

MASSHEALTH ACO AND MCO PROGRAM PROCUREMENTS

PRICE NORMALIZED DATABOOK AND PRICE NORMALIZATION METHODOLOGY

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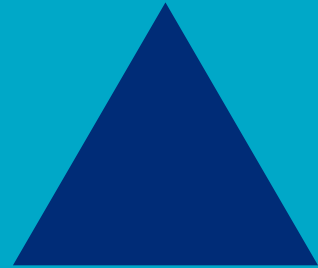
Boston, MA

AGENDA

- Historical Base Data Development
- Price Normalized Databook for the EOHHS ACO and MCO Procurements
- Base Data Development (Actuarial Data Set)
- Actuarial Data Set
 - Unit Price Normalization

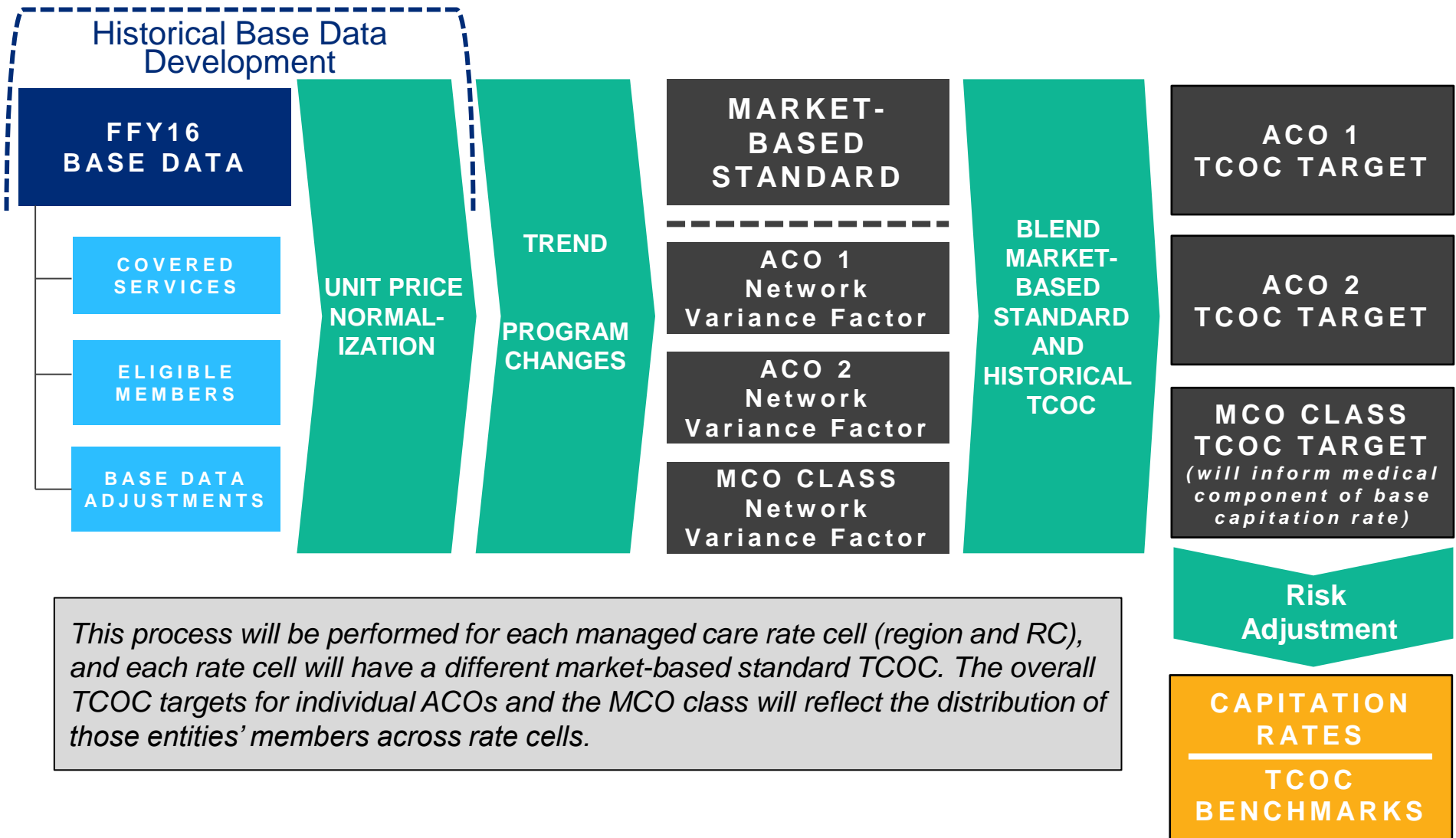
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HISTORICAL BASE DATA DEVELOPMENT



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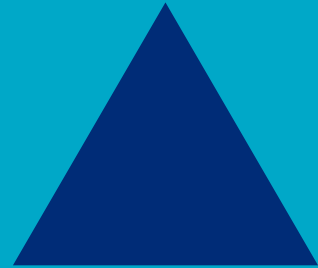
HISTORICAL BASE DATA DEVELOPMENT



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.

