Centennial Care Waiver and Medicaid Managed Care Costs

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Acknowledgements

- Various LFC staff contributed to this evaluation:

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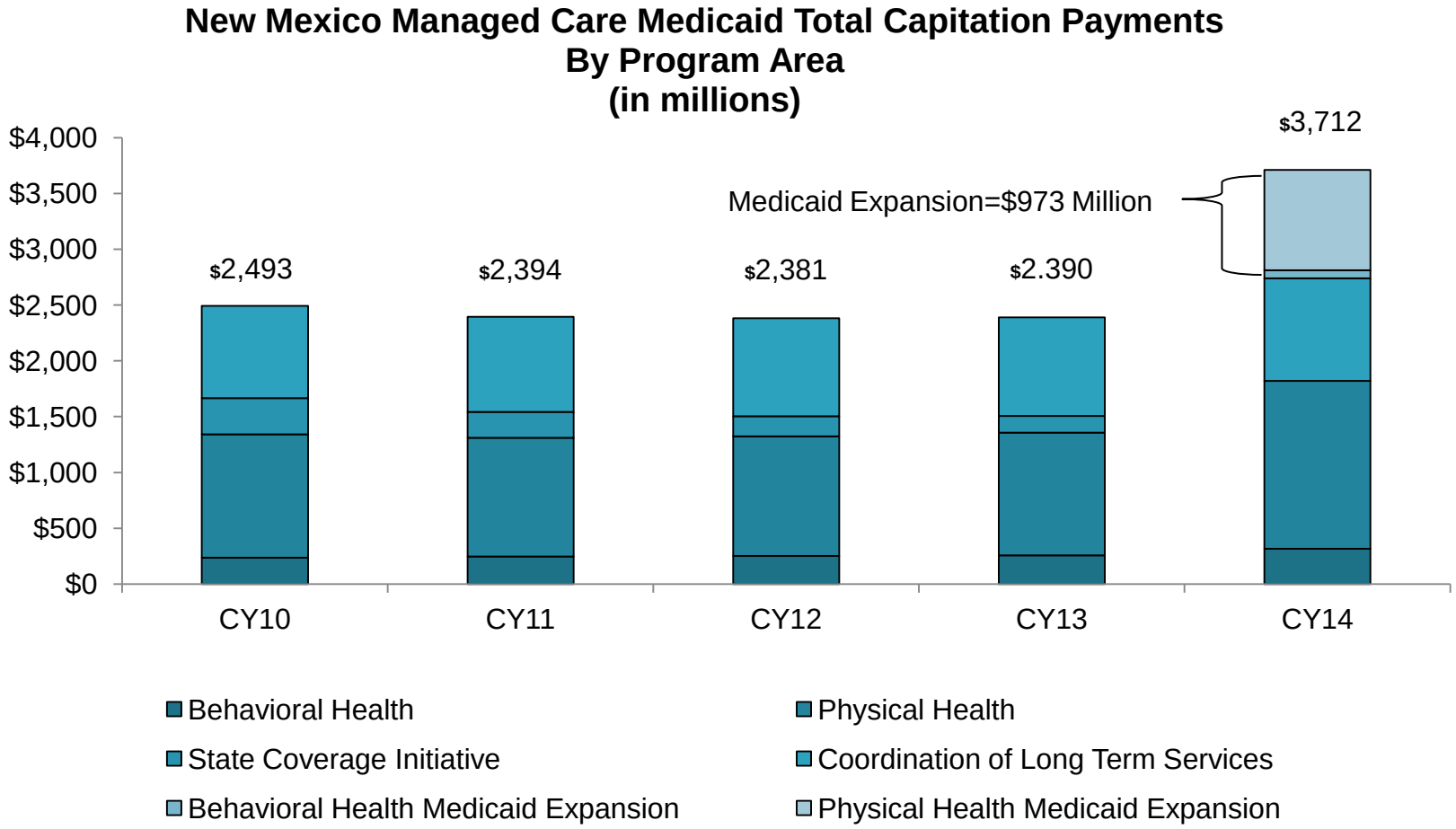
Overview

- LFC program evaluation looking at Centennial Care Waiver and Managed Care.

