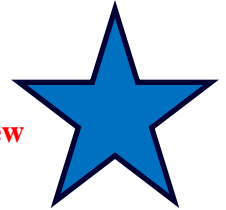
Conference Call: March 16, 2010



Patrick Roohan, Director
Division of Quality and Evaluation
Office of Health Insurance Programs

Today's Conference Call

Star Indicates New
or Updated Slide



- Follow Up to the October 7th Meeting in Albany & the December 23, 2009 Conference Call
- Summary of Updates to the Risk Rate Development Methodology
 - **“New York State Medicaid Managed Long Term Care Risk Adjusted Rates: Summary of Methods for April 1, 2010 Implementation (March 2010)”**
 - Reference Manual pages and tables appear in the lower left of applicable slides for additional reference
- Overview of Calculation of April 2010 Risk Rates
- Question and Answers



Medicaid Rate Reform Time Table

- ❑ Mainstream Medicaid Managed Care Risk Adjusted Premium Rates (2007)
- ❑ Ambulatory Care (2008)
 - ❑ Hospital Clinics, Free Standing Clinics, Physicians
 - ❑ Emergency Department
 - ❑ Ambulatory Surgery
- ❑ Hospital Inpatient (2009)
- ❑ Nursing Home (2009)
- ❑ Partial MLTC and PACE (2010)
- ❑ Home Healthcare (2010) (Proposed)



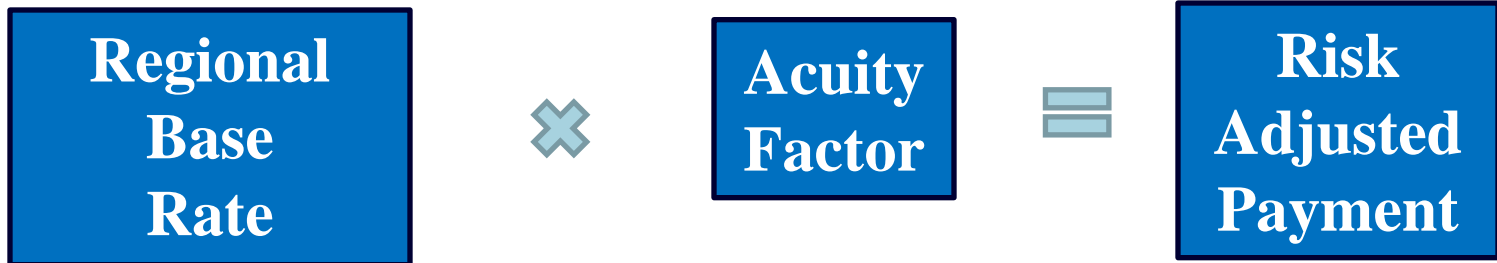
Medicaid Rates Should:

- ❑ Be transparent
- ❑ Buy value – high-quality, cost-effective care
- ❑ Encourage care in the right setting
- ❑ Reinforce health planning and policy priorities
- ❑ Be updated periodically
- ❑ Pay for Medicaid patients
- ❑ Comply with federal Medicaid rules
- ❑ Be consistent with state budget constraints

MLTC Risk Rate Development

- Developed for:
 - Partial MLTC
 - Program of All Inclusive Care for the Elderly (PACE)
- Section 4403-f(8) of PHL: *“payment rates shall be risk adjusted to take into account the characteristics of the enrollees, or proposed enrollees, including but not limited to: frailty, disability level, health and functional status...”*
- Four Year Blended Phase In

New MLTC Risk Rate Methodology



The acuity factor is applied to the long term care service and care management components of the premium rate.

Similar payment design for other NYS Rate Reform Initiatives

Data Sources Used for Risk Assessment

Enrollment/Eligibility

- Identify Eligible Recipients
- Member Month Calculations
- Health Plan Assignments
- Socio-demographic data

Encounter Data

- Calendar Year 2008 received thru September 2009
- Identification of MLTC Services
- Costs of Covered MLTC Services

MMCOR

- Medicaid Reported Costs
- Evaluate Sufficiency and Completeness of Encounter Data
- Reported Member Months for Regional Risk Scores

SAAM

- Regression Model Predictors
- Development of MLTC Cost Index



Time Periods

- CY2008 eligibility, assessments, services and costs were used for regression model and payment weight development.
- July 1, 2008 through June 30, 2009 eligibility and assessments were used in development of risk scores applied to SFY 2010-2011 premium rates.
- An enrollee's most recent SAAM assessment was used in calculating health plan risk scores.

Summary of Steps



1. Identify MLTC Services & Costs
2. Shadow Price Cost Data
3. Validate Cost Data
4. Risk Adjustment Model Development*
5. Creation of MLTC Cost Index*
6. Cost Index Groupings*
7. Cost Weight Development*
8. Risk Score Calculations ('Acuity Factor')
9. Application of Acuity Factor to Base Rates
10. Monitor Acuity on Semi-Annual Basis

***Updates
Applied**



Encounter Data

- ❑ Encounter data files were extracted for the CY 2008 risk assignment period after allowing for a 8 ½ month run out.
- ❑ To be included in the extraction, plans had to submit their data by September 17, 2009.
- ❑ Risk assessment was restricted to costs associated with MLTC categories of service.
- ❑ Acute care (PACE only) services were excluded.

