



# **Report from the JMOC Actuary**

Presentation to the JMOC Committee

November 15, 2018

# Setting a Growth Target for Medicaid: JMOC Responsibilities

## Under ORC Section 103.414, JMOC must

- Contract with actuary to determine the projected medical inflation rate for the upcoming biennium
- Determine if it agrees with the actuary's findings
  - If not, JMOC must develop its own projected medical inflation rate
- Complete a report and submit to Governor and General Assembly

# Setting a Growth Target for Medicaid: Medicaid Responsibilities

## **Under ORC Section 5162.70, the Medicaid Director must**

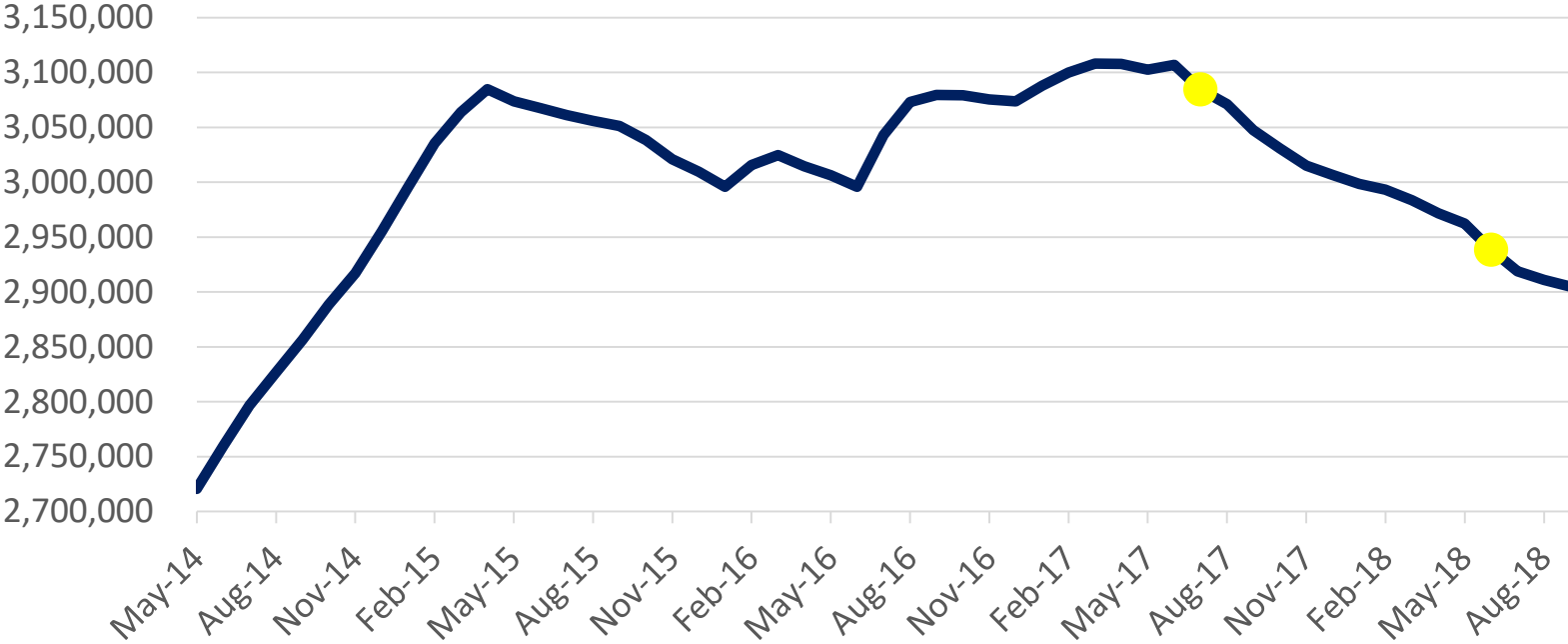
- Limit growth at an aggregate PMPM level across the entire program to the JMOC rate or 3 year average CPI, whichever is lower; **and**
- Improve the health of Medicaid recipients
- Reduce the prevalence of comorbid conditions and mortality rates of Medicaid recipients
- Reduce infant mortality rates among Medicaid recipients
- Help individuals who have the greatest potential to obtain income move to private health coverage

