Report from
the JMOC Actuary

Presentation to the JMOC Committee

September 19, 2024

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:
Ohio Department of Medicaid (ODM) 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

ODM's Responsibilities Continued:
Submission of Report and Numbers to JMOC - A New Requirement from Amended Substitute House Bill 33

Under ORC Section 5162.70, the Medicaid Director must:

(E) By October 1st of each calendar year, submit to the joint medicaid oversight committee a report detailing the reforms implemented under this section. In **_even-numbered years_**, the report shall include the department's historical and projected medicaid program expenditure and utilization trend rates by medicaid program and service category for each year of the **upcoming fiscal biennium <u>and</u> an explanation of how the trend rates were calculated.**

Ohio SFY26/SFY27 Biennial

Rate of Growth Projections

AGENDA

1. Background

   - Objective

   - Data

   - Process

   - Trend

2. Projections

   - Normalized Growth

3. Supplemental Summaries

   - Population Cost Drivers

4. Next Steps

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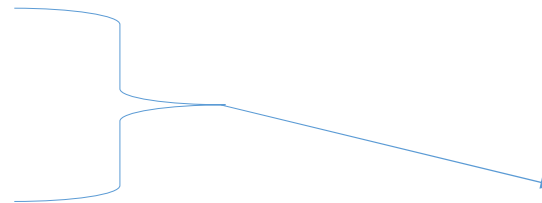| Objective	Data	Process	Trend	Projection	Cost Drivers

Objective

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

4 Determinants of Risk:
- Program Design
- Population
- Benefits
- Network

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

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Objective	Data	Process	Trend	Projection	Cost Drivers

Objective

- **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

Objective	Data	Process	Trend	Projection	Cost Drivers

Data

- **Data Sources:**

  - January 2023 – April 2024 detailed FFS and Encounter claims-level data
  - January 2023 – March 2024 member level eligibility data by month
  - Ohio Department of Medicaid Caseload Reports for benchmarking
  - Managed Care Certification Letters
    - Calendar Year 2024 MMC Capitation Rates
    - Calendar Year 2024 MyCare Capitation Rates
    - Calendar Year 2024 OhioRISE Capitation Rates
  - Actual and Projected Medicare Premiums/Part D claw-back amounts

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Objective	Data	Process	Trend	Projection	Cost Drivers

Process

- **PMPM Projections**

  - FFS: CY 2023 used as base data to begin projection
    - As the PHE unwinding continued through CY 2023, a projected post-unwinding CY 2025 membership mix was used throughout the Biennium
  - Managed Care: CY 2024 capitation rate certifications used as starting point
  - 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[1]

  [1] Detailed exclusions in Appendix

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Objective	Data	Process	Trend	Projection	Cost Drivers

Adjustments

- **Reflect Current Policy**
  - Adjustments to historical expenditure data to reflect current policy
  - Projections assume current policy continues
- **Population/Membership**
  - Adjust CY 2023 base year to reflect recent population mix
  - Changes 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

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Objective	Data	Process	Trend	Projection	Cost Drivers

What is Trend?

- **Adjust Time Period**
  - Trend factors project costs 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**
  - Public Health Emergency (PHE)
    - Eligibility redeterminations ("unwinding") commenced in May 2023 and was more-or-less completed by June 2024.

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Objective	Data	Process	Trend	Projection	Cost Drivers

CPI – Medical Care in the Midwest

- **CPI is an important benchmark and guardrail around medical spending**
  - 3-year average Midwest Medical CPI was historically used for JMOC's purpose

- **However, between 2022-2023 this benchmark dipped into negative values**
  - This is driven by a component of BLS's methodology that takes the cost of commercial (employer) coverage into account, which does not directly impact Medicaid growth

- **We recommend re-weighting this benchmark while also considering other federal data sources such as NHE (National Health Expenditure)**
  - This will provide a more accurate and useful picture of inflation

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Objective	Data	Process	Trend	Projection	Cost Drivers
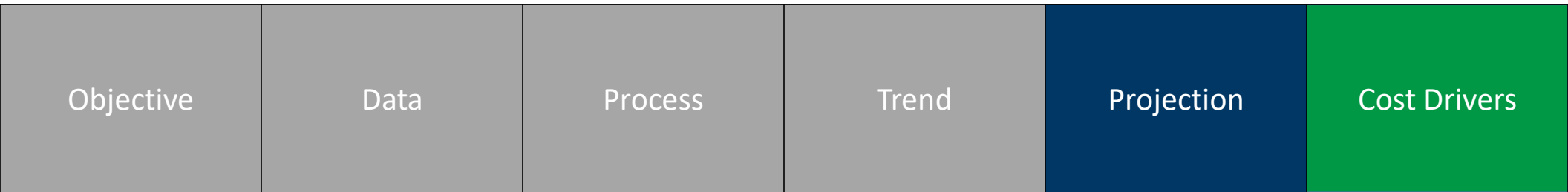
CPI – continued