Included Encounter Services and Costs

- Home Health Care
- Personal Care
- Nursing Facility Care
- Other MLTC Services:
 - Adult Day Health Care
 - Audiology
 - Dental
 - Durable Medical Equipment
 - Home Delivered & Congregate Meals
 - Outpatient Physical Rehab/Therapy
 - Personal Emergency Response Services (PERS)
 - Podiatry
 - Social and Environmental Supports
 - Social Day Care
 - Transportation
 - Vision Care (including Eyeglasses)



Excluded Services (PACE Only)

- ❑ Inpatient
- ❑ Primary Care
- ❑ Specialty Care
- ❑ Diagnostic, Testing, Lab & X-Ray
- ❑ Emergency Room Visits
- ❑ Ambulatory Surgery
- ❑ Outpatient Mental Health



Shadow Pricing

- Shadow pricing accounts for instances when the submitted paid amount is zero or unexpectedly low
- Shadow pricing methods employed varied by the categories of MLTC services:
 - Nursing Facility
 - Home Health Care / Personal Care
 - Other Managed Long Term Care

Shadow Pricing: HHC/PC/Other MLTC

- For Home Health Care, Personal Care and Other MLTC Services:
 - Low Cost Trim Points were applied (<25th percentile brought to 25th percentile)
 - No upper trim limit was applied
 - Encounters with zero paid amounts were ‘shadow’ priced with calculated means

Shadow Pricing: Nursing Facility

- ❑ Nursing facility services were priced using a standardized price per day
- ❑ Lower trim point of \$128 (25th Percentile)
- ❑ No upper trim applied
- ❑ Fee mean per day of \$212.01
- ❑ Total cost was derived by multiplying the per day fee mean by number of unique nursing facility days reported per enrollee.

Validate Encounter Data

- PMPM cost data comparisons between health plan submitted costs and MMCOR reported costs were conducted.
- Health plan results were then compared to determine which plans had sufficient reporting to be included in the development of the risk adjustment model and payment weight development.
- Plans with sufficient reporting were included in cost weight development
 - 11 health plans included
 - 6 health plans excluded



Validate Encounter Data

- ❑ Overall assessment of encounter data is that it is robust enough for risk adjusted rate setting
- ❑ Nursing Facility data is under-represented in encounter data
- ❑ PACE data is under-reported
- ❑ Some plan-specific issues with the units field



Risk Adjustment Model Development

- ❑ Developed on a sample of n=21,060 recipients enrolled in 11 MLTC plans during CY2008
- ❑ Outcome variable was PMPM MLTC costs
- ❑ Model predictors were derived from enrollee's most recent CY2008 SAAM data
- ❑ Included SAAM elements that were completed across sites of assessment
- ❑ Predictors with negative coefficients were removed

Risk Adjustment Model Development



- Subsequent to the December call with health plans, we received correspondence from a number of plans (and their representatives) suggesting additional potential predictor variables for model inclusion.
- After evaluating these suggestions, the model was further refined to enhance applicability to risk-based payment.
- Four additional predictors were added into the risk model.
- The refinement of model predictors improved the R-squared from 34.67% to **38.37%**.

Final 18 SAAM Predictors



ADLs

- Grooming
- Ability to Dress Upper Body
- Ability to Dress Lower Body
- Bathing
- Transferring
- Ambulation /Locomotion
- Feeding or Eating
- Toileting
- **Paralysis and Toileting**
- **Paralysis and Transferring**

Other

- Bowel Incontinence
- Urinary Incontinence
- Memory Deficit
- Verbal Disruption
- Wandering
- Ventilator Use
- Age in Years**
- Paralysis Diagnosis**

Paralysis



- Identified through SAAM Diagnosis Information
 - Primary Diagnosis (ML0230)
 - Other Diagnosis (ML0240)
- Paralysis identified through AHRQ Clinical Classification Software for ICD-9-CM
 - Paralysis codes and values appear on pp. 11-12 of the updated documentation manual

Predictor	N	% Of Recipients	Mean PMPM	SD PMPM	Correlation Coefficient	p-value
Paralysis: No	20,039	95.15	\$ 2,546.56	\$ 1,678.51	0.1543	<0.001
Paralysis: Yes	1,021	4.85	\$ 3,832.58	\$ 3,040.22		

Age Category (at Time of Assessment)



