

# Oregon Health Care Reform and Medicare/Medicaid Alignment

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[www.health.oregon.gov](http://www.health.oregon.gov)

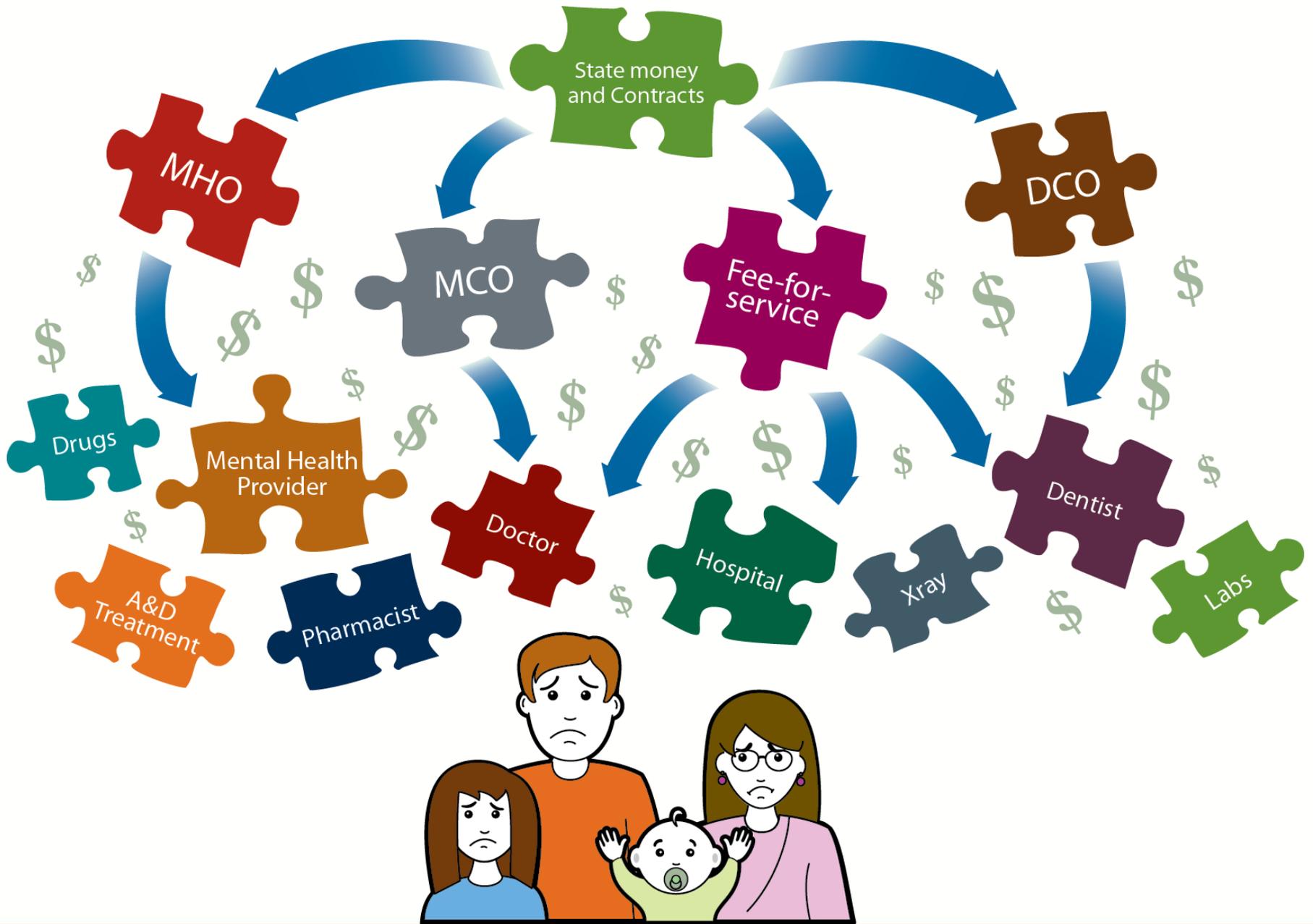
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# Focus of Presentation

- Oregon's Health System Transformation through the Coordinated Care Model
- Dually Eligible Individuals and Oregon's Demonstration
- CMS Demonstration Rate-setting Methodology

# **Oregon's Health System Transformation through the Coordinated Care Model**

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# Triple Aim:

## A new vision for Oregon

-  **1 Better health.**
-  **2 Better care.**
-  **3 Lower costs.**

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# Coordinated Care Organizations