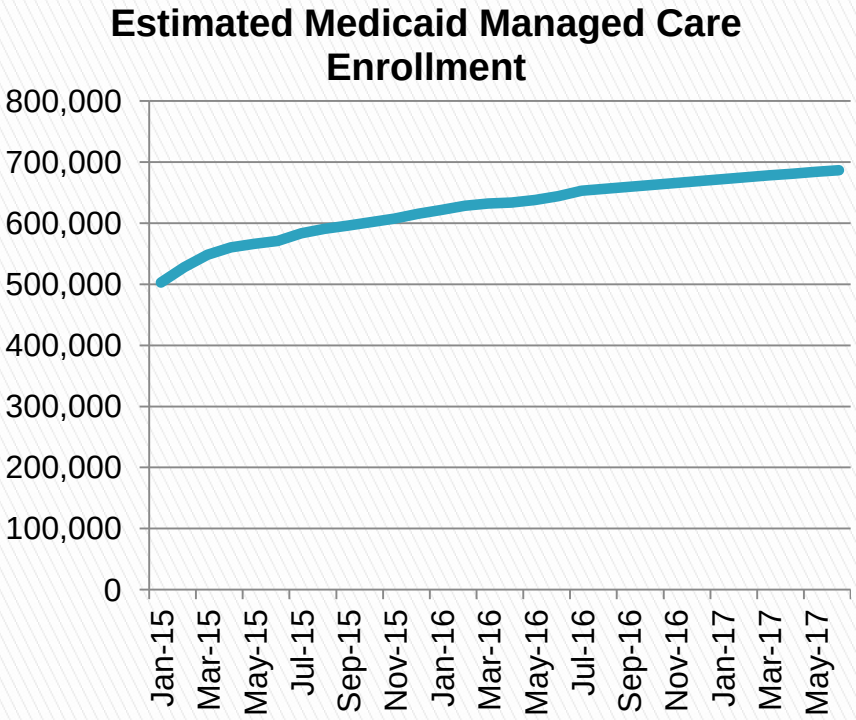
- Three themes emerged in this evaluation.
  - **Cost.** Cost containment initiatives are at risk and the reliance of Medicaid on the general fund will increase significantly.
  - **Care.** The amount and quality of utilization data has deteriorated leaving the question of whether enrollees are receiving more or less care.
  - **Control.** Additional controls are needed to ensure that rates are appropriately low and to better position the Legislature to take a more active role in the setting of financial priorities for Medicaid.

Cost: HSD paid $3.7 billion for managed care in CY14



Source: HSD Capitation Payments by Plan by Cohort Report
Note: According to HSD, CY14 managed care payments includes costs associated with retro eligibility previously recorded as FFS expenditures that will be reconciled.