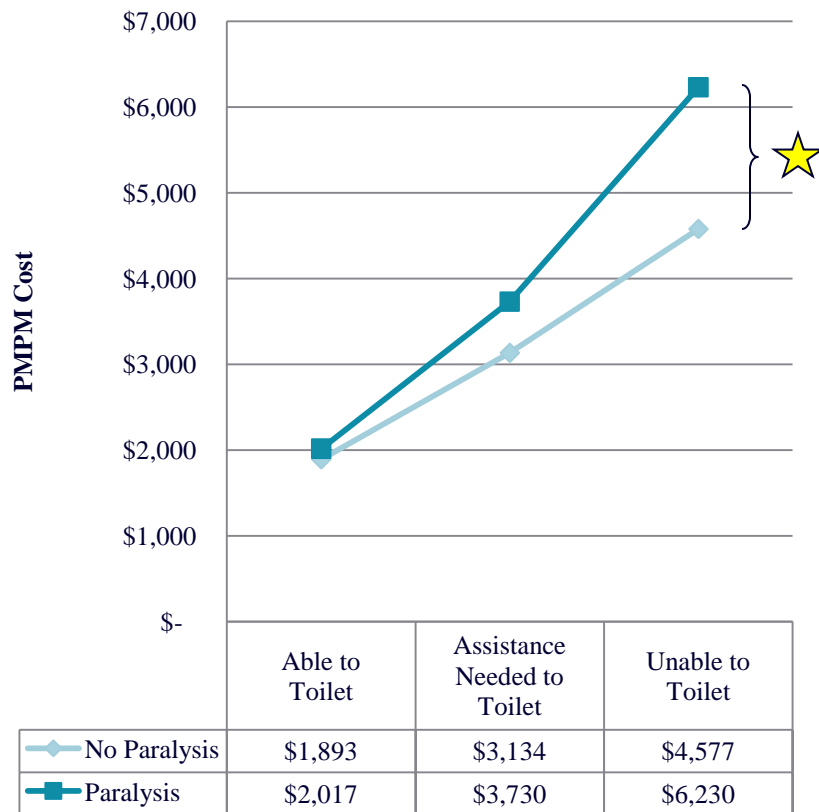
- Identified through SAAM assessment date and the enrollee's date of birth
 - Three categories:
 - 64 Years or Under
 - 65 to 79 Years
 - 80 Years and Over

Age Category	N	% Of Recipients	Mean PMPM	SD PMPM	Correlation Coefficient	p-value
64 Years or Under	3,150	14.96	\$ 2,417.86	\$ 2,256.64	0.1462	<0.001
65 to 79 Years	8,485	40.29	\$ 2,287.79	\$ 1,504.90		
80 Years and Over	9,425	44.75	\$ 2,961.86	\$ 1,786.43		

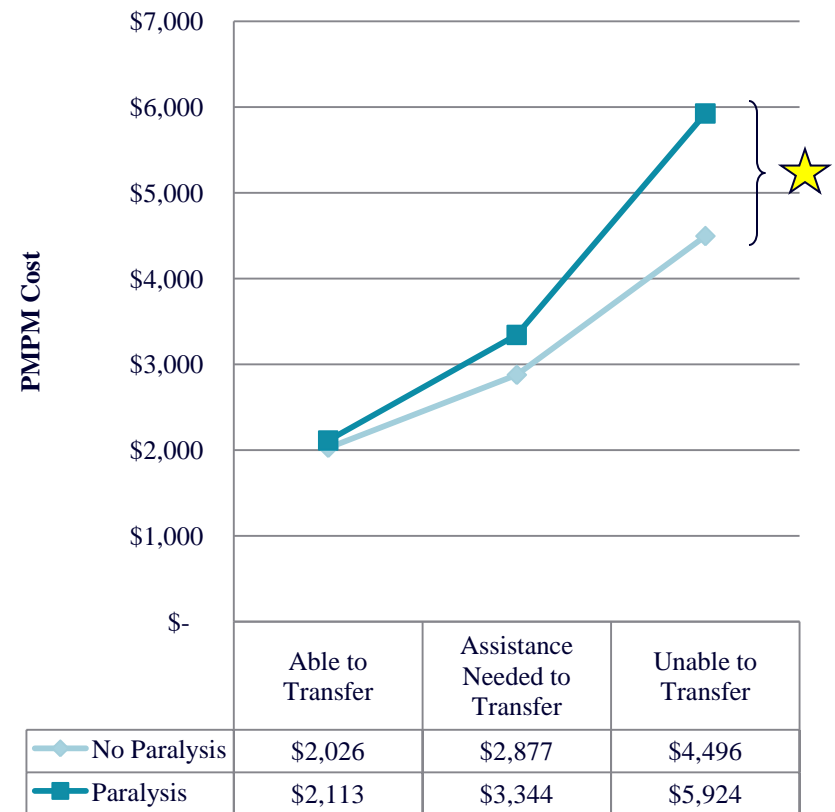
Interaction Variables



Interaction of Paralysis and Toileting



Interaction of Paralysis and Transferring



★ The differences in PMPM cost between recipients with or without paralysis are most pronounced at the highest level of toileting or transferring limitation.

Other Potential Predictors



- The following additional potential predictors were suggested by plans and analyzed for possible inclusion in the multivariate model:
 - Depression (Mood Disorder)
 - Gender
 - Medicare eligibility
 - Emergency Care (since last assessment)
 - Assessment at the Nursing Home
 - Hospitalizations (since last assessment)
 - Prognosis
 - Length of Time in Program

Excluded Potential Predictors



- **Depression (Mood Disorders), Gender, Medicare Eligibility**
 - When controlling for other predictors, not significantly associated with cost ($p < 0.001$ level)
- **Prognosis**
 - Negative association with costs
 - Subjective and not easily verifiable
- **Assessment in Nursing Home, Hospitalizations and Emergency Care**
 - Related to prior health care utilization
 - Significant amount of missing or incomplete SAAM data
 - Negative association with costs (Emergency Care)

Other Potential Predictors



□ **Length of Time in Program**

- The department and Mercer will continue to review this potential predictor for subsequent year model development
- Negative bias toward new plans entering program
- Further analysis needed on the interaction of increased cost with disease progression and functional status decline

Creation of MLTC Cost Index



- A categorical approach of risk adjustment was developed using regression coefficients as the basis for scoring the **18** SAAM predictors
- Regression coefficients were rounded to the 100th unit (e.g., $409.03 / 100 = 4$)
- The scores associated with each predictor was summed to calculate the Cost Index score by recipient
- Possible index values range from 0 to **85**

MLTC Cost Index Response Options

Each predictor is assigned the response option 'score'.