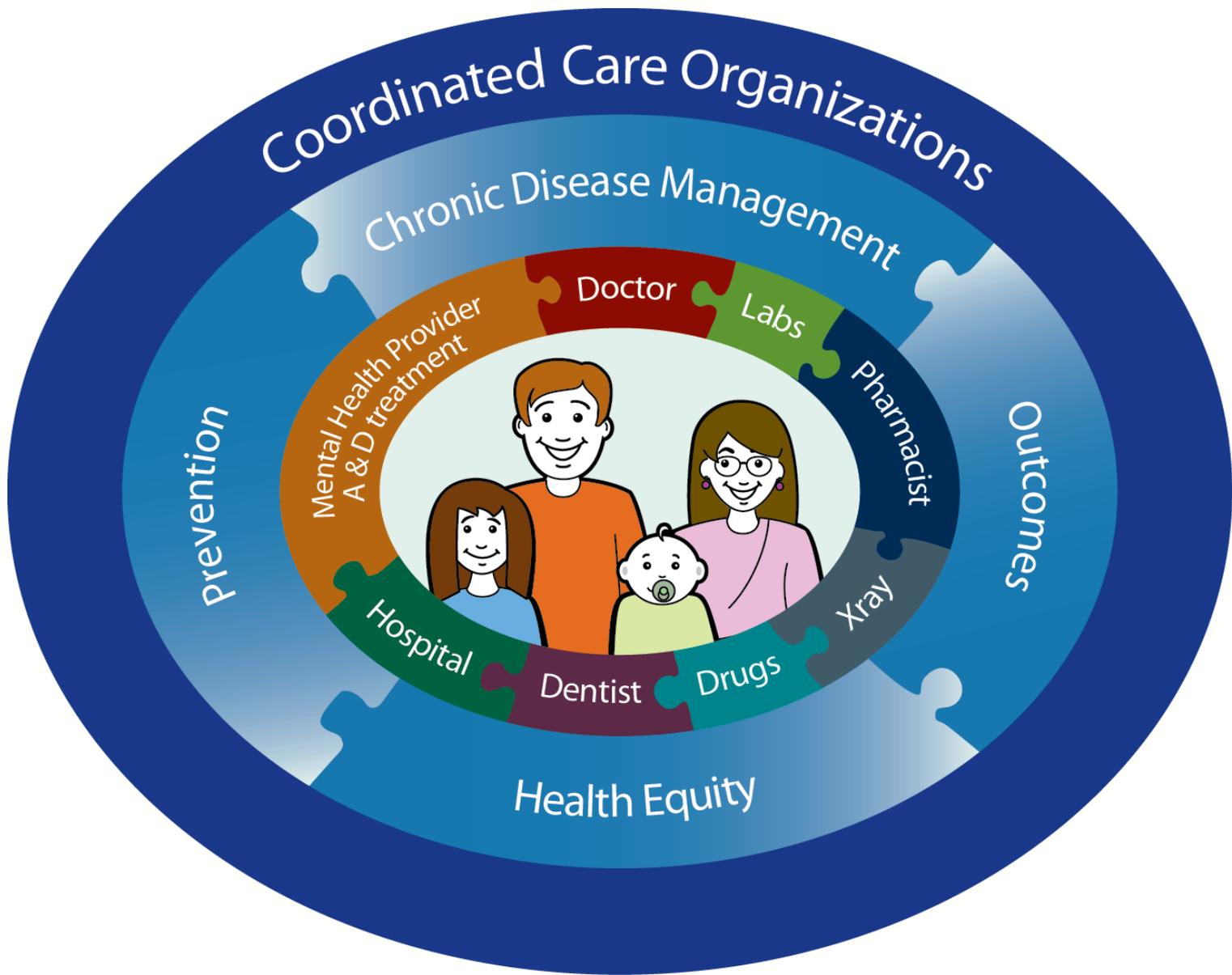
**A local network of all types of health care providers working together to deliver care for Oregon Health Plan clients.**

**Care is coordinated at every point – from where services are delivered to how the bills are paid.**

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# Expectations: CCO Criteria

- ✓ Coordinate physical, mental health and chemical dependency services, oral health care.
- ✓ Encourage prevention and health through alternative payments to providers.
- ✓ Engage community members/health care providers in improving health of community.
- ✓ Address regional, cultural, socioeconomic and racial disparities in health care.
- ✓ Manage financial risk, establish financial reserves, meet minimum financial requirements.
- ✓ Operate within a global budget.