# Benchmark: CPI Rate for Medical Services

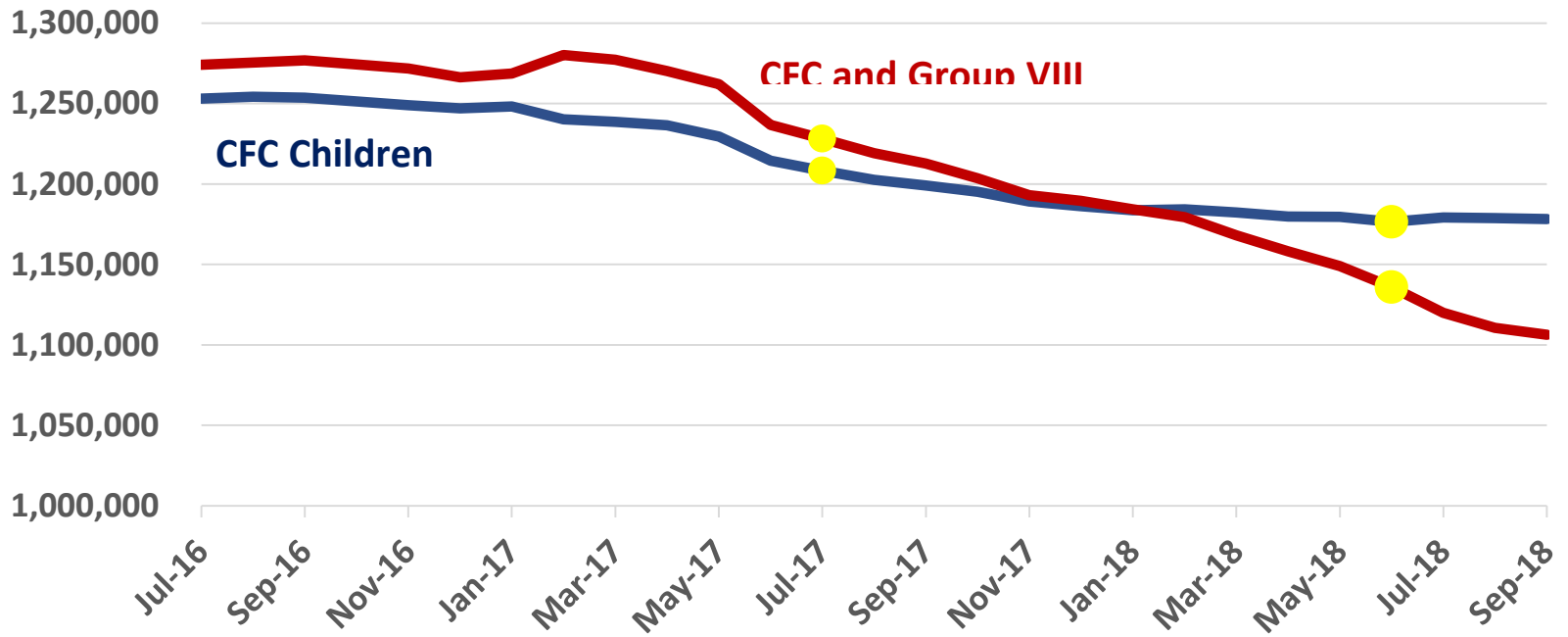
	Midwest CPI	US CPI
September 2016	5.1%	4.9%
September 2017	0.9%	1.6%
September 2018	1.5%	1.7%
	Unweighted	Unweighted
<b>3 Year Average</b>	<b>2.5%</b>	<b>2.73%</b>

