MASSHEALTH TECHNICAL ACO/MCO PRICING MEETING

MAY 17, 2017
TODAY’S AGENDA

• Recap: Total Cost of Care (TCOC) Benchmark and Capitation Rate Development

• Risk Mitigation Techniques
The information provided in this document is subject to change and is not binding on EOHHS.

All information provided in this document, including example calculations, is for information and illustrative purposes only. Examples incorporate illustrative numbers (e.g., for administrative rates, capitation payments, etc.) that may not reflect actual values, and example calculations use simplifying assumptions that may not reflect actual calculations.

Methodologies set forth herein may be subject to federal approval, and all information provided in this document is subject to change as required to comply with any applicable laws or regulations.
TOTAL COST OF CARE
DEVELOPMENT
BASE DATA DEVELOPMENT
RECAP FROM MAY 3, 2017
TOTAL COST OF CARE DEVELOPMENT
MATCH RATES TO ACCOUNTABILITY

- Population
- Benefits and Services
- Program Design
- Provider Experience

Material in this PowerPoint is presented for informational purposes only.
This process will be performed for each managed care rate cell (region and RC), and each rate cell will have a different market-based standard TCOC. The overall TCOC targets for individual ACOs and the MCO class will reflect the distribution of those entities’ members across rate cells.
**BASE DATA DEVELOPMENT**

**Source Data**
- MMIS FFS & PCC Plan Claims
- MCO Program Encounters
- MBHP Encounters

**Actuarial Data Set (ADS)**
*FFY15 & FFY16 Data*

<table>
<thead>
<tr>
<th></th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FFY15</td>
</tr>
<tr>
<td>MCO Program</td>
<td>765,000</td>
</tr>
<tr>
<td>PCC Plan</td>
<td>338,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,103,000</td>
</tr>
</tbody>
</table>

- Validation
- Standardization (e.g., COS, provider types, Rating Categories)
- Data Enhancements
- Price Normalization
- ADS: Single source of standardized and normalized data

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MassHealth will align and “reprice” claims and encounters across major COS

- Inpatient Hospital
- Outpatient Hospital
- Professional services
- Behavioral Health
  - Outpatient services normalized to MBHP standard fee schedule
  - Inpatient services normalized to MBHP provider-specific fees
- CHC
- Pharmacy

For the above COS, the Price Normalized Databook reflects fees at 100% of the most recently available fee schedules. These unit prices do not reflect final RY18 pricing and TCOC benchmark assumptions. Items not reflected in the Price Normalized Databook include:

- Fee schedule increases and unit price inflation
- Changes in mix of services
- Behavioral health price differentials between MCO and ACO models
Price normalization for the Primary Care Clinician (PCC) enhanced fee will be consistent with current RY17, and previous, professional re-pricing methodology for the MCO / CarePlus Program.

MassHealth PCC Plan PCCs receive a $10 enhanced rate, *added to the visit rate*, for certain types of primary and preventive care visits:
- This fee will continue to be paid for providers in the PCC Plan and will be paid to providers participating in the Primary Care ACOs.

However, the PCC enhanced fee is *not* included in:
- Base data price normalization
- TCOC Benchmark and performance measurement calculations
UNIT PRICE NORMALIZATION
PCC PLAN PRIMARY CARE CLINICIAN ENHANCED FEE

• For more information regarding the PCC Plan PCC enhanced fee, please refer to:
TOTAL COST OF CARE DEVELOPMENT
RISK MITIGATION TECHNIQUES
**RISK MITIGATION TECHNIQUES OVERVIEW**

- **Overall principles of risk mitigation**
  - Protect plans from high cost, low frequency, difficult-to-manage risk
  - Retain claims and encounters that are manageable for plans to generate savings

- **Risk mitigation techniques in existence today**
  - HCV Risk Corridor
  - CBHI/ABA Risk Corridors
  - Medical risk corridor

- **Risk mitigation techniques that are new**
  - Stop-loss per inpatient admission: Primary Care ACOs and MCO-Administered ACOs only
  - Other high cost drug risk corridor (for MCOs and Partnership Plans) or risk carve-out (for Primary Care ACOs and MCO-Administered ACOs)
    - Criteria for inclusion in the other high cost drug risk corridor / carve-out: used for Chronic on-going therapy and used by a small population and no/few other effective drug treatments available for the condition and cost >$100K per year per person and not used for cancer treatment
    - Or, used for HIV Pre-Exposure Prophylaxis
  - Supplemental maternity payment/adjustment

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Risk mitigation techniques in MCO/CarePlus program today

**Medical Risk Corridor**
- +/- 3.0% risk corridor with 50% risk outside corridor

**Hepatitis C**
- +/- 5% risk corridor with 5% risk outside corridor

**CBHI/ABA**
- Losses/gains within $100,000 with 1% risk inside corridor
- Losses/gains in excess of $100,000 with 0% risk outside corridor

Risk mitigation techniques that are new

**Other High-Cost drugs**
- +/- 2% risk corridor with 0% risk outside corridor

**Deliveries**
- Supplemental Maternity Payment

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### Risk mitigation techniques