# Dually Eligible Individuals and Oregon's Demonstration

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# Dually Eligible Individuals in Oregon

- Approximately 59,000 full dually eligible individuals
- High managed care penetration:
  - 47% are in managed Medicare (many in SNPs)
  - 61% are in managed Medicaid
  - Often in the same plan for both Medicare and Medicaid
- Approximately 24,000 (about 40%) of dually eligible individuals receive Medicaid long term care services for aged or physically disabled individuals
  - 80% of these individuals receive services in a home or community based setting

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# Oregon's Medicare/Medicaid Alignment Proposal

- Oregon is one of 15 states with a design contract with CMS to develop a demonstration proposal to integrate care for dually eligible individuals
- Proposal submitted to CMS in May was for capitated financial alignment model, building on CCO model
- Proposal included passive enrollment with opt-out
- Long Term Care legislatively excluded from CCOs, proposal included shared accountability approach

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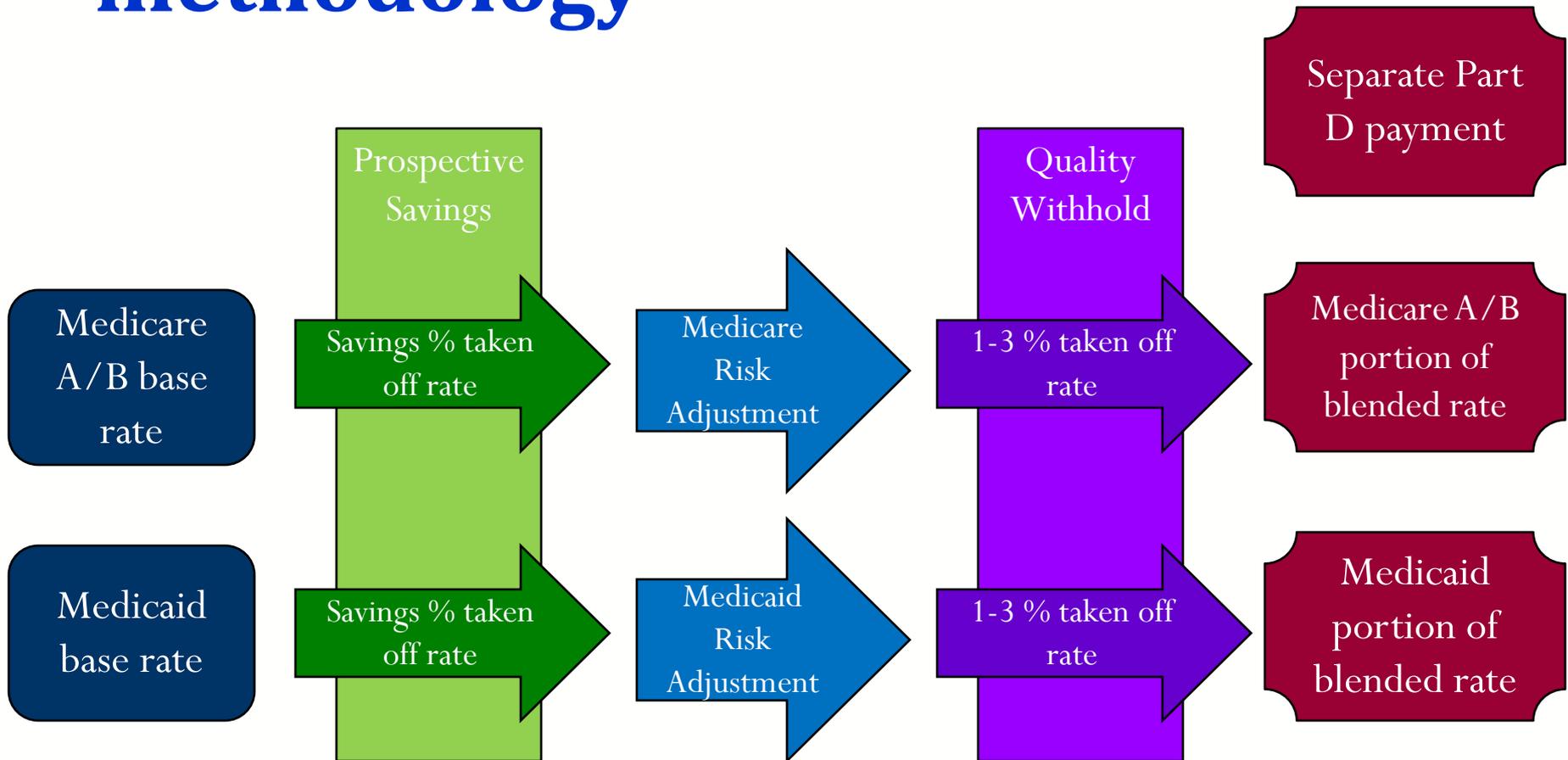
# Oregon Decision on Demonstration