Source: Bureau of Labor Statistics

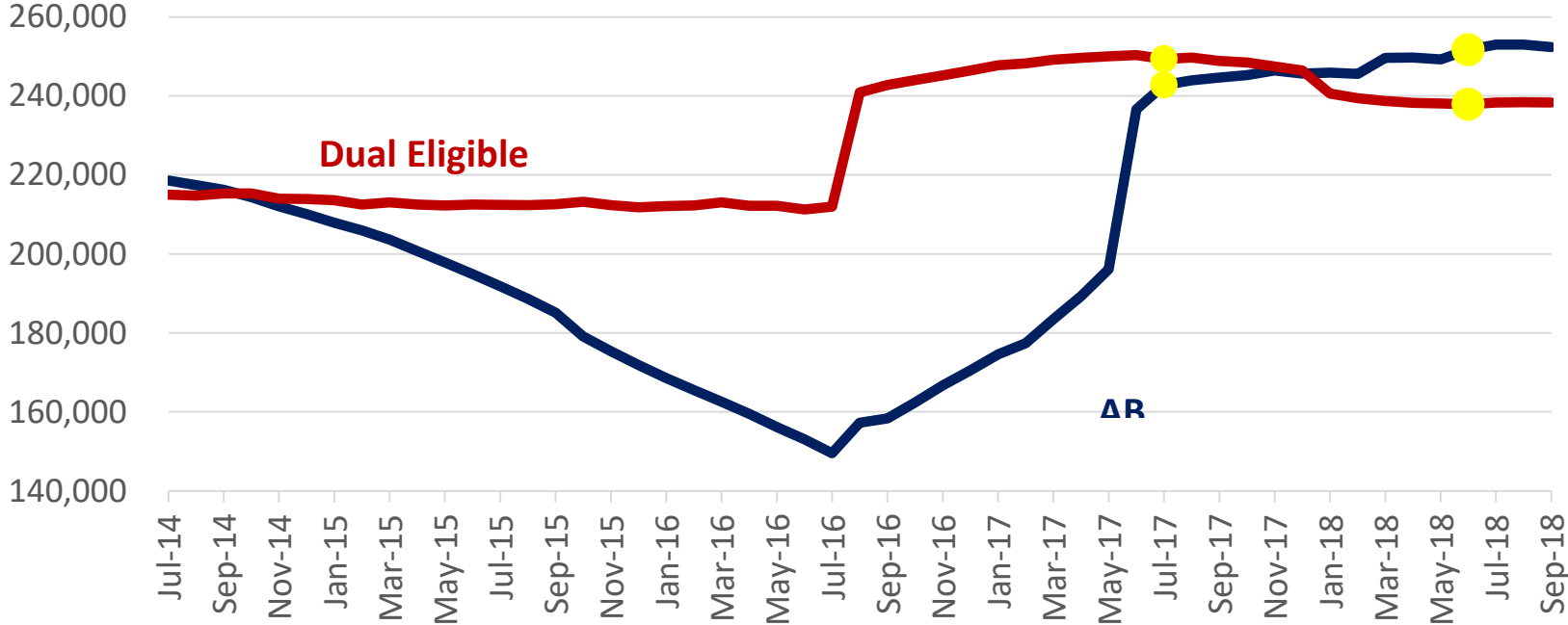
# Total Caseload



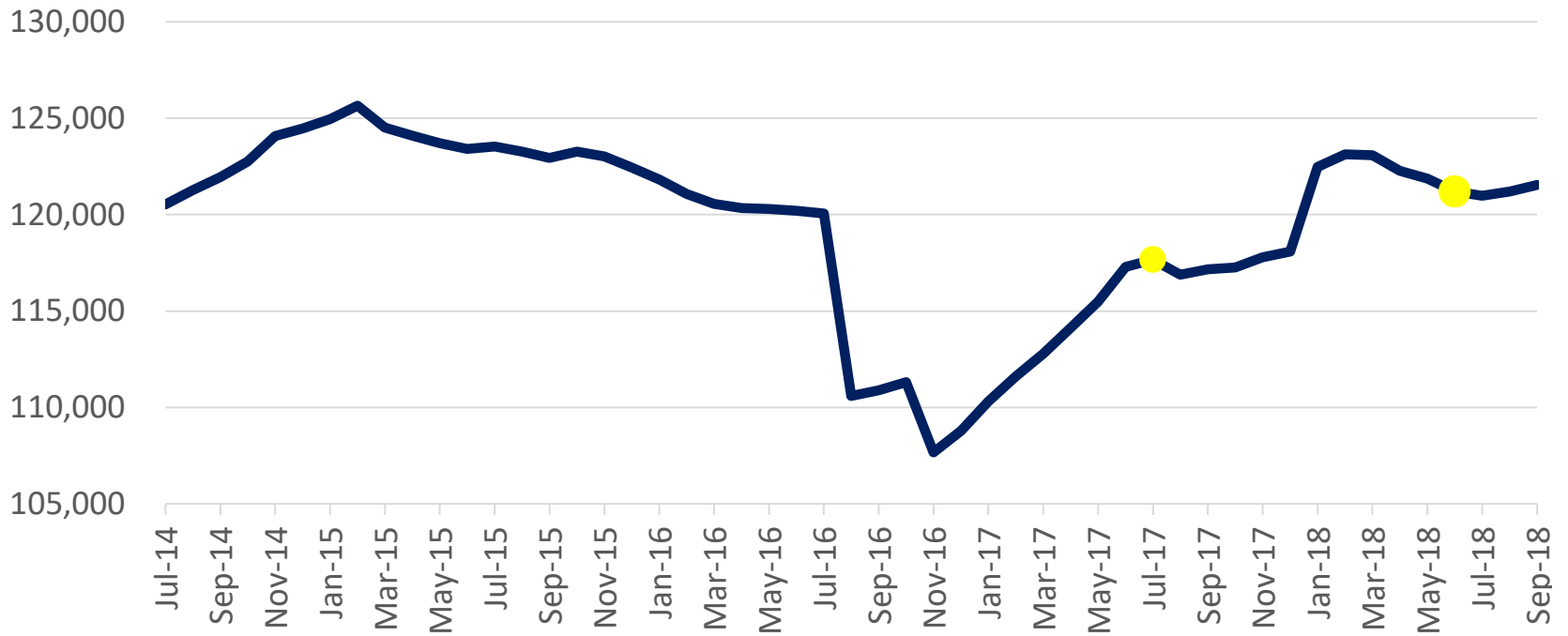
# MAGI Adults and Children



# ABD and Dual Caseloads



# Limited Benefit Enrollees





# Illustration: PMPM Impact Under Changing Caseload Mix at Two Points in Time

	FY 19 PMPM Projection	Time 1: Jul 2017 Share of Total	Time 2: Jun 2018 Share of Total	Population Change Relative to Total
<b>Children</b>	\$ 232	39.17%	40.04%	0.86%
<b>Adults</b>	\$ 507	39.82%	38.66%	-1.16%
<b>Disabled</b>	\$ 1,911	7.87%	8.56%	0.69%
<b>Duals*</b>	\$ 2,020	8.08%	8.10%	0.01%
<b>Other*</b>	\$ 57	5.05%	4.64%	-0.41%
<b>Total Caseload</b>		3,084,480	2,938,399	-146,081
<b>Total PMPM</b>		\$609	\$619	\$10
			<b>PMPM % Change</b>	<b>1.5%</b>

\*Medicare Parts B and D payments are not included in the PMPM totals



# Ohio SFY20/SFY21 Biennial

## Rate of Growth Projections

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**NOVEMBER 15, 2018**

# Agenda

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- Background
  - Objective
  - Data
  - Process
  - Trend
- Projections
  - Normalized Growth
- Supplemental Summaries
  - Nursing Facility Market Basket
  - Population Cost Drivers
  - Rx Cost Drivers
- Next Steps