<table>
<thead>
<tr>
<th>Shared Savings or Losses</th>
<th>Hepatitis C</th>
<th>CBHI/ABA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Risk-sharing varies by track</td>
<td>• +/- 5% risk corridor with 5% risk outside corridor</td>
<td>• Carved out of TCOC calculations</td>
</tr>
<tr>
<td>• Capped at 10% of the TCOC Benchmark</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other High-Cost drugs</th>
<th>Deliveries</th>
<th>Stop-loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Carved out of TCOC calculations</td>
<td>• Supplemental Maternity Adjustment</td>
<td>• $150K attachment point per inpatient admission with 5% risk above the attachment point</td>
</tr>
</tbody>
</table>
**RISK MITIGATION TECHNIQUES FOR MCOS**

<table>
<thead>
<tr>
<th>Medical (i.e., excl. other columns)</th>
<th>HCV</th>
<th>Other high-cost Rx</th>
<th>CBHI/ABA</th>
<th>Maternity / Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set capitation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine actual performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reprice claims and recalculate performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perform risk corridor calculation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apply MLR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Medical (i.e., excl. other columns)**
- Based on market / NVF
  - Prospectively risk adjusted
- Includes medical spend, net of medical SS/SL with MCO-Administered ACOs
  - <103% of capitation
  - >103% of capitation

**HCV**
- Standalone component of capitation rate
- Includes HCV, net of HCV SS/SL with MCO Administered ACOs
  - 0-5%: MCO 100% at risk
  - Remaining: 50% at risk

**Other high-cost Rx**
- Standalone component of capitation rate
- Includes high-cost Rx spend only
  - 0-2%: MCO 100% at risk
  - Remaining: 0% at risk

**CBHI/ABA**
- Standalone add-on to rate
- Includes CBHI/ABA spend only
  - Losses/gains within $100,000 are 1% at risk

**Maternity / Delivery**
- Delivery excluded from capitation
- Identify # of qualifying deliveries

**Quarterly settlement based on volume times supplemental maternity payment**

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*Includes facility delivery charges only. The Supplemental Maternity Payment will not include costs associated with newborn infant admission post-partum or ante-partum, or costs of inpatient care associated with any maternity cases that end in termination or miscarriage.*
RISK MITIGATION TECHNIQUES FOR PARTNERSHIP PLAN ACOS

**Medical (i.e., excl. other columns)**

- Set capitation: Based on market / NVF. Prospectively risk adjusted.
- Determine actual performance: Includes medical spend only, <103% of capitation, or >103% of capitation.
- Reprice claims and recalculate performance: Reprice.
- Perform risk corridor calculation: 0-3%: ACO 100% at risk, Remaining: 50% at risk.
- Apply quality modifier: Savings: multiplied by quality score, Losses: Up to 20% offset. Calculated and paid out annually, after contract year ends.
- Apply MLR: If total net expenses are less than 85% of total net revenues (i.e., with all shared savings / losses applied), MCO pays EOHHS the amount needed to reach 85% of revenues.

**HCV**

- Standalone component of capitation rate: Includes HCV spend only, <103% of capitation.
- Other high-cost Rx:
  - Standalone component of capitation rate: Includes high-cost Rx spend only, >103% of capitation.
  - 0-5%: ACO 100% at risk, Remaining: 5% at risk.

**CBHI/ABA**

- Standalone add-on to rate: Includes CBHI/ABA spend only, >103% of capitation.
- 0-2%: ACO 100% at risk, Remaining: 0% at risk.
- Losses/gains within $100,000 are 1% at risk.

**Maternity / Delivery**

- Delivery excluded from capitation: Identify # of qualifying deliveries*.
- Quarterly settlement based on volume times supplemental maternity payment.

*Includes facility delivery charges only. The Supplemental Maternity Payment will not include costs associated with newborn infant admission post-partum or ante-partum, or costs of inpatient care associated with any maternity cases that end in termination or miscarriage.
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**RISK MITIGATION TECHNIQUES FOR PRIMARY CARE AND MCO-ADMINISTERED ACOS**

<table>
<thead>
<tr>
<th>Non-maternity</th>
<th>Maternity</th>
<th>HCV</th>
<th>Other high-cost Rx</th>
<th>CBHI / ABA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on market / NVF from base data (excluding other columns)</td>
<td>Excluded from preliminary benchmark</td>
<td>Standalone benchmark</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Exclude 95% of spend &gt;$150K per admission</td>
<td>Add to benchmark: # of qualified deliveries times supplemental maternity adjustment</td>
<td>Retrospectively risk adjust</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Retrospectively risk adjust for actual acuity during measurement year</td>
<td>Include actual delivery cost</td>
<td>Includes HCV spend only</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
</tbody>
</table>

**Adjusted medical spend**

- 98-102% of benchmark
- <98 / >102% of benchmark

**Apply 2% MSR / MLR**

- No SS/SL

**Perform SS/SL calculation**

- Risk sharing varies by track
- Gains / losses counted up to 10% of benchmark

**Apply quality modifier**

- Savings: multiplied by quality score
- Losses: Up to 20% offset

* Includes facility delivery charges only. The Supplemental Maternity Adjustment will not include costs associated with newborn infant admission post-partum or ante-partum, or costs of inpatient care associated with any maternity cases that end in termination or miscarriage.