

# JULY 2015 – JUNE 2016 RATE DEVELOPMENT FOR HEALTH AND RECOVERY PLANS – REST OF STATE (HARP ROS)

## STATE OF NEW YORK

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# Agenda

- Overview of Data Book
- Overview of Rate Development
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  - Program Changes
  - Stop-Loss Adjustments
  - Trend
  - Managed Care Adjustments
  - Non-Medical Expenses
  - Draft HARP ROS Premiums
- Additional Adjustments for Final July 1, 2015 Premiums
- Questions

# Overview of Data Book

- As discussed at the April plan meeting, the Data Book summarizes demographic, cost and utilization data for adults ages 21 and over
- The Data Book includes explanations of the following:
  - Source data
  - Covered populations
  - Covered services
  - Adjustments to raw data
- The Data Book contains data for the population identified as meeting the HARP criteria, as well as the Behavioral Health (BH) carve-In data applicable to other adults

# Overview of Rate Development

## Adjusted Base Data Development

- The base data for the HARP premium was developed based on the historical experience summarized in the Data Book
- Additional adjustments that were necessary to arrive at an appropriate base data include:
  - Removal of Targeted Case Management and Health Home costs \*
  - Adjustments for program changes that occurred during the base period:
    - Changes in Outpatient Mental Health service fee schedules
    - Benefit limits introduced by Medicaid Redesign Team initiatives
  - Smoothing of anomalies related to utilization during and after Superstorm Sandy (Long Island and Northern Metro regions)
  - Blending of the two years of data to smooth anomalies and enhance the overall credibility of the base data

*\* Note: Health Homes have been excluded from the draft rates as the State finalizes its arrangements for the payment and conditions of use for Health Homes.*

# Overview of Rate Development

## Program Changes

- The following program changes were made to recognize the impact of changes to benefits or eligibility that occurred, or will occur, after the base period:
  - Changes in the State's All Patient Refined-Diagnosis Related Group case payment fee schedule
  - Substance Use Disorder State Plan Amendment (SUD SPA)
  - Adjustment for benefits not historically covered by health plans for Family Health Plus (FHP) enrollees that will be covered in the HARP benefit package
- Program change adjustment was also developed for the Pharmacy benefit, which is covered in more detail on the following slides

## Overview of Rate Development Program Changes, cont.

- Due to the carve-in of Pharmacy into the Medicaid Managed Care (MMC)/FHP benefit package in 2011, it was necessary to modify the rate development methodology for the Pharmacy component of the HARP premium
  - For HARP eligibles enrolled in MMC during calendar year (CY) 2012, fee-for-service (FFS) claims data from January 1, 2011 through September 30, 2011 were used to establish the base data
  - For HARP eligibles not enrolled in MMC during CY 2012, FFS claims from CY 2012 were used to establish the base data
- Consistent with the methodology used for MMC/FHP Pharmacy premium development, the following adjustments were applied to the FFS base data to develop HARP Pharmacy premium add-ons:
  - Re-pricing adjustments
  - Program changes
  - Trend
  - Supplemental/market share rebates

## Overview of Rate Development Program Changes, cont.

- In order to inform the selection of key assumptions in the development of Pharmacy premiums, Mercer relied on information from a variety of sources including:
  - Available health plan Pharmacy experience
  - Experience working with state Medicaid programs and commercial health plans that administer Pharmacy benefits
  - Published industry reports and projections

# Overview of Rate Development

## Program Changes, cont.

- Re-pricing adjustments
  - Dispensing fees were set based on analysis of the supplemental Pharmacy data request responses in conjunction with plan encounter data, consistent with the MMC methodology utilizing FFS data
  - Plan experience was reviewed in order to develop a set of discounts assumptions that is consistent and attainable

Pricing Metric	Best Estimate
Dispensing fee	\$1.25
Specialty discount	17.80%
Non-specialty brand discount	16.00%
Non-specialty generic discount	79.00%

- Program changes
  - Enteral formula - new benefit limit (-0.03% to -0.06% impact varying by region)



# Overview of Rate Development

## Program Changes, cont.

- Trend and Generic Dispensing Rates (GDRs)
  - Factors affecting trends in both the drug utilization and unit cost were analyzed for each major drug class
  - The best estimate trend for ROS is 5.7%
  - Health plan experience indicates that most plans have excelled in the area of generic substitution rates

Drug Class	Best Estimate GDR
Retail/non-specialty	78.4%
Protected Class	71.1%

- Supplemental/Market Share rebates:
  - The State expects HARP plans to negotiate competitive supplemental rebate agreements
  - Rebate assumption used was 2.0%

# Overview of Rate Development

## Stop-Loss Adjustments

- The draft ROS rates include adjustments for the proposed Stop-Loss programs:
  - Inpatient General: Reflects estimated recoveries , net of the current statewide reinsurance premium
  - Inpatient Psych: Reflects the estimated recoveries under the Year 1 policy
- The recoveries for both of the Stop-Loss policies include consideration for managed care savings adjustments that could impact the cost or lengths of stay for the applicable service groups
- The proposed policies and premiums are still under development and will be adjusted for the final rates