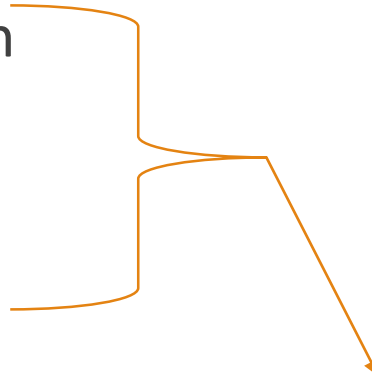
# Objective

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- Project Ohio's Medicaid medical inflation rate for the upcoming biennium

## 4 Determinants of Risk:

- Program Design
- Population
- Benefits
- Network



$$\text{PMPM} = \frac{\text{Utilization per 1,000} \times \text{Unit Cost}}{12,000}$$

# Objective

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- PMPM (Per Member Per Month) Projections
  - Develop category of aid level PMPM projections
    - **PMPM** – Projected costs are normalized at an average per-member per-month level
      - Measure is not influenced by changes in enrollment volume
      - Accounts for total expenditures and total enrollment
    - Comprised of two components:
      - **Unit Cost** – Average cost per service/visit
      - **Utilization** – Average rate of service utilization across all eligible members

# Data

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- **Data Sources:**

- January 2016-June 2018 detailed FFS and Encounter claims-level data
- January 2016-June 2018 member-level eligibility data by month
- Monthly Medicaid Variance Reports and MCP Cost Reports for benchmarking
- Ohio Department of Medicaid Caseload Reports for benchmarking
- Managed Care Certification Letters
  - Midyear - July 2018 Capitation Rates
- Actual and Projected Medicare Premiums/Part D claw-back Amounts

# Process

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- **PMPM Projections**
  - CY2017 used as base data to begin projection
    - Consistent CY2017 Membership throughout Biennium
      - Allows for a recent/consistent mix of enrollment to base overall PMPMs
  - Developed at a category of aid (COA) and category of service (COS) level
  - COA and COS PMPMs are projected into the biennium period
  - **Excludes** spending not tied to a recipient<sup>1</sup>
    - Additional exclusions made from prior iterations

<sup>1</sup> Detailed exclusions in Appendix

# Adjustments

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- **Reflect Current Policy** – Adjustments to historical expenditure data to reflect current policy
  - Projections assume current policy continues
- **Population/Membership** – Adjust CY2017 base year to reflect recent population mix
  - Change in populations covered in Managed Care vs. FFS
- **Policy Changes** – Adjusts for policies that have potential to impact the risk of the program
  - Reimbursement rate changes
  - Implementation of new programs



# What is Trend?

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- **Adjust Time Period** – Trend factors project cost from the base period to future time periods
- **Multiple Components**
  - **Levels of Trend** – Trend factors are estimated by major categories of service and categories of aid
  - **Secular Trend** – Components include:
    - Utilization – Change in frequency of services over time
    - Unit cost – Change in service reimbursement over time, as well as change in mix of services over time
- **Other Considerations**
  - Nursing Facility - Market Basket adjustment factor
    - \$97M in SFY20
    - \$196M in SFY21
    - \$293M for Biennium *plus future compounding*

# Overall Projection – With NF Market Basket

SFY 2019 Projection PMPM		
SFY	Lower Bound	Upper Bound
2019 - Optumas	\$639	\$647

SFY	Projection PMPM		Annualized Trend	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2020	\$657	\$675	2.8%	4.4%
2021	\$677	\$707	2.9%	4.6%
2019 - 2021			2.9%	4.5%

# Overall Projection – Without NF Market Basket

SFY 2019 Projection PMPM		
SFY	Lower Bound	Upper Bound
2019 - Optumas	\$639	\$647

SFY	Projection PMPM		Annualized Trend	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2020	\$655	\$673	2.4%	4.0%
2021	\$671	\$701	2.5%	4.2%
2019 - 2021			2.5%	4.1%