Enrollment is projected to continue growing



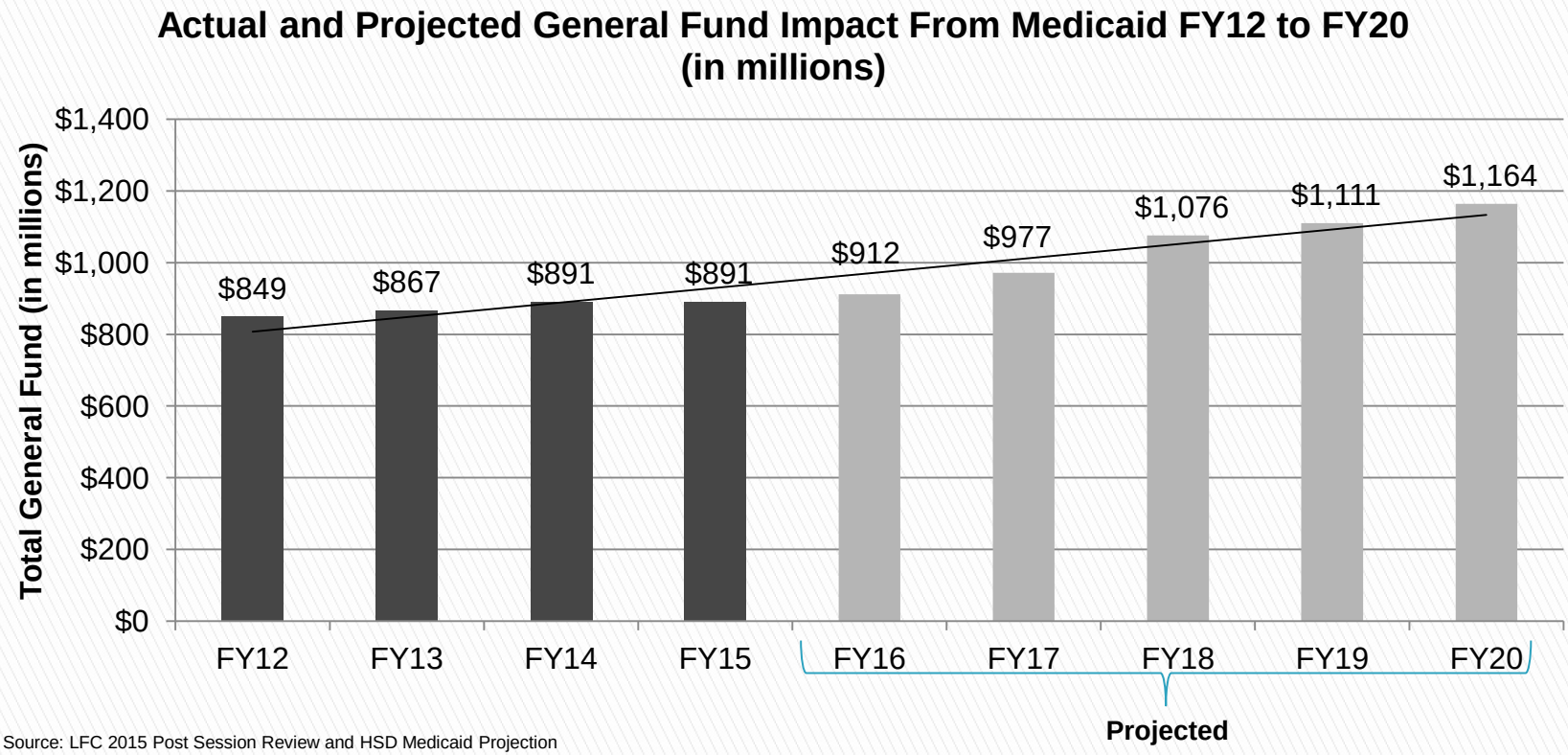
Source: HSD Aug 2015 Projection

- LFC estimates a growing Medicaid budget for the foreseeable future due to:
  - Increased enrollment and
  - Phasing down of federal matching funds between 2017 and 2020 for expansion.

Managed care enrollment will approach 800K by FY18

The GF need for Medicaid will grow beyond $1 billion by FY18

Cost: Medicaid and State Budget



Source: LFC 2015 Post Session Review and HSD Medicaid Projection
Note: FY12-FY14 are actuals, FY15 is operating budget

