MassHealth Technical ACO/MCO Pricing meeting

Executive Office of Health & Human Services

February 8, 2017

Material in this PowerPoint is presented for informational purposes only

Today's agenda

Welcome and overview

Summary of ACO and MCO pricing methodology

Question and Answer

Roadmap for sharing further information on pricing details

For review today

- Policy details shared to date in the ACO and MCO procurements

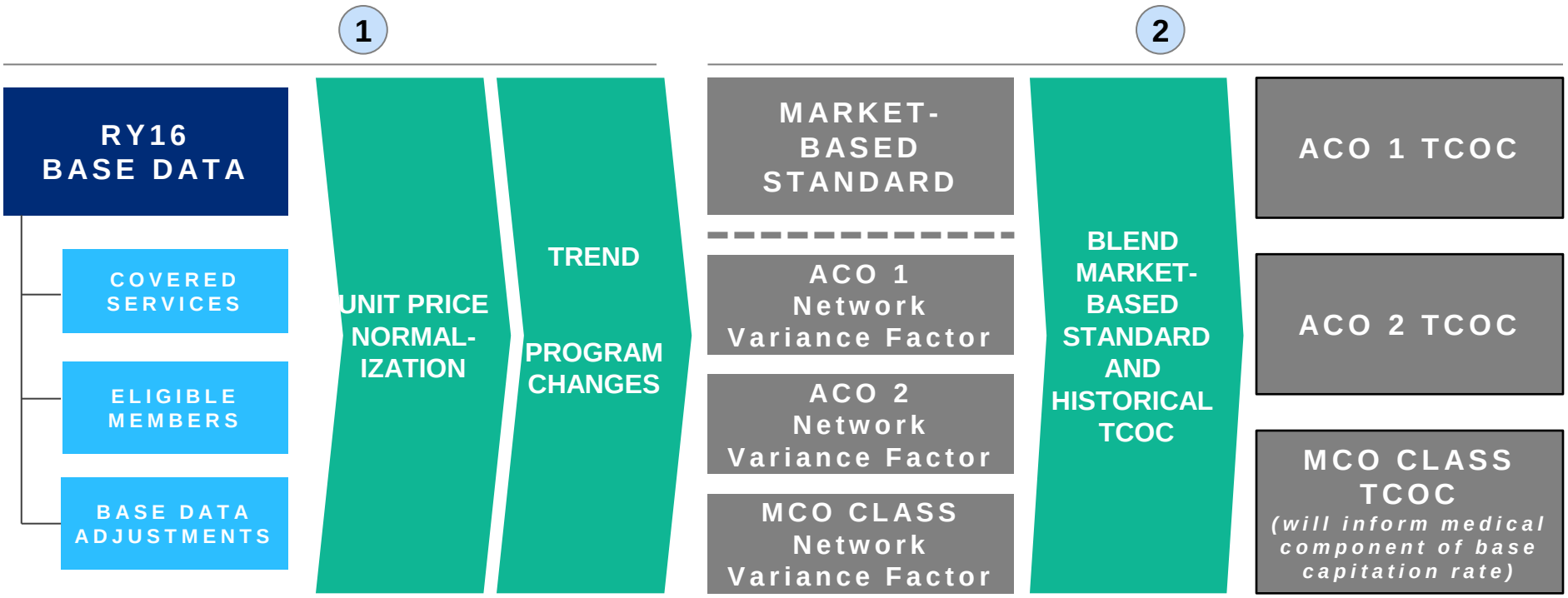
To be announced in March:

- The planned percentage increases in the MassHealth fee schedule
- The percent weight placed on the NVF for ACOs and MCOs in the RY18 and RY19
- Risk mitigation details for Hepatitis C therapeutics in the ACO and MCO programs
- Details on the ACO quality slate, which impacts ACO shared savings and losses

To be announced in April:

- Funding for administrative spending for Primary Care ACOs
- Details on the risk adjustment methodology
- Methodology for updating rates and benchmarks based on substantial network changes

High-level summary of how MassHealth will set rates and benchmarks for ACOs, MCOs



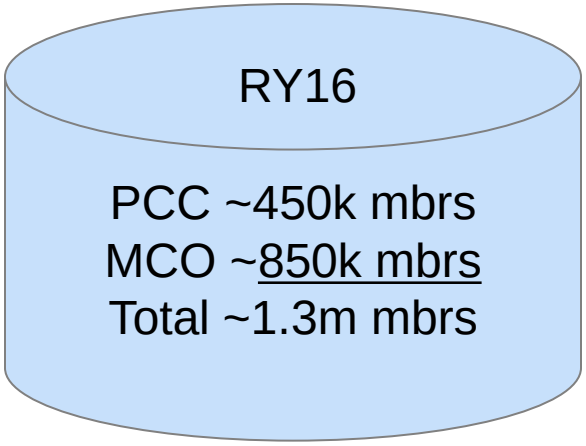
This process will be performed for each managed care rate cell (region and rating category), and each rate cell will have a different market-based standard TCOC. The overall TCOC targets for individual ACOs and the MCO class will reflect the distribution of those entities' members across rate cells.