# Cost Drivers – Nursing Facility Market Basket

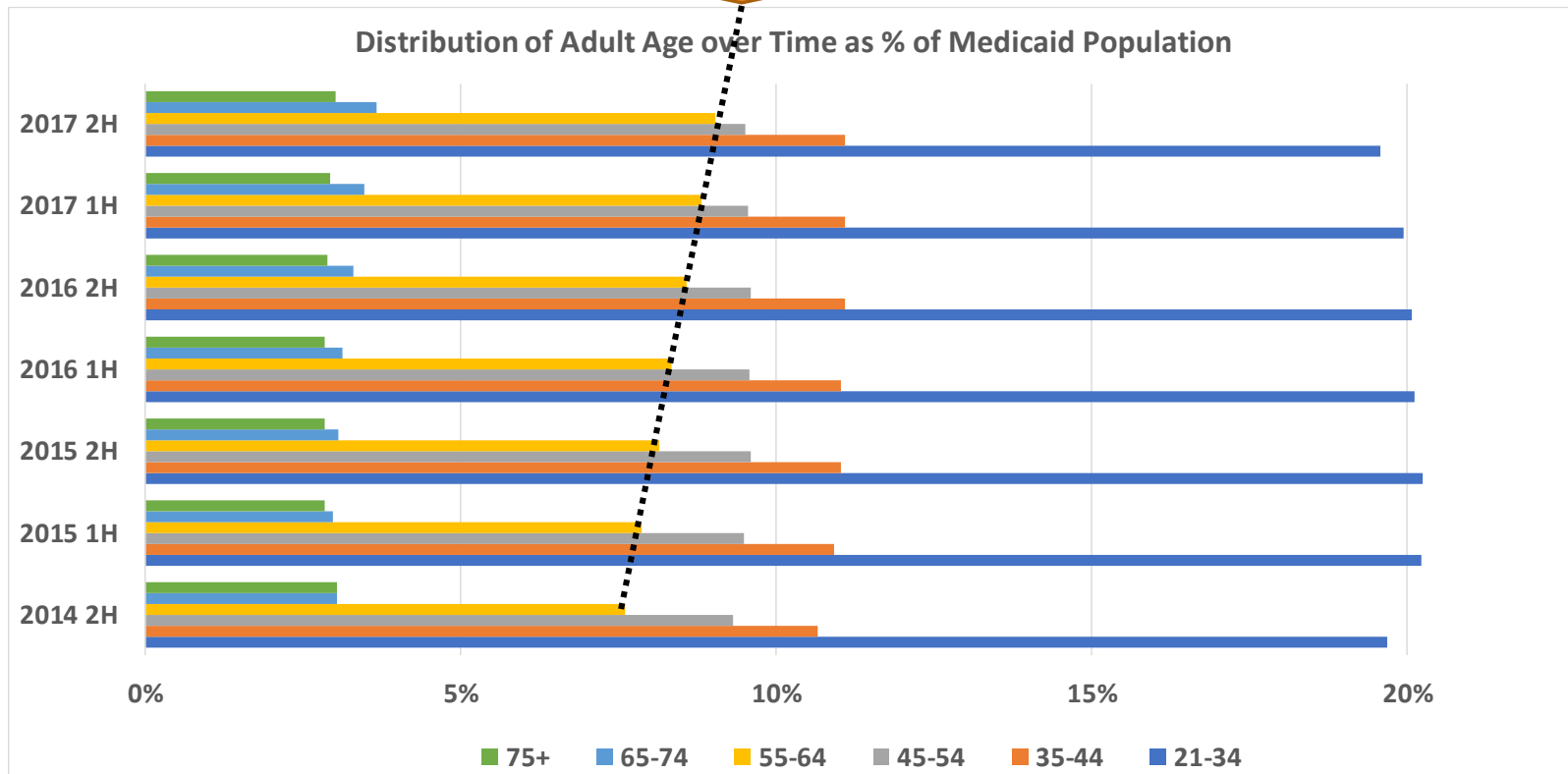
Categories of Aid	Lower Bound Projection PMPM <sup>1</sup>			
	SFY19	SFY20	SFY21	SFY19 -> SFY21
Dual w/ Market Basket	\$2,370	\$2,428	\$2,493	2.6%
Dual w/o Market Basket	\$2,370	\$2,401	\$2,438	1.4%
Non-Dual w/ Market Basket	\$488	\$502	\$518	3.0%
Non-Dual w/o Market Basket	\$488	\$502	\$517	2.9%
<b>Total Spend w/ Market Basket</b>	<b>\$639</b>	<b>\$657</b>	<b>\$677</b>	<b>2.9%</b>
<b>Total Spend w/o Market Basket</b>	<b>\$639</b>	<b>\$655</b>	<b>\$671</b>	<b>2.5%</b>
<b>Market Basket Dollar Impact<sup>2</sup></b>		<b>\$96,600,000</b>	<b>\$196,400,000</b>	

