

FISCAL YEAR 2015–16 MEDICAID MANAGED CARE & HIV SPECIAL NEEDS PLAN BASE RATE DEVELOPMENT STATE OF NEW YORK

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FY 2015–16 MMC & HIVSNP Rate Development

Agenda

- Overview of Fiscal Year (FY) 2015–16 Medicaid Managed Care (MMC) and HIV Special Needs Plan (HIVSNP) Rate-Setting:
 - Base data development:
 - Medical
 - Pharmacy
 - Rate Range Development:
 - Efficiency adjustments
 - Program changes
 - Trend
 - Non-Medical Expenses
- Other rate topics:
 - Risk adjustment
 - Rate updates

FY 2015–16 MMC & HIVSNP Rate Development

Base Data Development

- Plan experience as reported in the Medicaid Managed Care Operating Reports (MMCORs) and Special Needs Plan Operating Reports (SNPORs) was used to develop medical services base data:
 - Experience from Calendar Year (CY) 2012 and CY 2013 for each premium group, and the maternity, newborn, and low birth weight newborn kicks is blended.
 - Family Health Plus (FHP) experience will continue be utilized for rate-setting purposes.
- Changes to the 2013 MMCORs and SNPORs:
 - Medicaid Redesign Team (MRT) initiatives effective in CY12 and forward are reflected in the MMCORs and SNPORs.
 - Details of the MRT initiatives and effective dates provided in supplemental 'matrix' exhibit.

FY 2015–16 MMC & HIVSNP Rate Development Base Data Development (Cont'd)

- Reported medical expenses are adjusted for the following:
 - Global capitation reconciliation
 - Coordination of benefits
 - Provider incentives
 - Reinsurance adjustment
 - Benefits priced using supplemental data sources are removed:
 - Pharmacy
- Benefits previously removed and priced using supplemental data sources and are now reflected in MMCOR experience:
 - Personal Care and personal emergency response system
 - Low Birth Weight newborn kick
- Summaries of the raw base data by region and major category of service (COS) are provided in the supplemental exhibits.

FY 2015–16 MMC & HIVSNP Rate Development Base Data Development (Cont'd)

- In order to develop actuarially sound rate ranges, Mercer applied the following base data adjustment to the regional averages:
 - Incurred but not reported (IBNR) adjustment: adjusts plan-reported IBNR embedded in the MMCORs based on reported write-offs.
 - Summaries for IBNR adjustments for MMC/FHP and HIVSNP by region and major COS are provided in the supplemental exhibits.
- A summary of the change in adjusted core base data from FY 2013–14 to FY 2014–15 and FY 2014–15 to FY 2015–16 by region and premium group is provided in the supplemental exhibits for MMC/FHP and HIVSNP.

FY 2015–16 MMC & HIVSNP Rate Development Base Data Development (Cont'd)

- For FY 2015–16, pharmacy premiums for MMC and HIVSNP will be developed based on historical encounter claims' experience for enrollees for a two year historical time period:
 - FY 2012–13
 - FY 2013–14
- Health plan pharmacy encounter experience summaries are provided in the supplemental exhibit handouts:
 - Monthly utilization per 1,000
 - Unit cost
 - Per member per month cost
 - Generic dispensing rate
- For FY 2015–16, pharmacy premiums will now be developed at the nine region level.

FY 2015–16 MMC & HIVSNP Rate Development Efficiency Adjustments

- Consistent with prior years, Mercer and the State will review the historical data to develop efficiency adjustments that are consistent with the State's value-based purchasing strategy.
- Inpatient and outpatient hospital efficiencies.
- Pharmacy efficiency adjustments:
 - The following adjustments will be reviewed for purposes of adjusting the premiums for FY 2015–16:
 - Retrospective pharmacy claims analysis
 - Maximum allowable cost analysis
 - The following analyses will be reviewed for informational purposes only for FY 2015–16:
 - Appropriate drug use based on diagnosis
 - Reimbursement on drug-related Health Care Financing Administration common procedure system codes