Note: This slide represents a summary of the rate and benchmark-development process; additional detailed adjustments will be performed

Material in this PowerPoint is presented for informational purposes only

1 Base data: combining PCC / MCO, normalizing for unit price

- Rates for all managed care products will start with same base data for RY18.
- The base data will include all managed care eligible PCC Plan claims and MCO Program encounter data incurred from October 1, 2015 through September 30, 2016 (RY16) paid through January 2017.
- Data standardization across data sources (PCC Plan and MCO). E.g., categories of service.
- Unit pricing will be normalized to be on a MassHealth FFS equivalent basis for major categories of service.
- Base data will be adjusted, as necessary, for:
  - Completion of unpaid claims
  - Historical population changes
  - Sub-capitated encounters



Actuarial Data Set (ADS)

Note: Dates have been updated since MCO Bidders' Conference presentation on January 10, 2017

1 Level-setting fee schedule assumptions

- Historically, EOHHS has built into the MCO prospective capitation rates, the assumption that hospitals will be paid no more than 105% of the MassHealth fee schedule and professional services will be paid no more than 110% of the MassHealth fee schedule

- EOHHS will now use 100% of the EOHHS fee-for-service (FFS) fee schedule equivalent in setting capitation rates for Managed Care Plans. EOHHS will assume that providers get paid (in aggregate/on average) at the EOHHS FFS fee schedule when setting the capitation rates

- EOHHS intends to in aggregate increase the EOHHS FFS schedules, including but not limited to hospital and professional fee schedules, to arrive at an adjusted level of pricing parity across all MassHealth products and in order to ensure benchmark is achievable

- EOHHS intends to make this change in a way that is budget neutral for the Commonwealth and for impacted classes of providers, as a whole

2 Overview of NVF development and application to set TCOC

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Member months	Common market-based TCOC standard	"Historical" TCOC, risk- and price-normalized	NVF *(3)/(2)*	RY18 weight	RY18 TCOC adjustment *1.0*(100%-(5)) + (4)*(5)*	RY18 base TCOC *(2)*(6)*
Partnership Plan #1	15,000	$500 PMPM	$525 PMPM	1.05	90%	1.045	$522.50 PMPM
Partnership Plan #2	15,000	500	470	0.94	90%	0.95	473.00
Primary Care ACO #1	15,000	500	510	1.02	90%	1.02	509.00
Primary Care ACO #2	15,000	500	490	0.98	90%	0.98	491.00
MCO Class[a]	25,000	500	491	0.98	90%	0.98	491.90
PCC Plan	15,000	500	520	1.04	90%	N/A	N/A
Total	100,000	500	500	1.00	90%	1.0[b]	500[b]