'Scores' are then added together to produce an enrollee's Cost Index (0-85).

Predictors	Regression Coefficients	Response Option for Cost Index Calculation
Age at Time of Assessment: 65-79 Years	57.10	1
Age at Time of Assessment: 80+ Years	274.89	3
Paralysis	108.53	1
Ventilator: Continually or At Night	1,413.95	14
Verbal Disruption	337.43	3
Wandering	296.98	3
Memory Deficit	172.60	2
Urinary Incontinence: Level 1	91.45	1
Urinary Incontinence: Level 2	510.59	5
Bowel Incontinence: Level 1	166.52	2
Bowel Incontinence: Level 2	226.17	2
Grooming: Assistance Needed	123.70	1
Ability to Dress Upper Body: Assistance Needed	339.37	3
Ability to Dress Lower Body: Assistance Needed	157.10	2
Bathing: Assistance Needed	452.34	5
Bathing: Unable	786.27	8
Toileting: Assistance Needed	419.78	4
Toileting: Unable	673.33	7
Transferring: Assistance Needed	164.27	2
Transferring: Unable	559.64	6
Ambulation / Locomotion: Assistance Needed	303.73	3
Ambulation / Locomotion: Unable	314.49	3
Feeding or Eating: Assistance Needed	409.03	4
Feeding or Eating: Unable	543.45	5
Paralysis and Toileting: Assistance Needed	87.02	1
Paralysis and Toileting: Unable	901.08	9
Paralysis and Transferring: Assistance Needed	176.08	2
Paralysis and Transferring: Unable	843.86	8



Categorization of MLTC Cost Index



- The Cost Index was then categorized and combined into **21** mutually exclusive groupings based on monotonicity of MLTC costs and sufficient sample size in each grouping
- Cost weights for each grouping were then calculated

Cost Weight Development

- To compute the cost weights, each enrollee's Long Term Care Cost Index Group assignment is combined with eligibility information and encounter data costs
- Average costs (PMPM), for each Long Term Care Cost Index Group is then calculated
- The weight for each Long Term Care Index Group is simply the specific category average cost, divided by the overall average cost
- In computing the averages, a member's experience was weighted by their CY2008 months of eligibility

Cost Weight Development



Enrollee member months within each score are summed.

The sum of the member months are multiplied by the associated cost weight, producing weighted member months.

$CMI = \frac{\text{Sum of weighted member months}}{\text{Sum of member months}}$

Long Term Care Cost Index Group	Cost Weight	Number of Enrollees	% of Enrollees	Member Months	% of Member Months
00-04	0.3885	655	3.1%	7,006	3.1%
05-06	0.4979	734	3.5%	7,762	3.4%
07-09	0.5603	1,702	8.1%	17,614	7.8%
10-11	0.6236	1,600	7.6%	16,746	7.4%
12-12	0.6733	1,274	6.0%	13,857	6.1%
13-13	0.7207	903	4.3%	9,731	4.3%
14-14	0.7495	1,004	4.8%	10,799	4.8%
15-15	0.7850	1,047	5.0%	11,267	5.0%
16-16	0.8486	895	4.2%	9,657	4.3%
17-17	0.8814	886	4.2%	9,598	4.3%
18-18	0.9304	862	4.1%	9,310	4.1%
19-20	0.9719	1,358	6.4%	14,781	6.6%
21-21	1.0217	611	2.9%	6,586	2.9%
22-22	1.0735	582	2.8%	6,329	2.8%
23-24	1.1434	1,113	5.3%	12,047	5.3%
25-27	1.2456	1,359	6.5%	14,640	6.5%
28-30	1.3830	1,124	5.3%	11,855	5.3%
31-34	1.5350	915	4.3%	9,805	4.3%
35-37	1.6080	539	2.6%	5,793	2.6%
38-43	1.7946	1,315	6.2%	14,012	6.2%
44-85	2.2402	582	2.8%	6,364	2.8%
		21,060	100%	225,559	100%

Risk Score Calculations

- **Recipient Risk Scores**
 - Most recent SAAM assessment used for Cost Index calculation
 - Cost Weight associated with Cost Index Group
- **Raw Plan Risk Scores**
 - Enrollees aggregated for each health plan and region combination
 - Weighted by months of enrollment July 1, 2008 thru June 30, 2009, for each health plan and region combination
- **Regional Average Risk Score**
 - Weighted the Raw Plan Risk Scores for each health plan in each region by their 2nd quarter 2009 MMCOR member months
 - Calculated separately for PACE and Partial MLTC by NYC Area or Upstate
- **Relative Risk Score**

Relative Risk Scores

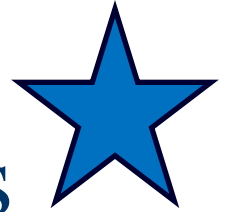
	Health Plan A	Health Plan B
Plan Raw Risk Score	1.50	0.90
Regional Average	1.20	1.20
Relative Risk Score	1.25	0.75

A plan's relative risk score will be computed by dividing their raw risk score by a regional risk score.

Health plans entering the program for SFY 2010-2011 will receive a relative risk score of 1.0 for the region (s) they are certified to enroll members.