<sup>1</sup> Includes all Medicaid expenditures and Buy-In/Part D Clawback

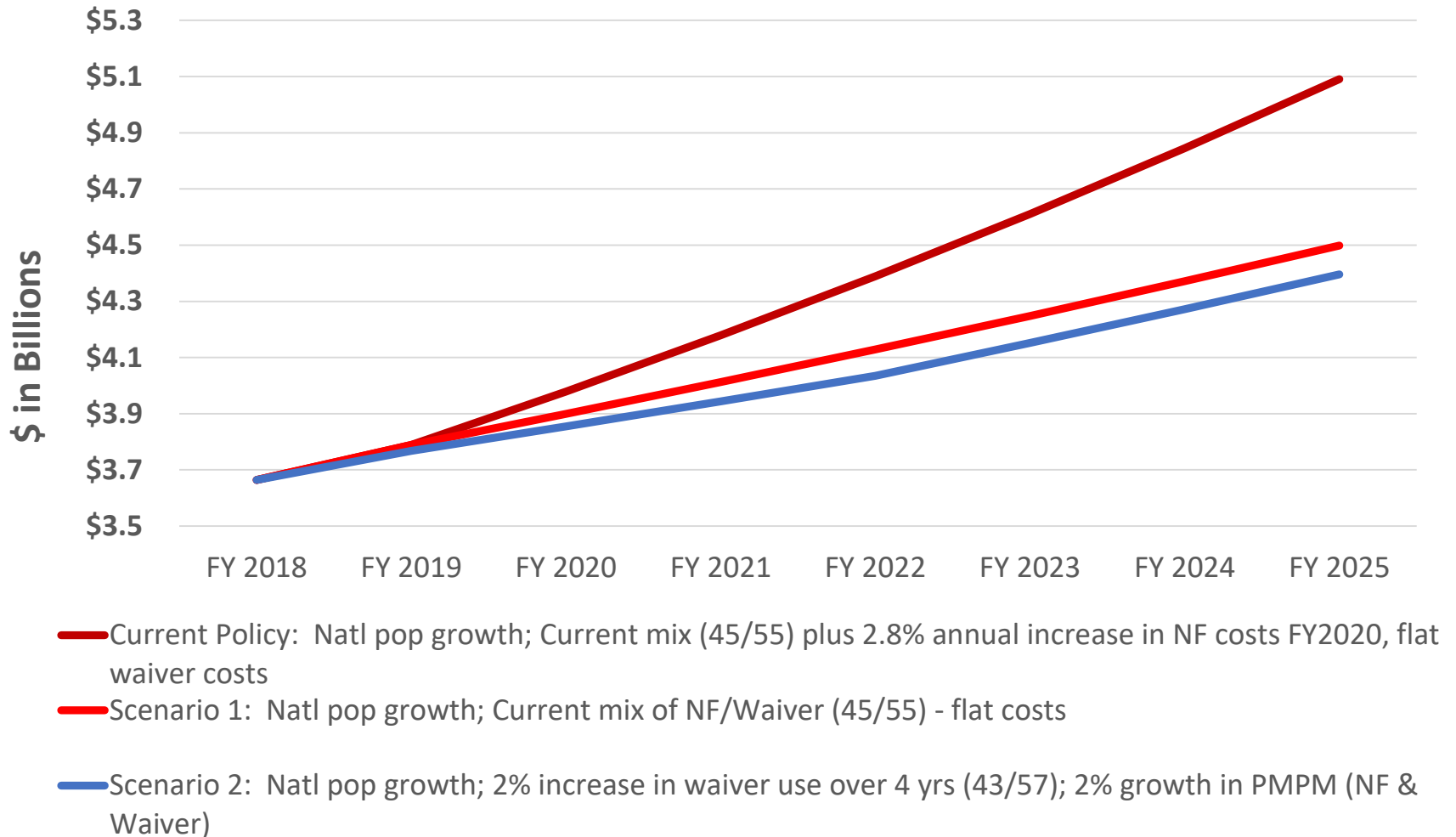
<sup>2</sup> Values rounded, total Medicaid Market Basket Impact, based on adjusted CY17 case mix

# Cost Drivers – Enrollment Distribution by Age

Age 55-64 growing: Consider if new enrollees are expected to be higher or lower risk than existing enrollees



# Illustration: LTSS Spending Using National Caseload Growth Rates and Current Policy



# Cost Drivers – Population Mix

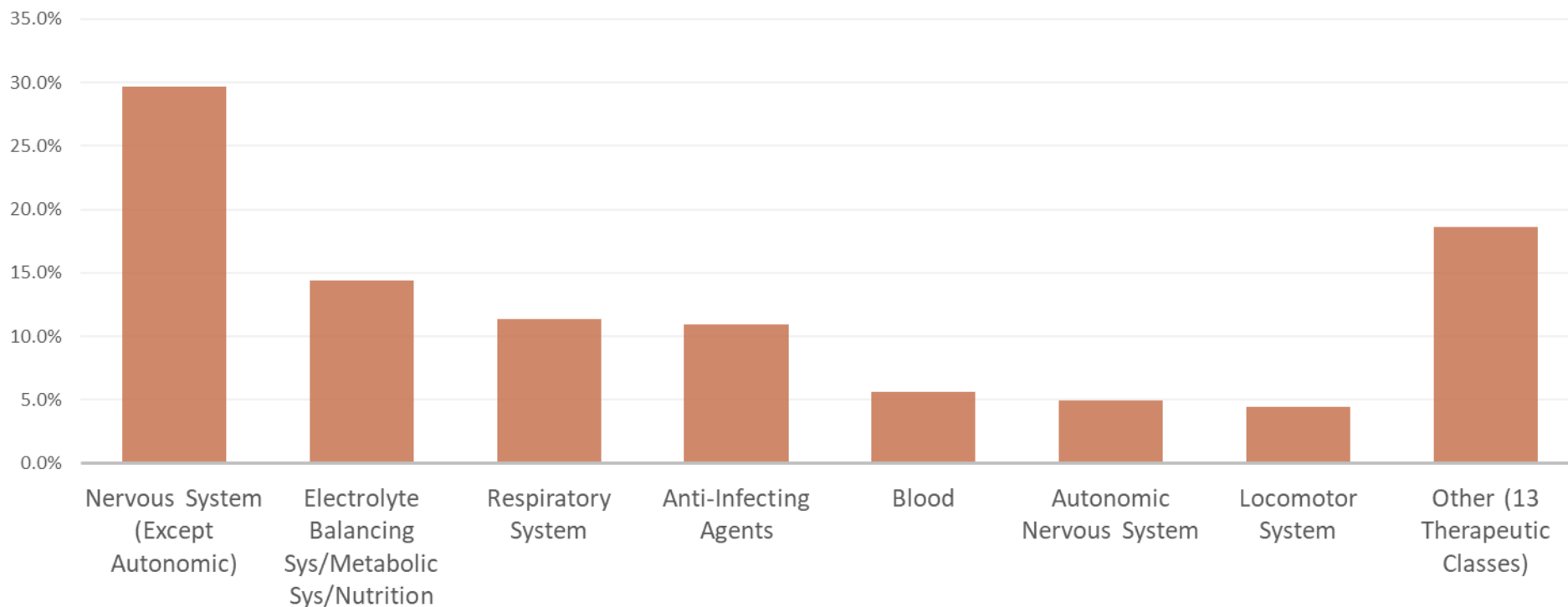
COA	Lower Bound PMPM Projection <sup>1</sup>			
	SFY19	SFY20	SFY21	Annualized Trend SFY19 -> SFY21
Adults	\$507	\$524	\$543	3.5%
Children	\$232	\$238	\$244	2.7%
Disabled	\$1,911	\$1,961	\$2,013	2.6%
Dual	\$2,020	\$2,070	\$2,122	2.5%
Other	\$57	\$58	\$59	1.6%
<b>Total</b>	<b>\$611</b>	<b>\$628</b>	<b>\$647</b>	<b>2.9%</b>
<b>Buy-In/Part D Clawback</b>	<b>\$28</b>	<b>\$29</b>	<b>\$30</b>	<b>2.9%</b>
<b>Total Plus Addt'l Pymts</b>	<b>\$639</b>	<b>\$657</b>	<b>\$677</b>	<b>2.9%</b>