- Oregon has recently decided not to pursue full financial alignment demonstration any further – main issue is rates won't work for Oregon, due in part to Oregon-specific factors
- Instead, Oregon will explore a modified demonstration with CMS, focusing on delivery system reforms underway in CCOs and Medicare/Medicaid administrative alignments with no financial component
- Without a financing model that achieves Medicare savings, we do not expect that CMS would approve passive enrollment into CCOs for Medicare services

# **CMS Demonstration Rate-setting Methodology**

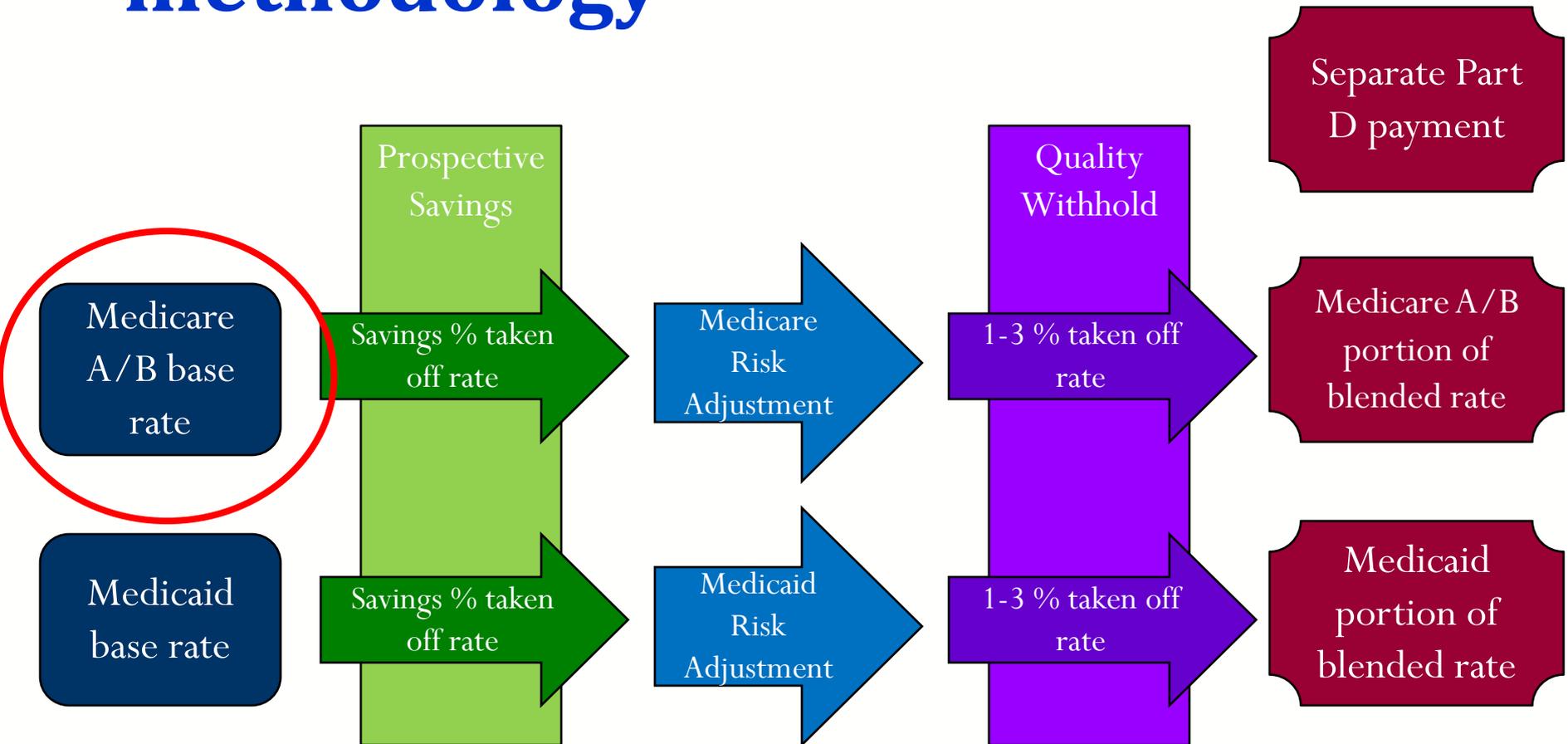
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# Overview of CMS rate-setting methodology



- Based on CMS memo, “Joint Rate-Setting Process Under the Capitated Financial Alignment Initiative,” May 2012 <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/JointRateSettingProcess.pdf>