PACE

Raw/Regional/Relative Risk Scores

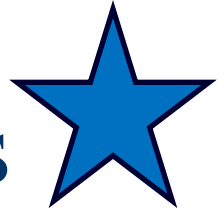


Health Plan Name	Region	Raw	Regional	Relative
Archcare Senior Life	NYC			1.0000
Comprehensive Care Management	NYC	0.9114	0.9114	1.0000
CHS Buffalo	ROS			1.0000
Complete Senior Care	ROS			1.0000
Eddy Senior Care	ROS	1.0635	1.0722	0.9919
Independent Living for Seniors	ROS	1.1542	1.0722	1.0765
PACE CNY	ROS	1.0190	1.0722	0.9504
Total Senior Care	ROS	0.8480	1.0722	1.0000

Plans entering the program and/or plans with fewer than 600 annualized member months in a region receive a relative score of 1.000.

Partial MLTC

Raw/Regional/Relative Risk Scores



Plan	Region	Raw	Regional	Relative
Amerigroup Comm Connections	NYC	0.8008	0.9921	0.8072
CCM Select	NYC	0.8839	0.9921	0.8909
GuildNet	NYC	1.0095	0.9921	1.0175
HHH Choice	NYC	0.8684	0.9921	0.8753
HomeFirst	NYC	1.0038	0.9921	1.0118
Independent Care Systems	NYC	1.0935	0.9921	1.1022
Senior Health Partners	NYC	0.7938	0.9921	0.8001
VNS Choice	NYC	1.0441	0.9921	1.0524
WellCare Advocate	NYC	0.7750	0.9921	0.7812
Elant Choice	ROS	1.0163	0.8570	1.1859
Fidelis Care At Home	ROS	0.8084	0.8570	0.9433
Senior Network Health	ROS	0.8200	0.8570	0.9568
Total Aging in Place	ROS	0.8860	0.8570	1.0338

Auditing Data / Data Completeness



- NYSDOH and IPRO have recently completed an audit of the SAAM data focusing on:
 - ADL/IADLs
 - Diagnosis/Prognosis/Surgeries
 - Living Arrangements
 - Sensory Status
 - Elimination Status
 - Neuro/Emotional/Behavioral Status
 - And other SAAM data elements
- **Final Report was released to health plans on January 22, 2010**
- Plans to periodically audit Managed Long Term Care health plan encounter data are in process
- Monitoring of SAAM data for accuracy

CY2009 Encounter Data



- MLTC Reporting Manual Updated and Released
- A series of encounter data reports have been developed and are available to health plans on a monthly basis
 - Statewide Service Category Completeness
 - Plan-Specific Procedure Code and Nursing Facility data completeness and accuracy of unit reporting
- Statewide reports are available on the MEDS II Home Page on the HPN

CY09 Encounter Data Reports



- Every month updated CY09 Encounter Data Service Category reports are prepared and posted to the HPN
- Example of Nursing Facility Report:

Plan Name	Plan Type	Paid		Events	Total Costs	PMPM Cost	Days	Per Day Cost
		Member	Months					
AMERIGROUP COMM CONNECTIONS	MLTC	6,713		86	\$ 129,156.44	\$ 19.24	931	\$ 138.73
CCM SELECT	MLTC	15,189		120	\$ 747,636.99	\$ 49.22	2,847	\$ 262.61
COMPREHENSIVE CARE MGMT	PACE	29,446		837	\$ 6,040,383.59	\$ 205.13	20,820	\$ 290.12
CO-OP CARE PLAN	MLTC	9,001		46	\$ 283,192.95	\$ 31.46	1,200	\$ 235.99
ELANT CHOICE	MLTC	1,640		172	\$ 889,756.01	\$ 542.53	5,228	\$ 170.19
FIDELIS CARE AT HOME	MLTC	3,254		188	\$ 546,139.97	\$ 167.84	3,621	\$ 150.83
GUILDNET	MLTC	77,200		1,142	\$ 2,785,351.85	\$ 36.08	16,505	\$ 168.76
HOMEFIRST	MLTC	38,748		123	\$ 694,271.79	\$ 17.92	2,972	\$ 233.60
INDEP CARE SYSTEMS INC	MLTC	16,510	-	-	-	-	-	-
INDEP LIVING FOR SENIORS	PACE	3,164		312	\$ 2,056,332.00	\$ 649.92	6,930	\$ 296.73
LORETTO HMO	PACE	4,292		336	\$ 1,656,611.88	\$ 385.98	8,649	\$ 191.54
SENIOR CARE CONNECTION	PACE	1,293		86	\$ 361,137.40	\$ 279.30	1,993	\$ 181.20
SENIOR HEALTH PARTNERS INC	MLTC	19,488		402	\$ 1,997,611.53	\$ 102.50	8,737	\$ 228.64
SENIOR NETWORK HEALTH	MLTC	4,449		208	\$ 710,211.74	\$ 159.63	4,906	\$ 144.76
TOTAL AGING IN PLACE	MLTC	1,725		89	\$ 499,697.74	\$ 289.68	2,331	\$ 214.37
VNS CHOICE	MLTC	86,623		3,938	\$ 19,871,417.01	\$ 229.40	86,788	\$ 228.97
WELLCARE PROVIDER	MLTC	3,462	-	-	-	-	-	-
CY09 Received Thru January 2010		322,367		8,085	\$ 39,268,908.89	\$ 121.81	174,458	\$ 225.09

Plan-Specific Encounter Reports



- Every month health plans will receive plan specific feedback reports on service line procedure code and unit reporting (CY2009 data).
- These reports should be used to correct deficiencies in reporting as soon as possible.
- Here is an example of a large plan that is incorrectly reporting Personal Care service units.