In FY97, Medicaid accounted for about 6% of GF Appropriations

In FY15, Medicaid accounted for about 15% of GF Appropriations

Bending the Cost Curve

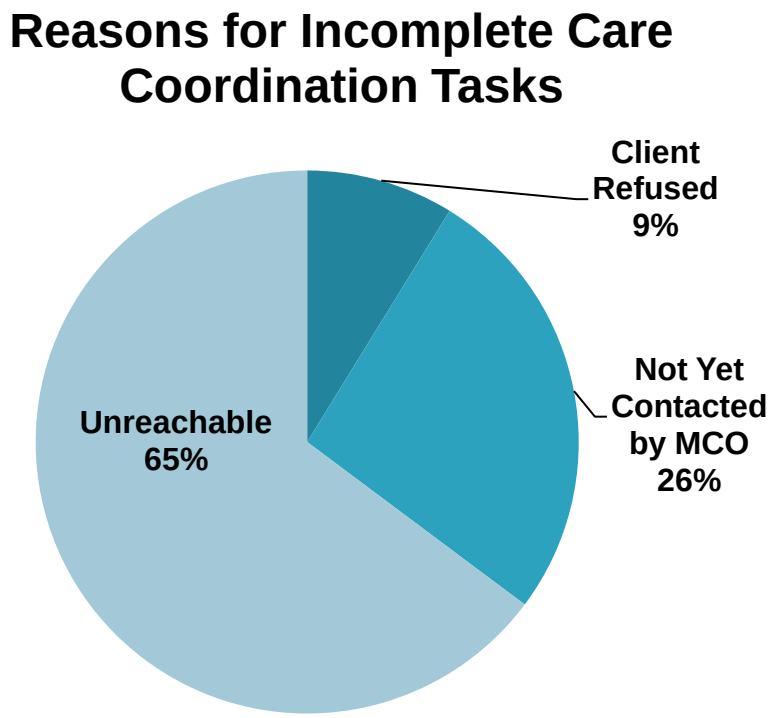
- Centennial Care was originally estimated to bend the cost curve by up to 4% or $670 million over 5 years.
  - Subsequent estimates revised savings to a total of $257 million.
- Implementation of cost savings components have been problematic.

Waiver Savings Initiatives	Total Projected Savings	Implementation Status
Care Coordination	$31 million	47% of enrollees reached in first year
Health Homes	$37 million	Delayed 2 years and number of planned Health Homes cut in half
ER Copay	$3 million	Not implemented
Total	**$71 million**	

MCOs spent $100 million on Care Coordination in CY14 reaching 47% of enrollees

- Care Coordinators:
  - Assess health risks and needs;
  - ID services and develop care plans; and
  - Consult with member's providers and assist with access.

- *HSD stated care coordination would save $31 million over five years by providing efficient and appropriate care.*