FY 2015–16 MMC & HIVSNP Rate Development Program Changes

- For FY 2015–16, Mercer and the State anticipate making adjustments to rates for the following program changes that are anticipated to have a material impact on the pricing of covered services and/or the acuity of the covered populations:
 - Inpatient pricing: updates to incorporate the impact of the revised fee schedule effective July 1, 2014 and the additional fee schedule effective January 1, 2015.
 - Outpatient mental health pricing: updates to the mental health ambulatory patient group pricing methodology.
 - Dental: coverage of dental benefits by MMC and HIVSNP plans for all enrollees.
 - Prescriber Prevails: reduction to generic dispensing rates for Atypical Antipsychotics and “Expanded” Prescriber Prevails drugs.
 - Mail-order pharmacy: compliance with provisions related to mail-order drugs.

FY 2015–16 MMC & HIVSNP Rate Development Program Changes (Cont'd)

- Medical homes: funding for the State's medical home initiative.
 - Benefit changes: reductions and additions to the covered services.
 - MRT initiative populations: populations new to MMC.
 - Affordable Care Act (ACA) and Medicaid expansion populations: populations new or transitioning to MMC resulting from ACA-related changes.
 - Wage parity: pricing changes to personal care aide and home health aide services resulting from wage parity requirements.
 - Basic Health Plan (BHP): adjustment to account for the transition of the Aliessa population to BHPs.
 - Behavioral Health initiatives:
 - Transition of enrollees to Health and Recovery Plans (HARPs).
 - Carve-in of Behavioral Health services for non-HARP enrollees.
 - Nursing Home Transition: transition of non-dual nursing home service to MMC or HIVSNP
- A summary of all program changes to be included in the FY 2015–16 premiums is provided in supplemental 'matrix' exhibit.

FY 2015–16 MMC & HIVSNP Rate Development Trend

- To project the adjusted regional averages to the contract period, Mercer establishes medical trend factors by considering the following sources:
 - Historical trends by region and major COS.
 - Service category trends observed in other state Medicaid programs for similar populations.
 - Health care economic indices, such as Consumer Price Index for the northeast region and Global Insight.
- For FY 2015–16, trends will be applied from the midpoint of the base period to the midpoint of the contract period resulting in a total of 33 months for medical services and 30 months for pharmacy.

FY 2015–16 MMC & HIVSNP Rate Development Trend (Cont'd)

- Mercer will also review detailed MMC/FHP and HIVSNP experience, as well as other relevant regional and national experience related to pharmacy trends and available industry reports.
- Additional factors that will be considered specifically in developing pharmacy trends will include:
 - Anticipated launches of new brand and generic products.
 - Novel therapies or guideline changes for previously under-treated disease states such as cystic fibrosis, Hepatitis C and HIV.
 - Other marketplace dynamics that are anticipated to have an impact on pharmacy costs for MMC, and HIVSNP plans.
- Trends will be adjusted to account for interactions between the inpatient pricing, outpatient mental health pricing, and the wage parity adjustments.

FY 2015–16 MMC & HIVSNP Rate Development

Non-Medical Expenses

- Adjustments to the FY 2015–16 MMC and HIVSNP capitation rates for non-medical expenses will include:
 - Administrative expenses
 - Underwriting gain
 - Costs associated with the health insurance providers fee (HIPF) established under section 9010 of the ACA, including:
 - An adjustment to account for the impact of the non-deductibility of the HIPF for affected plans.

FY 2015–16 MMC & HIVSNP Rate Development

Other Rate Topics

- The State and Mercer will update the risk scores to incorporate CY 2013 data and program changes effective during the FY 2015–16 contract period:
 - Updated cost weights
 - Revised plan scores
- The State and Mercer anticipate the following updates to MMC and/or HIVSNP rates during the FY 2015–16 contract period:
 - HARP implementation in rest of state region
 - Behavioral health changes for children
- Updated and expanded pharmacy dashboard reports scheduled to be shared with health plans following finalization of April 1, 2015 rates.