PROC CODE	PROC_DESC	LINES	PAID_AMT	PROC_UNITS	PD_PER_UNIT
G0156	HHCP-SVS OF AIDE EA 15 MIN	1,026,476	\$ 118,576,762.44	-	
T1019	PERSONAL CARE SER PER 15 MIN	401,762	\$ 46,761,200.83	3,555,802	\$ 13.15
S5120	CHORE SERVICES PER 15 MIN	2,433	\$ 165,430.52	9,678	\$ 17.09
T1020	PERSONAL CARE SER PER DIEM	258	\$ 25,669.49	1,482	\$ 17.32

Technical Workshop

- A face-to-face forum in Albany has been scheduled for Tuesday, April 13, 2010 to help health plans understand the data sources and methods behind MLTC risk score development.

Medicaid Managed Long Term Care Risk Adjusted Rate Development Technical Workshop

A face-to-face forum in Albany to understand the data sources and methods behind MLTC risk score development.

**Tuesday, April 13, 2010
11:00 A.M. – 3:30 P.M.
Empire State Plaza Concourse
Meeting Room #6**

Please join us in Albany on April 13th for a technical workshop designed to help health plans and other interested parties understand how SAAM assessments and encounter data are used to develop the acuity factor for risk adjustment.

Topics covered during this workshop will include:

- ❖ SAAM Assessment Reporting
- ❖ Revisions to the SAAM Delta Tool
- ❖ Audit Findings
- ❖ Encounter Data Service and Cost Reporting Guidelines
- ❖ Medicare Data Reporting
- ❖ Available Monthly Encounter Data Completeness Reports
- ❖ Validation and Data Completeness Strategies
- ❖ MLTC Risk Model and Cost Index Methodology
- ❖ Cost Weight, Raw and Relative Risk Score Calculations
- ❖ Pertinent Deadlines

☞ Lunch On Your Own ☞

Please complete the attached RSVP form and fax or email back to Susan Decker as soon as possible and no later than Friday, April 9th.

- ❖ Fax: 518-486-6098
- ❖ Email: sxd14@health.state.ny.us



New York State Department of Health
Office of Health Insurance Programs
Division of Quality and Evaluation

Corning Tower, Room 1938
Albany, New York 12237

Phone: 518-486-9012

Critical Dates



- CY 2009 service period encounter data used for SFY 2011-2010 risk rates (50% risk blend) will be extracted in **August 2010**.
- The risk rate extract will contain all encounter data received by the fiscal agent through **July 15, 2010**.
 - There are four submission cycles left before cut-off
- CY2009 encounter data service reports will be refreshed and made available to plans on a monthly basis leading up to the cut-off.
- Health plans should note and correct all deficiencies upon receipt of these monthly reports.



Development of Risk Adjusted 2010 Rates

For Partially Capitated MLTC and PACE Health Plans



Susan Barth

Assistant Director

Bureau of Managed Care Financing

Division of Managed Care

March 16, 2010



Summary of Draft Rate Development

- April 2010 draft premiums reflect Year 1 of the four-year phase-in of risk rates.
- 2010 premiums are a blend of 75% of 2009 rate, adjusted for phase-in of admin cap and trended to 2010 by 2.2%, plus 25% of the risk-adjusted rate.
- Draft premiums incorporate changes to relative risk scores based on industry comments subsequent to December 2009 conference call.

General Methodology for Risk Rates

- Under risk adjusted methodology, every plan within a region will receive the same PACE regional average premium or the same Partial Capitation regional average premium, adjusted by a plan-specific risk adjustment factor that accounts for differences in enrollee acuity.
- Premium Groups:
 - *Partial Capitation Plans*: The 18-64 and 65+ age group premium groups will be combined. Separate groups no longer needed because of risk adjusted rates.
 - *PACE Plans*: The dual eligibles and non-dual eligibles groups will continue to be used.

Composition of Regions

- The following four regions will be used to set regional average premiums:
 - Region 1: NYC; Nassau, Suffolk, Westchester counties
 - Region 2: Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster counties
 - Region 3: Albany, Erie, Fulton, Genesee, Madison, Monroe, Montgomery, Niagara, Onondaga, Orleans, Rensselaer, Saratoga, Schenectady, Warren, Washington, Wyoming counties
 - Region 4: Rest of state's counties

Base Risk Rate Methodology

- Premiums based on combined calendar years 2007 and 2008 MMCORs
- Base year data adjusted for following:
 - Trend to April 1, 2010 – March 31, 2011 (See next slide for the annual trend factors used)
 - Reduction for Healthcare Recruitment & Retention
 - Adjustment for IBNR over accruals. The adjustments ranged from -0.46% to -0.97% of reported medical expenses.