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PRICE NORMALIZED DATABOOK FOR THE EOHHS ACO AND MCO PROCUREMENTS



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PRICE NORMALIZED DATABOOK FOR THE ACO AND MCO PROCUREMENTS

- The Price Normalized Databook includes eligibility, utilization, and medical expenditures from October 1, 2014 through September 30, 2016
 - For EOHHS members enrolled in the MCO Program, the PCC Plan, including managed care eligible newborns under the age of 1
- Data sources include:
 - EOHHS eligibility records
 - MMIS claims *paid through January 2017*
 - MCO encounters *paid through December 2016*
 - MBHP encounters reflecting behavioral health services for PCC Plan members *paid through December 2016*
 - DxCG Hierarchical Condition Category (HCC) risk adjustment data

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PRICE NORMALIZED DATABOOK FOR THE ACO AND MCO PROCUREMENTS

- The Price Normalized Databook provides a “combined view” of the managed care eligible population across the MCO Program, the PCC Plan, and newborns
 - General information (including population and base data time period overviews)
 - Category of Service (COS) descriptions
 - City/Town – Service Area – Region Crosswalk
 - Eligibility summaries with and without age/gender splits
 - Enrollment summaries by region, service area, rating category (RC), age group, and gender
 - Claim/Encounter Summaries by RC, region, service area, and COS
 - Utilization patterns, mix of services, and medical expenditures levels by enrollment segments (above)
 - Average cost for delivery event by region and service area
 - Prevalence of HCCs by region

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PRICE NORMALIZED DATABOOK FOR THE ACO AND MCO PROCUREMENTS

- MCO/MBHP Encounters and MMIS Claims have been standardized and normalized:
 - Standardized COS
 - Normalized Service Unit Pricing to align claims and encounters to MassHealth and MBHP fee schedules
 - *Applicable prescription drug claims and encounters* are normalized to reflect reimbursement under National Average Drug Acquisition Cost (NADAC) methodology, supplemented by Wholesale Acquisition Cost (WAC) where applicable
 - *Behavioral health claims and encounters* are normalized to reflect reimbursement levels for similar services delivered to PCC Plan members where applicable
 - *Other major service categories* are normalized to reflect 100% of the Medicaid fee schedule where applicable
 - *Unit pricing for all other claims and encounters* have been retained as reported

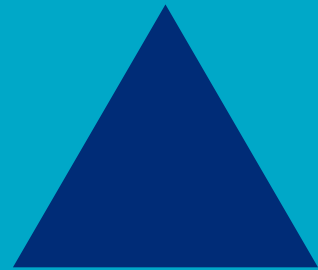
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PRICE NORMALIZED DATABOOK FOR THE ACO AND MCO PROCUREMENTS

- As you review the Price Normalized Databook, consider the following
 - MCO/MBHP Encounters and MMIS Claims are combined to include only those listed as Covered Services in Appendix C of the ACO and MCO Model Contracts
 - Family planning services rendered out of network are excluded
 - Effective October 1, 2015, RC IX and RC X members have the PCC Plan as an option; previously, these members were only offered the CarePlus Program option
 - Unique utilizers count members *once* by RC, region, and service area
 - COS definitions were assigned at the header level, with the exception of professional claims
- The Price Normalized Databook cannot be used to project costs or rates
 - The data has not been adjusted to account for incomplete claims runout in the base period, program/fee schedule changes that have occurred or may occur after the data source service end dates, trend, or other rating adjustments

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BASE DATA DEVELOPMENT (ACTUARIAL DATA SET)