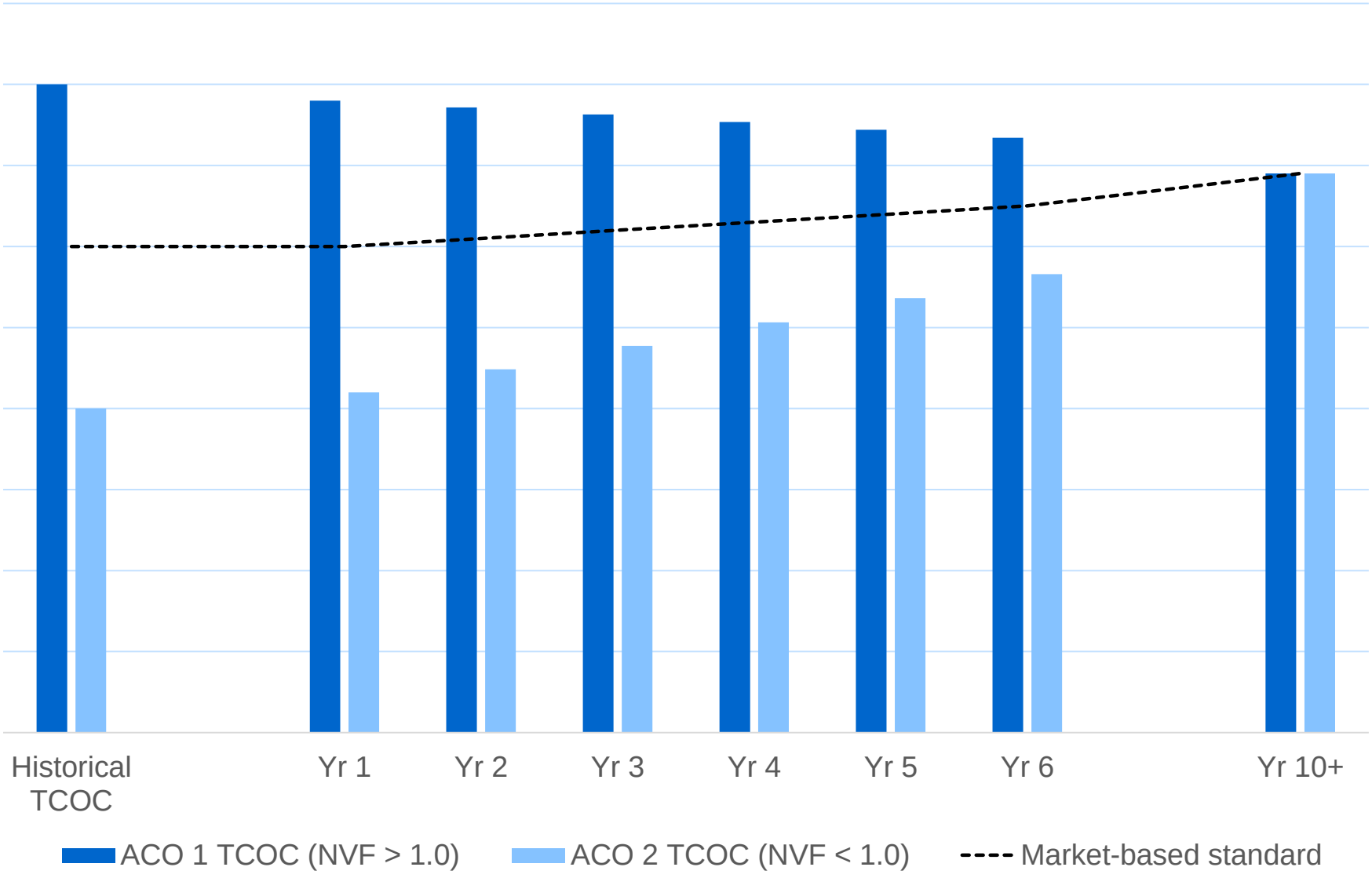
[a] The MCO class's base TCOC, which will inform the medical component of the MCO base capitation rate, reflects historical experience of MCO-administered ACOs, which will be included in MCO networks; those ACOs will share savings and losses with MCOs based on their own ACO-specific TCOC.
[b] Totals arrive to a base TCOC of $500 PMPM (the common market-based TCOC standard) only under the assumption that the PCC plan incurs medical spending equal to $518 PMPM, in line with a NVF of 1.04 applied with a 90% weighting; that is, if the PCC plan achieves a TCOC analogous to an ACO with an identical NVF based on historical experience.

TCOC benchmarks and medical components of capitation rates will be adjusted to reflect actual member acuity

2 ACOs will be accountable to a market-based standard over time – *Illustrative example*

	RY18	RY19	…	RY27
Market-based standard (PMPM)	$500.00	$510.00		$580.00
Portion of rates impacted by NVF	90%	80%		0%
Partnership Plan #1				
NVF	1.05	1.04		1.04
TCOC	$522.50	$526.32		$580.00
Primary Care ACO #2				
NVF	0.98	0.98		0.96
TCOC	$491.00	$501.84		$580.00
MCO Class				
NVF	0.98	0.98		0.99
TCOC	$491.00	$501.84		$580.00

2 Transitional glide-path to common market-based standard – *Illustrative view*



Backup

Rating categories and regions

- MassHealth will set capitation rates at the rate cell level which is a unique combination of managed care regions and RCs.

- Starting in RY18 for the MCO Program, RC I and RC II will have separate capitation rates for Child and Adult. RCs IX and X are only for adults only so those RCs will not change.

- The RCs will be defined as:
  - RC I Child: ages 0–20 year non-disabled members
  - RC I Adult: ages 21–64 years non-disabled members
  - RC II Child: ages 0–20 years disabled members
  - RC II Adult: ages 21–64 years disabled members
  - RC IX: ages 21–64 years members
  - RC X: ages 21–64 years members

- Regions under the contract are as follows: Greater Boston, Central, Northern, Southern, and Western

Risk sharing with MCO-administered ACOs

- In year one, each MCO will be required to contract with all MCO-Administered ACOs in the MCO's covered regions.
- MCO will share gains/losses with these ACOs resulting from utilization-driven decreases/increases in TCOC attributed to each ACO.
- MCO-Administered ACOs are not intended to be accountable for TCOC deviations due to MCO-specific unit pricing levels. ACO TCOC performance will be measured on a unit-price normalized basis.