<sup>1</sup> Includes all Medicaid expenditures and NF Market Basket

# Cost Drivers – Pharmacy Therapeutic Classes<sup>1</sup>

## Therapeutic Class Distribution

■ CY16 & CY17 Percent of Total Rx Expenditures



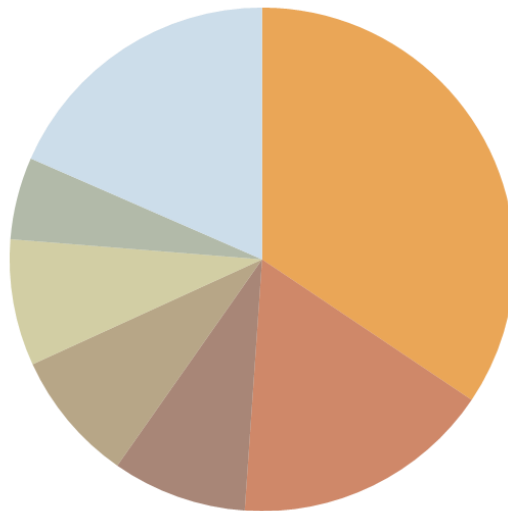
<sup>1</sup> Percentages based on Medicaid Rx expenditures excluding Dual and 'Other' categories of aid identified as defined in Appendix 'Projection Categories – COA'



# Cost Drivers – Pharmacy Therapeutic Class Detail<sup>1</sup>

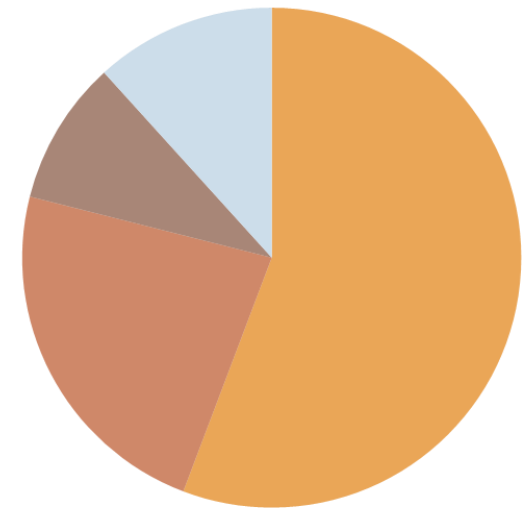
Nervous System (Except Autonomic) -  
Therapeutic Class Detail

- Anti-Psychotics
- Anti-Convulsants
- Narcotic Antagonist
- Anti-Narcolepsy
- Multiple Sclerosis
- Opioids
- Other



Electrolyte Balancing Sys/Metabolic  
Sys/Nutrition - Therapeutic Class Detail

- Insulins
- Antihyperglycemic
- Antialcoholic Preparations
- Other



<sup>1</sup> Distribution based on combination of CY16 & CY17 Medicaid Rx expenditures excluding Dual and 'Other' categories of aid as defined in Appendix 'Projection Categories – COA'

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# Appendices

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# Objective – Expenditure Exclusions

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- **Excludes one time funds and spending that is not tied to a recipient**
  - State Administration
  - HCAP – Hospital Care Assurance Program
  - Hospital UPL (Upper Payment Limit)
  - P4P – Managed Care Pay for Performance
  - HIF – Health Insurer Fee
  - Settlements and Rebates handled outside of the claims system and paid outside of managed care capitation rates
  - Physician UPL/***CICIP***
  - ***Hospital Pass Through Payments***
  - ***HIC Franchise & Premium taxes***