Period	Midwest CPI	US CPI	CPI, no insurance	NHE
8/2021 - 7/2022	4.1%	4.8%		0.5%
8/2022 - 7/2023	-1.0%	-1.0%		3.7%
8/2023 - 7/2024	1.4%	3.1%		7.3%
3 Year Avg. (Unweighted)	**1.5%**	**2.3%**	**3.2%**	**3.9%**

- **These measurements have a common tie – they are all backward-looking metrics. The volatility of the pandemic period can be seen in the volatility of these figures.**
  - The forward-looking NHE projection for per capita Medicaid growth in the SFY26-27 Biennium is 5.4%

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Objective	Data	Process	Trend	Projection	Cost Drivers

Overall Projection

Period	PMPM		Annualized Trend	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
CY 2024	$909.02	$913.92		
SFY 2026	$960.85	$979.38	3.8%	4.7%
SFY 2027	$996.08	$1,024.67	3.7%	4.6%
SFY 2026 - 2027			3.7%	4.7%

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QUESTIONS

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Appendices

Expenditure Exclusions

- Excludes one-time funds and spending that is not tied to a recipient

  - All-Agency State Administration
  - Hospital Care Assurance Program (HCAP)
  - Hospital Upper Payment Limit (UPL)
  - Hospital Pass Through Payments
  - Health Insuring Corporation (HIC) Franchise and Premium Tax
  - Care Innovation and Community Improvement Program (CICIP)
  - MCP/Hospital Incentive
  - Other settlements and rebates paid outside of the claims system and outside of the Managed Care capitation rates
  - Medicaid recipient share of cost (SOC)
  - **One exclusion of particular note is the American Rescue Plan Act (ARPA) related one-time provider relief payments, which were made outside of the claims adjudication system**

Projection Categories - COA

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

[1] *DD: ICF*
   Non-DD: SNF
[2] *DD: Individual Options, Level One, SELF*
   Non-DD: Assisted Living, PASSPORT, OH Home Care

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Projection Categories - COS

Categories of Service[1]	
Clinics	Medicaid Schools Program
Clinics - Mental Health	Mental Health and Addiction Services
Dental Services	Other
DME	Professional - Other
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	

[1] *Projected for each COA defined in Appendix 'Projection Categories – COA'*

Cost Drivers – Lower Bound PMPM Projection

COA	Lower Bound PMPM Projection[1]			
	CY 2024	SFY 2026	SFY 2027	Annualized Trend CY 2024 -> SFY 2027
Adults	$741.49	$786.44	$814.40	3.8%
Children	$341.19	$360.32	$373.27	3.7%
Disabled	$2,609.75	$2,755.31	$2,858.26	3.7%
Dual	$2,677.92	$2,817.16	$2,914.46	3.4%
Other	$55.47	$56.97	$58.00	1.8%
Total	**$867.65**	**$916.62**	**$949.38**	**3.7%**
Buy-In/Part D Clawback	**$41.37**	**$44.23**	**$46.70**	**5.0%**
Total Plus Addtl'l Pymts	**$909.02**	**$960.85**	**$996.08**	**3.7%**

[1] *All Medicaid expenditures are net of the exclusions listed on Slide 19*

Cost Drivers – Upper Bound PMPM Projection

COA	Upper Bound PMPM Projection[1]			
	CY 2024	SFY 2026	SFY 2027	Annualized Trend CY 2024 -> SFY 2027
Adults	$743.84	$800.70	$837.40	4.9%
Children	$341.75	$366.13	$382.95	4.7%
Disabled	$2,622.86	$2,809.67	$2,943.05	4.7%
Dual	$2,687.07	$2,859.78	$2,981.59	4.2%
Other	$56.02	$58.38	$60.03	2.8%
Total	**$870.65**	**$932.63**	**$974.93**	**4.6%**
Buy-In/Part D Clawback	**$43.26**	**$46.76**	**$49.74**	**5.7%**
Total Plus Addtl'l Pymts	**$913.92**	**$979.38**	**$1,024.67**	**4.7%**

[1] *All Medicaid expenditures are net of the exclusions listed on Slide 19*