Source: MCO Q4 CY14 Care Coordination Reports

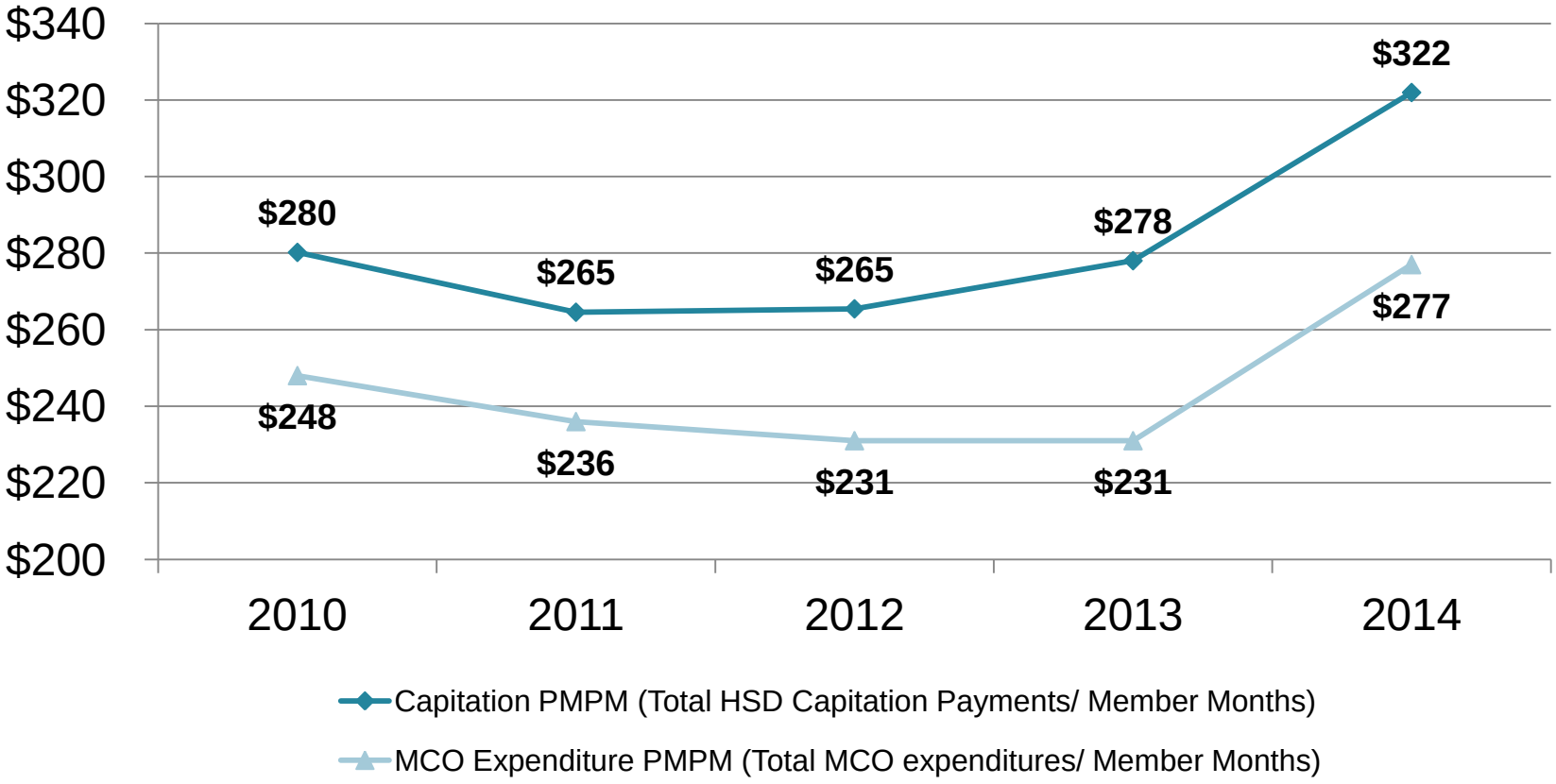
HSD delayed implementation of health homes

- Health homes are a key component of Centennial Care–expected to reduce costs by $36.6 million.
- Originally health homes and payment reform projects were performance metrics for contract incentives, but were later removed.
- The number of planned health homes was cut from four to two and implementation delayed by at least two years.

Care: Better information is needed to assess cost effectiveness

- PMPM costs are projected to be higher in FY16 compared to FY14 for all service areas except behavioral health.
- Managed care reporting includes fewer utilization categories, and categories are not comparable across years.
- Utilization data that can be compared indicates cause for concern for behavioral health.

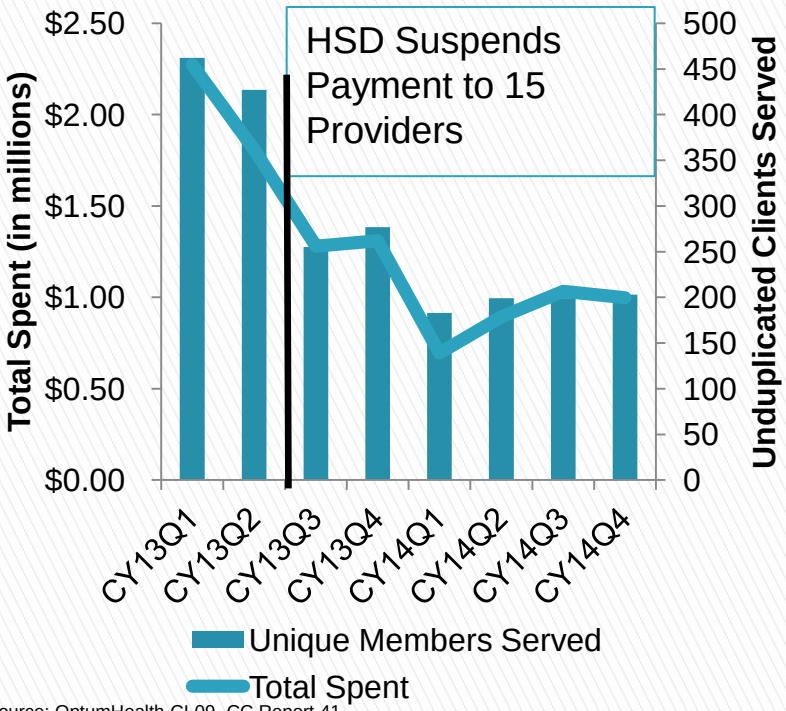
Physical Health Capitation Average PMPM and MCO Average PMPM Expenditures CY10-CY14