*Total value of the above reflects approximately \$3.7B annually.*

# Objective – Expenditure Exclusions Comparison

PMPM Projections (Lower Bound) <sup>1</sup>				
SFY	Current Projection	Current Projection Adding Exclusions in <sup>2</sup>	% Impact of Exclusions	PMPM Value of Exclusions
2019 – Baseline	\$639	\$674	5.4%	\$35
2020 – Year 1	\$657	\$692	5.3%	\$35
2021 – Year 2	\$677	\$712	5.2%	\$35

<sup>1</sup> Includes all Medicaid expenditures and Buy-In/Part D Clawback with NF Market Basket

<sup>2</sup> Exclusions in this context reflect Managed Care Hospital Pass Through Payment and HIC Franchise Fee & Premium taxes, which were inherent in previous iterations



# Projection Categories - COA

Categories of Aid	Rollup - Categories of Aid
CFC Adults	Adults
Extension	Adults
AFK	Children
CFC Children	Children
CHIP	Children
ABD <21	Disabled
ABD 21+	Disabled
Breast & Cervical Cancer (BCCP)	Disabled
LTSS Institutional Non Dual Populations <sup>1</sup>	Disabled
LTSS Waiver Non Dual Populations <sup>2</sup>	Disabled
Community Dual <65 (Non MC)	Dual
Community Dual 65+ (Non MC)	Dual
LTSS Institutional Dual Populations <sup>1</sup>	Dual
LTSS Waiver Dual Populations <sup>2</sup>	Dual
MyCare	Dual
Medicare Premium Assistance	Other
Refugee/Not Assigned	Other
RoMPIR/Presumptive/Alien	Other

<sup>1</sup> DD: ICF

Non-DD: SNF

<sup>2</sup> DD: Individual Options, Level One, SELF

Non-DD: Assisted Living, PASSPORT, OH Home Care

# Projection Categories - COS

Categories of Service <sup>1</sup>	
Clinics	Medicaid Schools Program
Clinics - Mental Health	Mental Health and Addiction Services
Dental Services	Other
DME	Other Professional
EPSDT	Outpatient ER
Family Planning	Outpatient Non-ER
FQHC/RHC	PCP
Home Health/PDN	Prescribed Drugs
Hospice Services	Psychology Services
ICF & ID Public	SNF
ICF & ID Private	Specialty
ID Services	Transportation
Inpatient Hospital	Vision
Inpatient Hospital – BH	Waiver Services
Laboratory/Radiology	

<sup>1</sup> Projected for each COA defined in Appendix 'Projection Categories – COA'

# Cost Drivers – Nursing Facility Market Basket (UB)

Categories of Aid	Upper Bound Projection PMPM <sup>1</sup>			
	SFY19	SFY20	SFY21	SFY19 -> SFY21
Dual w/ Market Basket	\$2,403	\$2,494	\$2,596	3.9%
Dual w/o Market Basket	\$2,403	\$2,466	\$2,537	2.8%
Non-Dual w/ Market Basket	\$493	\$516	\$541	4.8%
Non-Dual w/o Market Basket	\$493	\$516	\$540	4.7%
<b>Total Spend w/ Market Basket</b>	<b>\$647</b>	<b>\$675</b>	<b>\$707</b>	<b>4.5%</b>
<b>Total Spend w/o Market Basket</b>	<b>\$647</b>	<b>\$673</b>	<b>\$701</b>	<b>4.1%</b>
<b>Market Basket Dollar Impact<sup>2</sup></b>		<b>\$100,800,000</b>	<b>\$209,200,000</b>	

<sup>1</sup> Includes all Medicaid expenditures and Buy-In/Part D Clawback

<sup>2</sup> Values rounded, total Medicaid Market Basket Impact, based on adjusted CY17 case mix



# Cost Drivers – Population Mix (UB)

COA	Upper Bound PMPM Projection <sup>1</sup>			
	SFY19	SFY20	SFY21	Annualized Trend SFY19 -> SFY21
Adults	\$512	\$539	\$569	5.4%
Children	\$234	\$245	\$256	4.6%
Disabled	\$1,933	\$2,013	\$2,098	4.2%
Dual	\$2,047	\$2,127	\$2,212	4.0%
Other	\$58	\$59	\$61	2.6%
<b>Total</b>	<b>\$618</b>	<b>\$646</b>	<b>\$676</b>	<b>4.6%</b>
<b>Buy-In/Part D Clawback</b>	<b>\$29</b>	<b>\$29</b>	<b>\$31</b>	<b>3.9%</b>
<b>Total Plus Addt'l Pymts</b>	<b>\$647</b>	<b>\$675</b>	<b>\$707</b>	<b>4.5%</b>

<sup>1</sup> Includes all Medicaid expenditures and NF Market Basket

## Next Steps

- Review presentation and actuary report
- JMOC staff and actuary are available for further questions over the next month
- Select JMOC target at December 13th meeting
- Submit report to Governor by December 15th