Base Risk Rate Methodology - Continued

- The following annual trend factors were used:

Annual Trends	NYC Region			Upstate Region		
<i>Type of Services</i>	<i>Partial Capitation</i>	<i>55+ Non- Dually Eligible</i>	<i>55+ Dually Eligible</i>	<i>Partial Capitation</i>	<i>55+ Non- Dually Eligible</i>	<i>55+ Dually Eligible</i>
Long term care services	3.35%	3.49%	3.49%	4.11%	4.09%	4.09%
Acute care services (PACE only)		6.46%	6.27%		6.4%	6.13%

Base Risk Rate Methodology - Continued

- For PACE plans only, base costs also adjusted for:
 - Medicare surplus in excess of 3% of Medicare revenue
 - Medicare surplus adjusted for reduction in Medicare rate due to phase-in of new frailty factors
 - Medicare co-pays, co-insurance and deductibles for those years when plans incurred a loss on Medicare. Adjustment based on Medicare's FFS actuarially equivalent cost sharing percentages from the CMS bid
 - HCRA adjustment for change in surcharge

Base Risk Rate Methodology - Continued

- Regional average medical and care management base price calculated as follows:
- For Region 1: All plans' medical and care management costs in region aggregated to determine regional average PMPM cost for PACE and regional average cost for Partial Capitation plans.

Base Risk Rate Methodology - Continued

- For Regions 2-4:
 1. Combined medical and care management costs of plans in these 3 regions into one overall regional average. (PACE and Partial cap calculated separately)
 2. Geographic factors for each region used to adjust for differences in cost between regions 2, 3, and 4 relative to the aggregate average for these three regions
 3. Geographic factors developed by Mercer based on relativities of fee-for-service costs for long term care services:

□ Region 2:	PACE: 1.115	Partial Cap:	1.312
□ Region 3:	PACE: 1.000	Partial Cap:	0.989
□ Region 4:	PACE: 0.885	Partial Cap:	0.706
□ Total	PACE: 1.000	Partial Cap:	1.000

Base Risk Rate Methodology - Continued

- Medical and care management components of rate adjusted for plan's risk score derived from its latest SAAM data (Jan-June 2009).
- Medical Categories of Service to be Risk-Adjusted:
 - Partial Capitation Plans:
 - All services in benefit package.
 - Full Capitation (PACE) Plans:
 - All categories of service in benefit package, EXCEPT:
 - Total Inpatient
 - Primary and Specialty Care
 - Diagnostic Test, Lab, X-ray
 - Emergency Room – Emergent
 - Ambulatory Surgery
 - Outpatient Mental Health

Base Risk Rate Methodology:

Continued

- Base average administrative cost calculated using the lower of plans' actual or capped administrative cost PMPM.

- When calculating the average, each plan's reported allowable administrative cost PMPM held to the PMPM caps listed below. Region 2-4's geographic factors were not applied to administrative costs.
 - \$265 for partially capitated plans and PACE dual eligibles.
 - \$419 for PACE non-dual eligibles.

- Rates include a 3% surplus

- Spenddown/NAMI adjustment is made on a plan-specific basis

Phase-in of Risk Rates

- A 4-year phase-in of risk rates will be used.
- Risk rates will be phased in over a 4-year period using a blending of the plans' current rates with the risk rates. The phase-in schedule is as follows:

Phase-in of Risk Rates (Continued)

- Phase-in schedule:
 - Year 1 (2010-2011): 75% of 2009 rate, adjusted for phase-in of administrative cap and trended to 2010 by 2.2% / 25% risk rate.
 - Year 2 (2011-2012): 50% of 2009 rate, adjusted for phase-in of administrative cap and trended to 2011 / 50% risk rate.
 - Year 3 (2012-2013): 25% of 2009 rate, adjusted for phase-in of administrative cap and trended to 2012 / 75% risk rate.
 - Year 4 (2013-2014): 0% current rate / 100% risk rate.

Sample Rate Calculation Schedule

SCHEDULE A

Summary of Current Rates and Proposed Rates Plan A (Partial Capitation Plan) Region 1

Line #		18-64	65+	Weighted Average (see note 1)
1	Current 4/1/09 – 3/31/10 Rate	\$3,794.14	\$3,597.88	\$3,627.04
2	4/1/10 Rate with \$265/\$419 admin cap and no risk adjustment (see note 2)	\$3,775.69	\$3,583.85	\$3,612.36
3	% Change from Current Rate (Line 1 to Line 2)	(0.5%)	(0.4%)	(0.4%)
4	4/1/10 Risk Adjusted Rate – 75% Current and 25% Risk	\$3,724.70	\$3,724.70	\$3,724.70
5	% Change from 4/1/10 rate with \$265/%419 admin cap (Line 2 to Line 4)	(1.4%)	3.9%	3.1%
6	% Change in Overall Rate (Line 1 to Line 4)	(1.8%)	3.5%	2.7%

Notes:

- 1) Premiums weighted by 2Q 2009 member months.
- 2) This rate shows just the implementation of the phase-in of the administrative cap to \$265 for partial capitation plans.

Sample Rate Calculation Table (Continued)

SCHEDULE A

Summary of Current Rates and Proposed Rates

Plan A (PACE Plan) Region 1

Line #		55+ Non-Dually Eligible	55+ Dually Eligible	Weighted Average (see note 1)
1	Current 4/1/09 – 3/31/10 Rate	\$6,493.39	\$3,634.35	\$4,142.17
2	4/1/10 Rate with \$265/\$419 admin cap and no risk adjustment (see note 2)	\$6,493.39	\$3,634.35	\$4,142.17
3	% Change from Current Rate (Line 1 to Line 2)	0.0%	0.0%	0.0%
4	4/1/10 Risk Adjusted Rate – 75% Current and 25% Risk	\$6,772.20	\$3,837.80	\$4,359.01
5	% Change from 4/1/10 rate with \$265/%419 admin cap (Line 2 to Line 4)	4.3%	5.6%	5.2%
6	% Change in Overall Rate (Line 1 to Line 4)	4.3%	5.6%	5.2%

Notes:

- 1) Premiums weighted by 2Q 2009 member months.
- 2) This rate shows just the implementation of the phase-in of the administrative cap to \$265 for dual-eligible PACE rates and \$419 for non dual-eligible PACE rates.