Source: LFC Analysis of HSD 30A and CC Financial Reports
Note: Capitation reported by MCOs do not tie to the actual cap rates because of revenue accruals (expected to receive as well as amount expected to pay back to HSD).

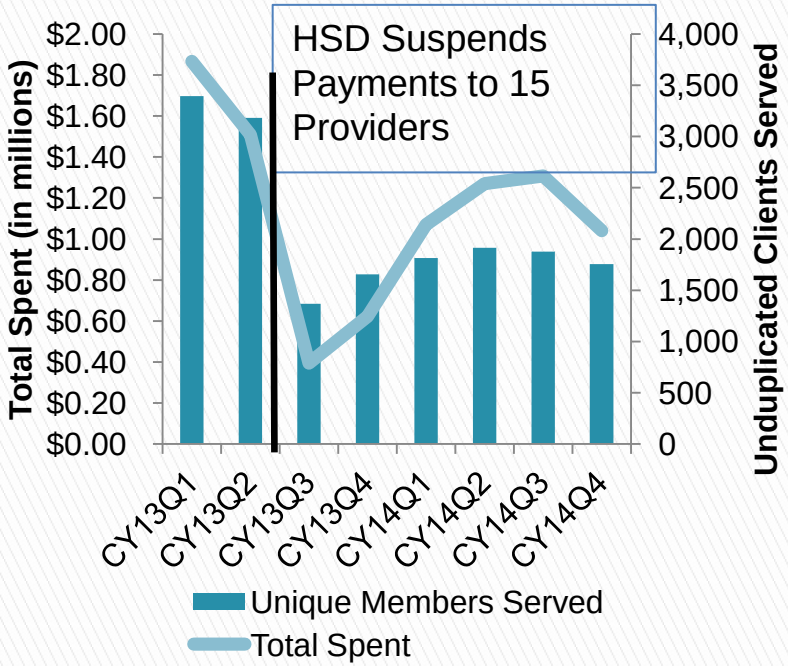
Behavioral Health Utilization and Spending, Ages 0-18