# Overview of Rate Development

## Trend

- To project the program change adjusted final base to the contract period, Mercer established medical trend factors, considering the following sources:
  - Historical trends by region and major category of service
  - Service category trends observed in other state Medicaid programs for similar populations
  - MMC program trends
  - Health care economic indices, such as the Consumer Price Index
- Trends in the draft rates are applied from the midpoint of the base period to the midpoint of the July 2015 – June 2016, resulting in a total of 42 months

Annual Medical Per Member Per Month (PMPM) Trends				
Region	Acute Care Services (non-Pharmacy)	Pharmacy Services	BH Services	All Services
ROS	4.1%	5.7%	3.2%	4.3%

# Overview of Rate Development

## Managed Care Adjustments

- The base data contain experience from both FFS and managed care delivery channels
- To reflect the difference in cost patterns and structures, Mercer developed adjustments to reflect expected differences in cost and utilization patterns corresponding with the shift of services into managed care with consideration for the following sources:
  - Experience working with other states in implementing BH managed care and a review of NYS metrics for BH services
  - Changes observed in the management of Acute Care services for HARP populations whose transition into managed care was already reflected in the base data
- Adjustments produced a net overall impact of -3.7% for the July 2015 – June 2016 contract period across all ROS regions, but varied by region

# Overview of Rate Development

## Managed Care Adjustments, cont.

- Inpatient BH services
  - Reviewed experience data, including readmission rates and average lengths of stay, for the HARP population in Inpatient Psychiatric, Inpatient Drug & Alcohol and Detox settings; compared statistics across all regions and compared to populations in similar rural or urban settings
  - Adjustments varied by region, data source (FFS/encounter) and service group
- Non-Inpatient BH services
  - Reviewed cost statistics for other BH services and identified areas where managed care efficiencies may be feasible, as well as State Plan services that may be expanded to provide community-based alternatives to higher levels of care
  - Considered impact of expansion of 1915(i)-like services
  - Applied downward adjustments to the Behavioral Health – Emergency Room line item as well as to certain non-Inpatient services
  - Applied upward adjustments to all Community services

## Overview of Rate Development

### Managed Care Adjustments, cont.

- Non-Pharmacy Acute Care services
  - Applied a downward adjustment to all non-Pharmacy Acute Care service groups for FFS eligibles
  - Based on historical changes observed in the management of Acute Care services for HARP populations whose transition into managed care occurred during the base data time period

# Overview of Rate Development

## Non-Medical Expenses

- The July 2015 – June 2016 draft rates include provisions for non-medical expenses, including:
  - Administrative expenses
    - Consideration is made for administrative expenses associated with the management of the current benefit package for HARP eligibles in MMC/FHP plans
    - Mercer also reviewed a BH staffing model to assess additional administrative cost expectations for specialized staffing requirements for HARPs, as described in the RFP
    - Considerations for varying enrollment levels by region were accounted for in the development process
    - Fixed and variable expenses for each population are considered in setting these assumptions
  - Underwriting gain
    - A provision for health plan cost of capital is included in HARP premiums, consistent with other managed care product lines

# Overview of Rate Development

## Draft HARP ROS Premiums

Region	Gross Medical Expense PMPM	Administrative Expense PMPM	Admin Percent of Premium	Underwriting Gain PMPM	Underwriting Percent of Premium	Best Estimate Capitation Rate
<b>Central</b>	\$1,700.07	\$187.95	9.9%	\$19.07	1.0%	\$1,907.10
<b>Finger Lakes</b>	\$1,506.97	\$167.05	9.9%	\$16.91	1.0%	\$1,690.93
<b>Long Island</b>	\$2,268.47	\$199.67	8.0%	\$24.93	1.0%	\$2,493.08
<b>Mid-Hudson</b>	\$2,137.12	\$194.48	8.3%	\$23.55	1.0%	\$2,355.14
<b>Northeast</b>	\$1,682.15	\$186.42	9.9%	\$18.87	1.0%	\$1,887.45
<b>Northern Metro</b>	\$2,301.80	\$188.31	7.5%	\$25.15	1.0%	\$2,515.26
<b>Utica-Adirondack</b>	\$1,519.15	\$181.46	10.6%	\$17.18	1.0%	\$1,717.78
<b>Western</b>	\$1,704.09	\$176.75	9.3%	\$19.00	1.0%	\$1,899.84



## Additional Adjustments for Final July 1, 2015 Premiums

- Additional updates anticipated for the final premiums that will go into effect on July 1, 2015 include:
  - Additional adjustments not currently reflected in draft rates premiums
    - Health Homes
    - Medical Homes
    - ACA 9010/Health Insurer Provider Fee costs
    - Any additional, material program changes that are implemented
  - Refinements to draft adjustments, which may include:
    - SUD SPA program change
    - Inpatient Acute program change
    - Pharmacy premium component
    - Inpatient Stop-Loss reinsurance

## Additional Adjustments for Final July 1, 2015 Premiums, cont.

- Contract Period
  - The draft HARP rates presented are for a contract period of July 2015 – June 2016
  - The State anticipates a premium may be set for a shorter contract period in order to align rates with the State Fiscal Year
  - Some assumptions may be adjusted to reflect expectations that are reasonable and attainable during the shorter contract period

# QUESTIONS?