Sample Rate Calculation Table (Continued)

SCHEDULE B
Calculation of Proposed Risk Rates for April 2010 – March 2011
Plan A
Region 1

Line #		Partial Capitation	55+ Non-Dually Eligible	55+ Dually Eligible
1	Regional 07/08 Combined Longterm Care services PMPM	\$2,885.92	\$3,550.90	\$3,412.07
2	Regional 07/08 Combined Care Management services PMPM	\$309.50	\$443.69	\$280.74
3	33 Month Trend Factor	9.48%	9.89%	9.89%
4	Regional 07/08 Base PMPM Trended (sum of lines 1 to 2 increased by line 3)	\$3,498.35	\$4,389.65	\$4,058.03
5	Geographic Factor	1.000	1.000	1.000
6	Base Rate PMPM Adjusted for Geographic Factor (line 4 * line 5)	\$3,498.35	\$4,389.65	\$4,058.03
7	Plan Risk Score	1.000	1.000	1.000
8	Risk-adjusted Base Rate PMPM before Admin (line 6* line 7)	\$3,498.35	\$4,389.65	\$4,058.03
9	Administrative Services PMPM (subject to cap of \$419/\$265)	\$265.00	\$419.00	\$265.00
10	Risk-adjusted Risk Rate PMPM (sum of lines 8 to 9)	\$3,763.35	\$4,808.65	\$4,323.03

Sample Rate Calculation Table (Continued)

SCHEDULE B
Calculation of Proposed Risk Rates for April 2010 – March 2011
Plan A
Region 1

Line #		Partial Capitation	55+ Non-Dually Eligible	55+ Dually Eligible
11	07/08 Combined Acute Care services adjusted by geographic factor (line 5) Trended to 4/1/40 for PACE plans only	N/A	\$2,204.18	\$88.31
12	HCRA add-on for change in surcharge from 6.54% to 7.04% adjusted by geographic factor (line 5) for PACE plans only	N/A	\$5.23	N/A
13	3% Surplus	\$116.39	\$217.05	\$136.43
14	Reduction for Medicare Savings adjusted by geographic factor (line 5) after and allowed 3% surplus for PACE plans only	N/A	N/A	(\$284.48)
15	Spenddown/NAMI	(\$56.43)	(\$55.03)	(\$55.03)
16	Subtotal Risk Adjusted Rate before for-profit tax (sum of lines 10 to 15)	\$3,823.31	\$7,180.08	\$4,208.26
17	For-Profit MTA Surcharge 17% for MCTD (0.2975%) (if applicable)	\$0.00	\$0.00	\$0.00
18	For-Profit HMO Tax 1.75% (if applicable)	\$0.00	\$0.00	\$0.00
19	Final Risk Adjusted Rates PMPM (sum of lines 16 to 18)	\$3,823.31	\$7,180.08	\$4,208.26
20	Trended Current 4/1/10 Rates with \$265 admin cap (see Schedule C)	\$3,691.83	\$6,636.24	\$3,714.31
21	Blended Rate – 75% Current (from line 20) and 25% Risk (from line 19)	\$3,724.70	\$6,772.20	\$3,837.80

Sample Rate Calculation Table (Continued)

SCHEDULE C
Calculation of Current Rate Component of the Blended Risk Rate effective April 2010 – March 2011
Plan A - Region 1

Original Region	(A) Current 4/1/09 Rate (without HR&R)		(B) 2010 Admin Cap Adjustment - \$265 for partials	
	18-64	65+	18-64	65+
NYC	\$3,794.14	\$3,597.88	(\$18.45)	(\$14.03)

Original Region	(C) 2010/11 Current Rate Portion with admin cap adjustment		(D) Proposed 2010/11 Annual Trend Factor	
	18-64	65+	18-64	65+
NYC	\$3,775.69	\$3,583.85	2.20%	2.20%

Original Region	(E) Current 2009/10 Rates trended to 2010/11		(F) 2010 Projected Member Months	
	18-64	65+	18-64	65+
NYC	\$3,858.78	\$3,662.70	19,571	112,140

(G) Weighted Average Rate	\$3,691.83	\$3,691.83	19,571	112,140
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Frequency of Rate Risk Adjustments

- Plan-specific relative risk scores will be adjusted annually based on the feedback we have received from the plans.
- Semi-annual risk scores will be provided to plans for informational purposes.

Subsequent Rate Years Risk Rates

- MMCOR data used to establish risk rates are expected to be updated each year, incorporating the most current annual MMCOR.

- It is critical that plans submit accurate and timely MMCORs.
 - DOH will continue to monitor reporting and may do targeted reviews of certain plans on specific reporting issues. This may result in more Statements of Deficiencies for accuracy of the MMCORs.

Questions

- Questions regarding the risk rate methodology can be submitted via e-mail to:

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