

Development of Risk Adjusted 2013 Rates

For Partially Capitated MLTC and PACE Health Plans



Division of Finance and Medicaid Rate Setting

February 11, 2014

Summary of Rate Development for SFY 2013-14

- April 2013 premiums reflect the final year of the four-year phase-in of risk rates
- Admin remains at \$231pmpm; surplus remains at 3%.
 - Amounts will be adjusted for quality pool at a later point in time
- Premiums support wage parity
- 2013 premiums are 100% risk-adjusted
- April 2013 premiums reflect plan relative risk scores based on assessment data through December 2012



Breakdown of Statewide Premium Change

- On a statewide basis, the following is the impact of Medicaid premiums from SFY 2012-13 to SFY 2013-14:
 - Net Change in Premiums: 0.3%
 - Admin Caps 0.0%
 - Methodology -0.4%
 - Wage Parity 0.7%

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.
- “Existing” Enrollee Premium Groups:
 - *Partial Capitation Plans*: The 18+ premium group continues to apply.
 - *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 2010 and 2011 MMCORs
- Base year data adjusted for following:
 - Trend to April 1, 2013 – March 31, 2014 (See next 2 slides for the annual trend factors used)
 - Reduction for Healthcare Recruitment & Retention to reflect projected award
 - Adjustment for IBNR over accruals. The adjustments ranged from -1.40% to -1.99% of reported medical expenses.
 - Wage Parity effective March 1, 2014 through March 31, 2014

Base Risk Rate Methodology - Continued

- The following annual trend factors were used:

	NYC Region								
<i>Type of Services</i>	<i>Partial Capitation</i>			<i>55+ Non-Dually Eligible</i>			<i>55+ Dually Eligible</i>		
	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>
Long term care services	2.53%	3.03%	3.53%	2.42%	2.92%	3.42%	2.56%	3.06%	3.56%
Acute care services (PACE only)				4.19%	4.69%	5.19%	4.47%	4.97%	5.47%

Base Risk Rate Methodology - Continued

- The following annual trend factors were used:

	Upstate Region								
<i>Type of Services</i>	<i>Partial Capitation</i>			<i>55+ Non-Dually Eligible</i>			<i>55+ Dually Eligible</i>		
	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>	<i>Lower Bound</i>	<i>Midpoint</i>	<i>Upper Bound</i>
Long term care services	3.28%	4.04%	4.79%	3.15%	3.90%	4.65%	3.13%	3.88%	4.63%
Acute care services (PACE only)				5.14%	5.89%	6.64%	5.41%	6.16%	6.91%

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 no longer applied since full base period of 2010/2011 reflects 7.04% effective 4/1/09



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:	1.284
□ 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 (thru Dec 2012).
- 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.
 - \$231 for partially capitated plans and PACE dual eligibles.
 - \$366 for PACE non-dual eligibles.
- Rates include a 3% surplus
- Spenddown/NAMI adjustment is made on a plan-specific basis



Spenddown and NAMI

- ❑ Spenddown and NAMI revenue from 2011 Cost Report
- ❑ Total plan members months from 2011 Cost Report
- ❑ Revenue/Member Months equals plan specific spenddown/NAMI
- ❑ New plans in NYC receive NYC region average plans new to Regions 2, 3 and 4 receive upstate region average



Reinvestment: Network Incentive Payment (NIP)

- Establish a network incentive payment (NIP) to maintain and encourage plan participation in “vulnerable” counties essential to the Department’s Managed Care for All MRT initiative
- The program infuses funds to regions (Mid Hudson/Northern Metro, Northeast/Western, Rest of State) where counties were deemed “vulnerable“
- Funds within a region are distributed to plans based on their percentage of member months to the region
- April 1, 2013 rates include 1.4% increase to upstate rates from traditional midpoint of rate range, approximately \$2.7 million

Wage Parity

	<u>Partial</u>	<u>PACE NDE</u>	<u>PACE DE</u>
Base PMPM	\$2,886.09	\$4,010.67	\$3,667.17
Care Management	\$ 264.57	\$ 428.50	\$ 275.06
Trend	8.56%	8.24%	8.64%
Regional Base PMPM Trended	\$3,420.36	\$4,804.96	\$4,282.84
<u>Wage Parity Adjustment</u>			
Base PMPM	\$2,886.09	\$4,010.67	\$3,667.17
Base Wage Parity Adjustment	\$ 26.70	\$ 26.70	\$ 26.70
Base with Wage Parity	\$2,912.79	\$4,037.37	\$3,693.87
Care Management	\$ 264.57	\$ 428.50	\$ 275.06
Trend	8.56%	8.24%	8.64%
Regional Base with Wage Parity PMPM Trended	\$3,449.34	\$4,832.70	\$4,310.68
Total Wage Parity adjustment	\$ 28.98	\$ 27.74	\$ 27.84

Wage Parity

- Transition policy- for one year, plans pay LHCSAs the total average hourly cost (prevailing wage, taxes, workers comp, OT, etc.) plus administration costs
 - NYC - \$19.64
- \$20 million added to Quality Pool effective 4/1/14 to provide plans with additional resources for transition to wage parity.
 - Reprograms \$20M in VAP funds for LHCSAs on 14-15 scorecard; no impact to Global Cap
- 4/1/14 existing and mandatory rates will fully accommodate wage parity costs

Questions

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

James DeMatteo - jmd21@health.state.ny.us

Dan Carmody - dpc02@health.state.ny.us

Risk Scores:

Denise Blank - denise.blank@mercer.com

Olga Olsen - olga.olsen@mercer.com