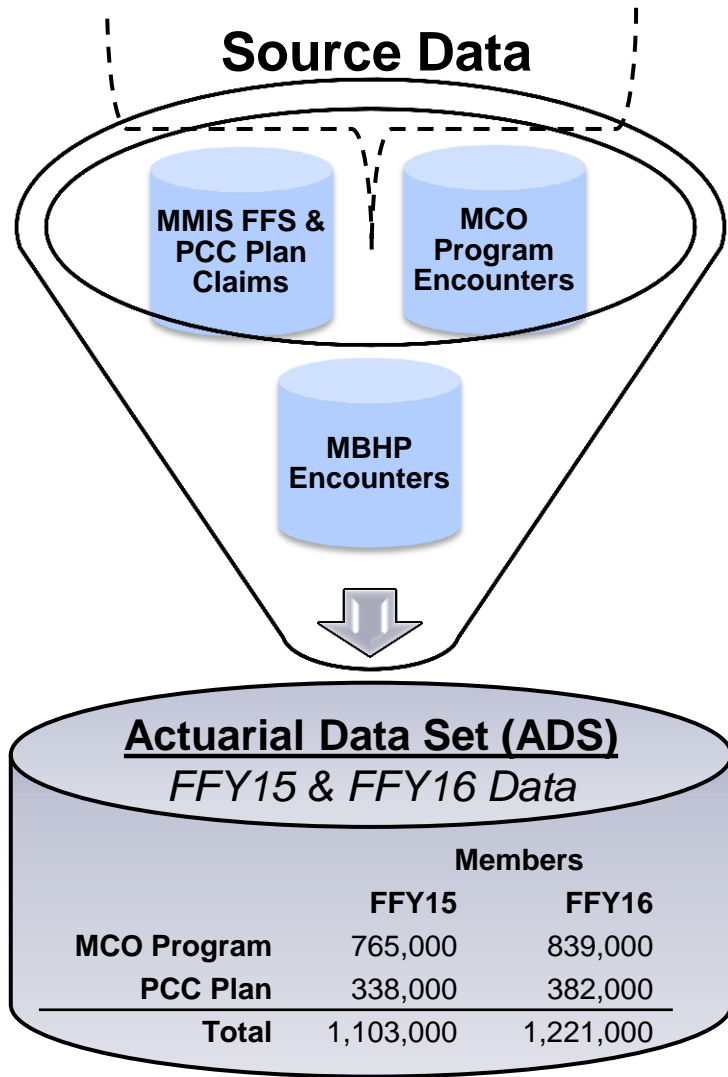
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BASE DATA DEVELOPMENT OVERVIEW

- The Actuarial Data Set (ADS) will be MassHealth's single data source for managed care programs effective in Rate Year 2018 (RY18)
 - ACO Program
 - MCO Program
 - PCC Plan
- The goal is to utilize all available claims and encounter data moving forward
 - Historically, these data have not been combined or used collectively to develop Total Cost of Care (TCOC) estimates or capitation rates

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BASE DATA DEVELOPMENT – OVERVIEW



- Validation
- Standardization (e.g., COS, provider types, RCs)

- Data Enhancements
- Price Normalization

- ADS: Single source of standardized and normalized data

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BASE DATA DEVELOPMENT

PCC PLAN CLAIMS AND MCO/MBHP ENCOUNTERS

- MCOs and ACOs will be responsible for those services provided under the current MCO Program and PCC Plan, including, but not limited to:
 - Inpatient hospital
 - Outpatient hospital
 - Physician services
 - Pharmacy
 - Home Health
 - DME & Supplies
 - Skilled Nursing Facility (*up to 100 days*)
- ACOs and MCOs will not be responsible for the following services:
 - Long-Term Services and Supports
 - Skilled Nursing Facility (greater than 100 days), Adult Day Health, Adult Foster Care, Personal Care Attendant Services
 - Dental
 - Vision (non-medical component)
 - Abortion
 - Other (e.g., dentures, home assessments, day habilitation)

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BASE DATA DEVELOPMENT

PCC PLAN CLAIMS AND MCO/MBHP ENCOUNTERS

- With the different payment structures and management information systems across MMIS, MBHP, and the MCOs, there are known differences in the source claims/encounters
 - Service category definitions
 - Provider type definitions
 - Provider identification
 - MCO-specific provider ID list (i.e., each MCO has a unique provider ID list), MMIS provider ID list, and MBHP-specific provider ID list
 - Unit price contracting
 - MCO Program: MCO-specific provider contract terms
 - MMIS: MassHealth fee schedules
 - MBHP: MBHP-specific fee schedules
- Methodology for capitation rates and TCOC benchmark development accounts for these differences

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ACTUARIAL DATA SET OVERVIEW

- Variation across data sources will be addressed through data standardization and normalization
 - Standardize
 - service category definitions across claims and encounters
 - provider type mapping
 - Unit price normalization
 - Inpatient hospital (APAD)
 - Outpatient hospital (APEC)
 - Professional services (MassHealth professional fee schedules)
 - Behavioral health services
 - Community Health Centers (CHC)
 - Pharmacy (NADAC & WAC)
- *The “standardized and normalized data” is referred to as the “Actuarial Data Set,” or “ADS”*