Multisystemic Therapy Spending and Clients Served Ages 0-18



Source: OptumHealth CI-09, CC Report 41

Comprehensive Community Support Service Spending and Clients Served Ages 0-18



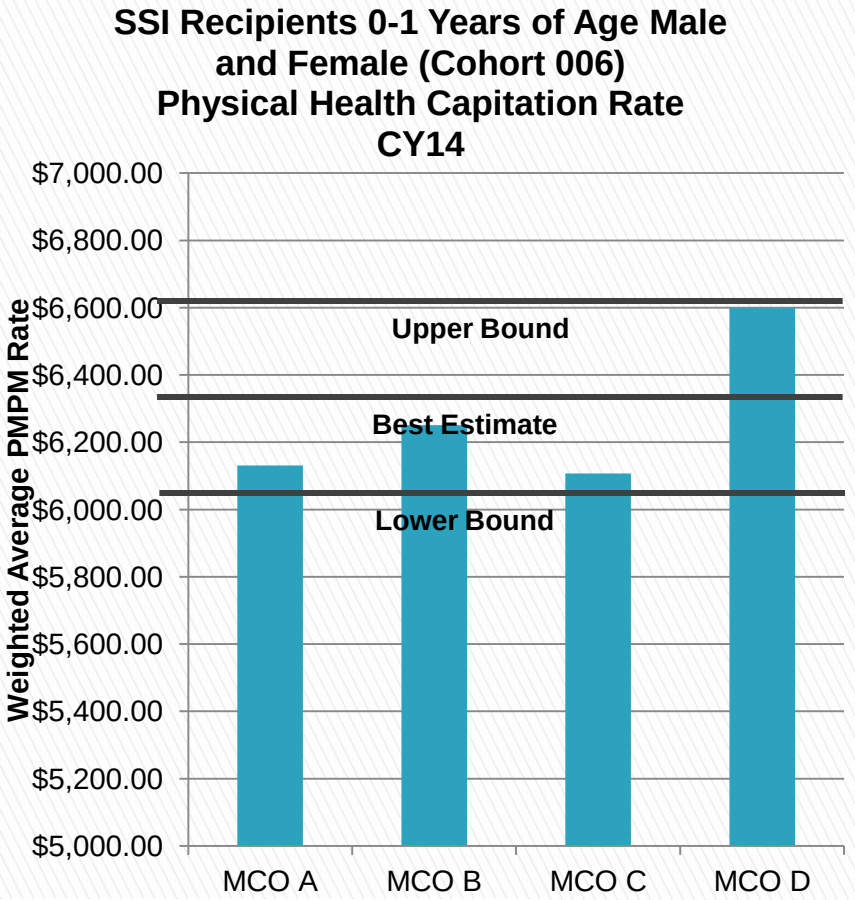
Source: OptumHealth CI-09, CC Report 41

Evidence-based treatment providing $3 to $1 ROI

According to HSD, CMS says CCSS is "medically necessary"

Control: Rate Setting

- Rates set differently within rate ranges for each MCO for the same populations.
- HSD could have saved $28 million general fund by setting rates at the lower end of the range.
- MCOs sometimes receive above the best estimate and at the upper bound limit.



Note: Revised rates retroactive to January 1, 2014
Source: CY14 MCO Payment Rates- Percentile Summary

Example of one MCO receiving a rate at the upper bound limit

Control: Other states have ID'd hundreds of millions in savings

Savings and Revenues Identified in Medicaid Expansion States

State	Savings: SFY 2015 (in millions)	Revenue Gains: SFY 2015 (in millions)	Total Savings and Revenues
Arkansas	$88.7	$29.7	$118.4
Colorado	$160.3	$0.0	$160.3
Kentucky	$83.1	$0.0	$83.1
Michigan	$238.6	$26.0	$264.6
Oregon	$137.5	$0.0	$137.5
Washington	$318.6	$33.9	$352.5

Source: Robert Wood Johnson Foundation

Current budgeting process limits legislative visibility and oversight

- For SFY16, NM's $5.5 billion Medicaid budget was appropriated in two line items.
- In contrast other states
  - Budget based on service population:
    - AZ=26 line items
    - CO=21 line items
    - NV=51 line items
  - Provide specific information on enrollment by type of client and cost.
  - Have more transparent projection processes.
    - For example, in WA the caseload forecast council, a small independent agency has ultimate authority for entitlement forecasts.

Strategies to ID savings and decrease costs

Strategy	Potential Savings
Setting rates at the lower end of actuarially sound rate ranges	$28 million of general fund could have been saved in CY14.
Negotiating lower costs for high priced drugs such as those for Hepatitis C (e.g. IBAC negotiated a 50% reduction)	$70 million would equate to a 50% reduction in costs estimated by HSD actuary.
Implementing health homes targeting Medicaid patients with diabetes	$118 million over 2 years through increased federal match.
Examine whether the 85/15 Medical Loss Ratio requirement is appropriate as efficiencies are gained	A 1% reduction in MLR could save $37 million.
A forthcoming LFC evaluation will identify additional Medicaid leveraging and cost saving opportunities	

Summary

- Medicaid costs are growing and cost containment measures are falling short.
- Increased attention is needed for:
  - Cost containment strategies,
  - Utilization and performance data, and
  - Legislative input for budgeting, program changes, and proposed expansions.