ACO Covered Services/ TCOC Included Services

Covered services that are **included in the capitation rate and TCOC benchmark development**:

- Physical health services (includes inpatient, outpatient, diagnostics, therapies, etc.)
- Behavioral health services (includes inpatient, outpatient, and diversionary)
- Pharmacy services
- Other services

Covered services **for Partnership Plans** that are **excluded from capitation rate development** and paid by MassHealth:

- Abortion, Dental, Dentures, Home Assessments, Chronic or Rehabilitative Hospital Services, Intensive Early Intervention, Keep Teens Healthy, Non-emergent Transportation, Vision (non-medical)
- Adult Day Health, Personal Care Attendant, Private Duty Nursing, Continuous Skilled Nursing, Skilled Nursing Facility (for year 1 and 2)

Covered services **for Primary Care and MCO-Administered ACOs** that are **excluded from TCOC development and reconciliation** and paid by MassHealth:

- Abortion, Dental, Dentures, Home Assessments, Chronic or Rehabilitative Hospital Services, Intensive Early Intervention, Keep Teens Healthy, Non-emergent Transportation, Vision (non-medical) **and**
- Adult Day Health, Personal Care Attendant, Private Duty Nursing, Continuous Skilled Nursing, Skilled Nursing Facility (for year 1 and 2)

Covered services vary by coverage type

Overview of ACO accountability

- All MassHealth ACOs have financial accountability for the cost (and quality) of care for defined populations of members. The mechanism for this accountability differs between different models.

- A **Primary Care ACO** is accountable to a TCOC benchmark that incorporates **price normalization**, which is also applied during reconciliation so that the ACO's TCOC benchmark and performance are compared on a price-normalized basis. The Primary Care ACO is therefore primarily accountable for utilization.

- An **MCO-Administered ACO** is also accountable to a TCOC benchmark that incorporates price normalization.
  - The ACO's TCOC benchmark and performance are compared on a price-normalized basis. The MCO-Administered ACO is accountable for only the utilization of attributed members.

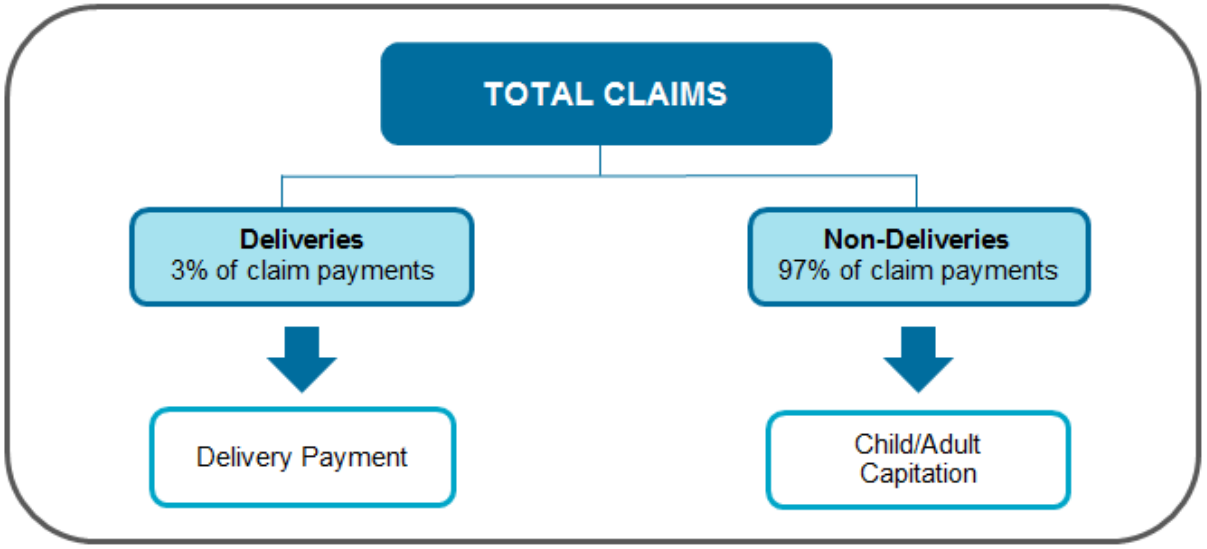
- An **Accountable Care Partnership Plan**, like an MCO, is accountable under a prospective payment and is responsible for negotiating rates and paying claims, and is therefore accountable for **both unit cost/provider rates as well as for utilization.**

Supplemental delivery payment

Supplemental delivery payments will be used to reduce an MCO or ACO's exposure to higher than anticipated birth rate in its membership

A fixed fee will be paid to cover the facility costs of each delivery event

- For all MCOs/ACOs, facility delivery costs will be removed from the data for rate/TCOC development, and accounted for separately for each birth event



- Partnership Plan ACOs and MCOs will be paid a supplemental delivery payment for each delivery event
- Primary Care ACO and MCO-Administered ACO benchmarks will reflect the actual number of applicable delivery events
- The fixed fee does not cover prenatal care, perinatal care, neonatal care, or stillborn deliveries