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ACTUARIAL DATA SET DATA STANDARDIZATION — SERVICE CATEGORIES

- Inpatient PH (Physical Health) – Non-Maternity
- Inpatient PH- Maternity
- Long-Term Care (LTC)
- Emergency Room
- Lab and Radiology – Facility
- Other Outpatient Hospital
- Professional Services
- Home Health

- DME & Supplies
- Emergency Transportation
- Pharmacy – HCV
- Pharmacy – Non-HCV
- Other Medical Services
- Inpatient Behavioral Health
- Outpatient Behavioral Health
- Applied Behavioral Analysis (ABA)
- Children’s Behavioral Health Initiative (CBHI)

Please refer to the Price Normalized Databook for descriptions of the Service Categories listed above.

ACTUARIAL DATA SET

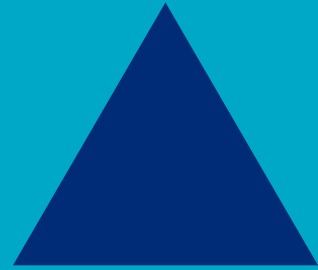
RATE CELL DEVELOPMENT

- MassHealth's use of rate cells helps achieve the alignment of payment and TCOC benchmarks with risk
- Capitation rates and TCOC benchmarks will be developed as per member per month amounts for each of the 30 rate cells
 - RC I, RC II, RC IX, and RC X
 - Age (children under 21 and adults 21+)
 - RC I and RC II have child and adult splits
 - RC IX and RC X are adult-only
 - Geography, based on current MCO regions, to account for regional variation in service/case mix
 - Greater Boston, Northern, Southern, Central, and Western
- Delivery facility charges will be excluded from capitation rates and TCOC benchmarks
 - A supplemental maternity payment will be made for each maternity delivery event

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ACTUARIAL DATASET

UNIT PRICE NORMALIZATION



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ACTUARIAL DATA SET

UNIT PRICE NORMALIZATION — OVERVIEW

- The goal of unit price normalization is to create service unit price parity across major COS
- *Unit price normalization* allows for comparisons in TCOC associated with specific provider panels in a manner that is *not distorted by different unit price levels*
 - It is intended to align unit pricing across disparate claims and encounters on a sufficiently *comparable basis*
- Price normalization is not a comprehensive re-adjudication process
 - Price normalization involves simplifications and assumptions compared to a true re-adjudication

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ACTUARIAL DATA SET

UNIT PRICE NORMALIZATION — OVERVIEW

- MassHealth will align and “reprice” claims and encounters across major COS
 - Inpatient Hospital
 - Outpatient Hospital
 - Professional services
 - Behavioral Health
 - 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
 - 340b pharmacy pricing differentials between MCO and ACO models

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UNIT PRICE NORMALIZATION INPATIENT HOSPITAL

- MassHealth pays inpatient hospital providers using Adjudicated Payment Amount per Discharge (APAD) methodology
 - Unit price levels are tied to facility and APR-DRG of each admission
- Unit price normalization is applied to MMIS claims and MCO encounters
 - MMIS claims are paid using APAD; adjustments will be applied to reflect current fee schedules
 - An MCO uses its own methodology to pay inpatient hospital claims; MassHealth adds APR-DRGs based on data included on the encounter
- Three steps to pricing inpatient hospital encounters
 - Step 1: Standard APAD methodology
 - Step 2: Outlier payments
 - Step 3: Transfer payments
- For more information about APAD methodology, including current and historical information, please refer to: <http://www.mass.gov/eohhs/gov/laws-regs/masshealth/special-notice-for-hospitals.html>

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UNIT PRICE NORMALIZATION OUTPATIENT HOSPITAL

- Effective December 30, 2016, MassHealth pays outpatient hospital providers using Adjudicated Payment per Episode of Care (APEC) methodology
 - APEC methodology replaced PAPE methodology, used in RY17 rate development
 - Services provided during each “episode” are grouped using the EAPG grouper
 - Unit price for each “episode” are based on facility and EAPG weights
 - Affects physical health MMIS claims and MCO Program encounters
- Unit price normalization is applied to MMIS claims and MCO encounters
 - MassHealth adds EAPGs to MMIS claims since EAPGs are not included on MMIS claims until 2017 (after the base data period)
 - MassHealth adds EAPGs to each MCO encounter
- The APEC methodology consists of two steps
 - Step 1: Standard APEC methodology
 - Step 2: Outlier payments
- For more information related to the APEC methodology, please refer to:
<http://www.mass.gov/eohhs/docs/masshealth/acutehosp/notice-of-proposed-agency-action-mh-payment-in-state-out-of-state-acute-hospital-services-effective-october-1.pdf>

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UNIT PRICE NORMALIZATION PROFESSIONAL AND OTHER SERVICES

- MassHealth reimburses providers for physical health professional services on a fee for service basis. Unit price normalization will consider the following MassHealth fee schedules

Medicine

Ambulatory Care: Surgery and Anesthesia
Ambulatory Care: Radiology
Clinical laboratory services
Ambulance services

Ambulatory surgical centers
Community health centers
Chiropractic services
Durable medical equipment

- Unit price normalization is applied to MMIS claims and MCO encounters
 - MMIS claims are repriced to align with current fee schedules and remove fee adjustments that are not included in normalization
 - *MMIS claims and MCO encounters that do not fall under the above fee schedules will remain unchanged*
- The professional repricing methodology applies fee levels to reported units at the procedure code and modifier level, and by place of service (i.e., facility vs. non-facility)
- For MassHealth professional service fee schedules, please refer to:
<http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>

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UNIT PRICE NORMALIZATION

BEHAVIORAL HEALTH

- Price normalization for behavioral health services will align with MBHP's unit price levels
 - PCC Plan behavioral health experience currently reflects MBHP pricing
 - Inpatient behavioral health: Per diem rates vary by hospital and age (child and adult)
 - Outpatient behavioral health: Rates are based on procedure codes and modifiers
- Inpatient behavioral health service categories include
 - Inpatient mental health
 - Administratively necessary days
 - High intensity inpatient mental health services for adults
 - Inpatient substance abuse
- Outpatient behavioral health service categories include
 - Mental health and substance abuse
 - Outpatient services
 - Non-24 hour diversionary services
 - Adult emergency services program
 - Solo practitioners

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UNIT PRICE NORMALIZATION PHARMACY

- The PCC Plan is transitioning to NADAC pricing methodology as of April 2017
- Unit price normalization is applied to MMIS claims and MCO encounters
 - Current PCC Plan data does not reflect NADAC pricing
 - Requires unit price normalization for pharmacy MMIS claims and MCO encounters
 - Prescriptions for 340B providers are repriced to reflect NADAC pricing
 - Compound drugs are not repriced
- The NADAC methodology consists of multiple steps
 - Dispensing fee for each prescription is priced at \$10.02
 - Ingredient costs are repriced to the lesser of usual and customary or NADAC levels using reported units. Drugs without NADAC pricing are repriced using the WAC
 - Hemophilia drugs are repriced to lesser of NADAC, WAC, or average sales price plus 6%
 - Medical supplies are repriced to the average unit cost of PCC claims

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UNIT PRICE NORMALIZATION COMMUNITY HEALTH CENTER

- Community Health Center (CHC) claims and encounters will be repriced to the most current MassHealth fee schedule:
 - MMIS claims are adjusted to reflect fee schedule changes between the base period and the rating period
 - MCO encounters are adjusted to reflect the MassHealth fee schedule applicable for the rating period
- Price normalization includes T1015 services
 - Some MCOs utilize evaluation and management (E&M) procedure codes in lieu of T1015; applicable E&M procedures will also be repriced for MCO encounters
- Note that CHC fee schedule updates are still in process
 - *The Price Normalized Databook thus does not reflect final expected CHC rates for RY18. Instead, the Price Normalized Databook reflects the original paid amounts for these services*

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FEE SCHEDULE LEVEL SETTING HOSPITAL AND PROFESSIONAL

- Existing capitation rate arrangements allow for MCO contracting in excess of MassHealth fees
 - Facility services are capped at 105% of equivalent pricing levels for both inpatient and outpatient
 - Professional services are capped at 110% of equivalent pricing levels
 - EOHHS intends to reset these benchmarks to align pricing across models
- EOHHS intends to raise MassHealth FFS payment rates for acute inpatient and outpatient hospital services by at least 2.5%
 - Applies to APAD and APEC payments
 - Accountable Care Partnership Plans and MCOs will be expected to pay at or below 100% of the *new* MassHealth benchmark for hospital services
- EOHHS intends to raise MassHealth FFS payment rates for professional services by at least 5%
 - Applies to services covered under the Medicine (101 CMR 317), Surgery and Anesthesia (114.3 CMR 16.00), and radiology (114.3 CMR 18.00) fee schedules

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