# Overview of CMS rate-setting methodology



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# Medicare A/B Base Rate

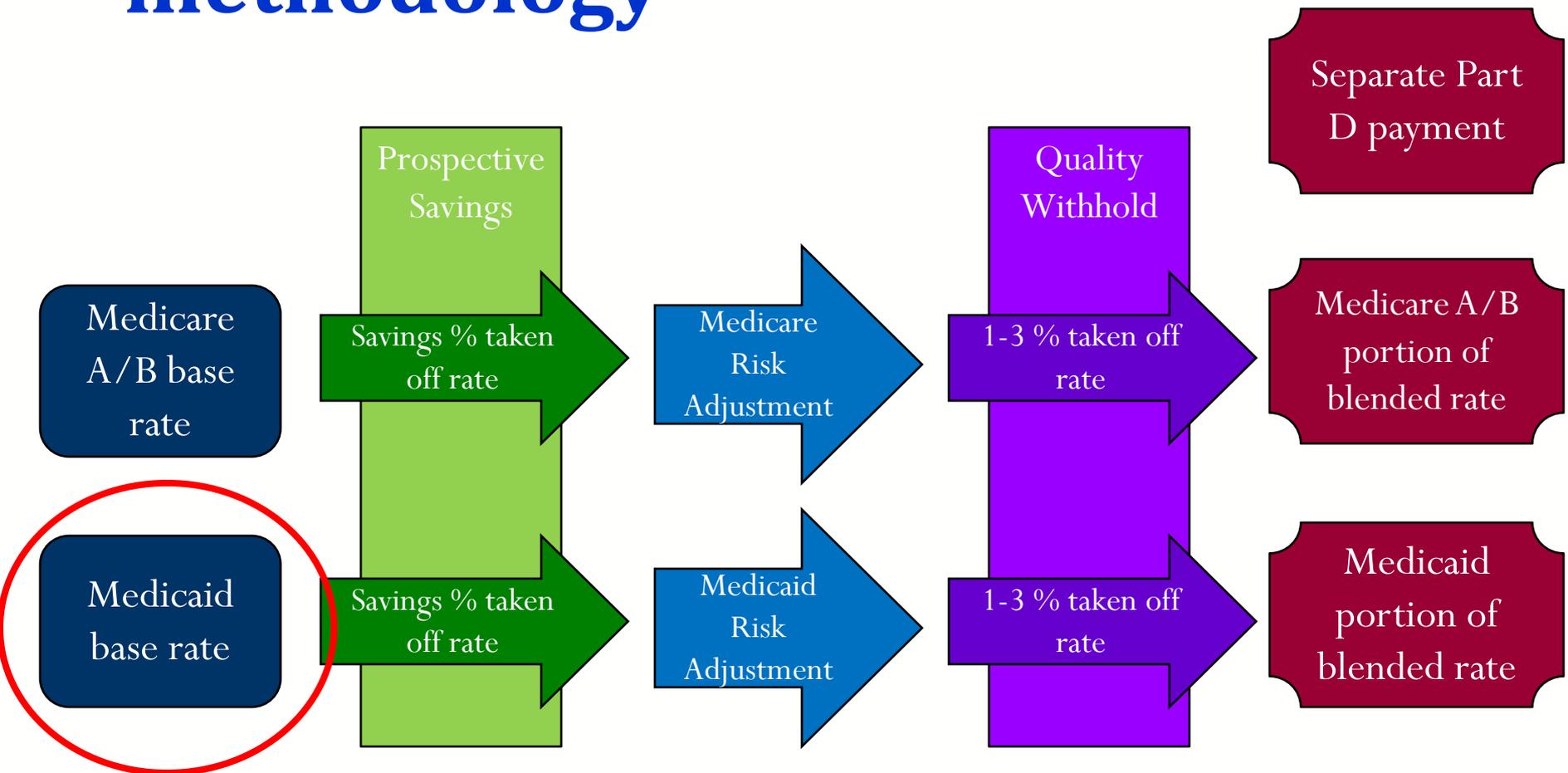
- CMS goal: ensure spending under demonstration no higher than would have been in absence of demonstration

Medicare Advantage Portion:  
Historical county-wide bids trended forward and compared to projected benchmarks for each year. Accounts for star bonuses and rebates at county (not plan) level.

Medicare FFS Portion:  
Historical standardized per capita county spending trended forward. CMS will adjust for SGR fix if passed.

Blended based on % of enrollees coming from MA vs. FFS

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# Medicaid Base Rate

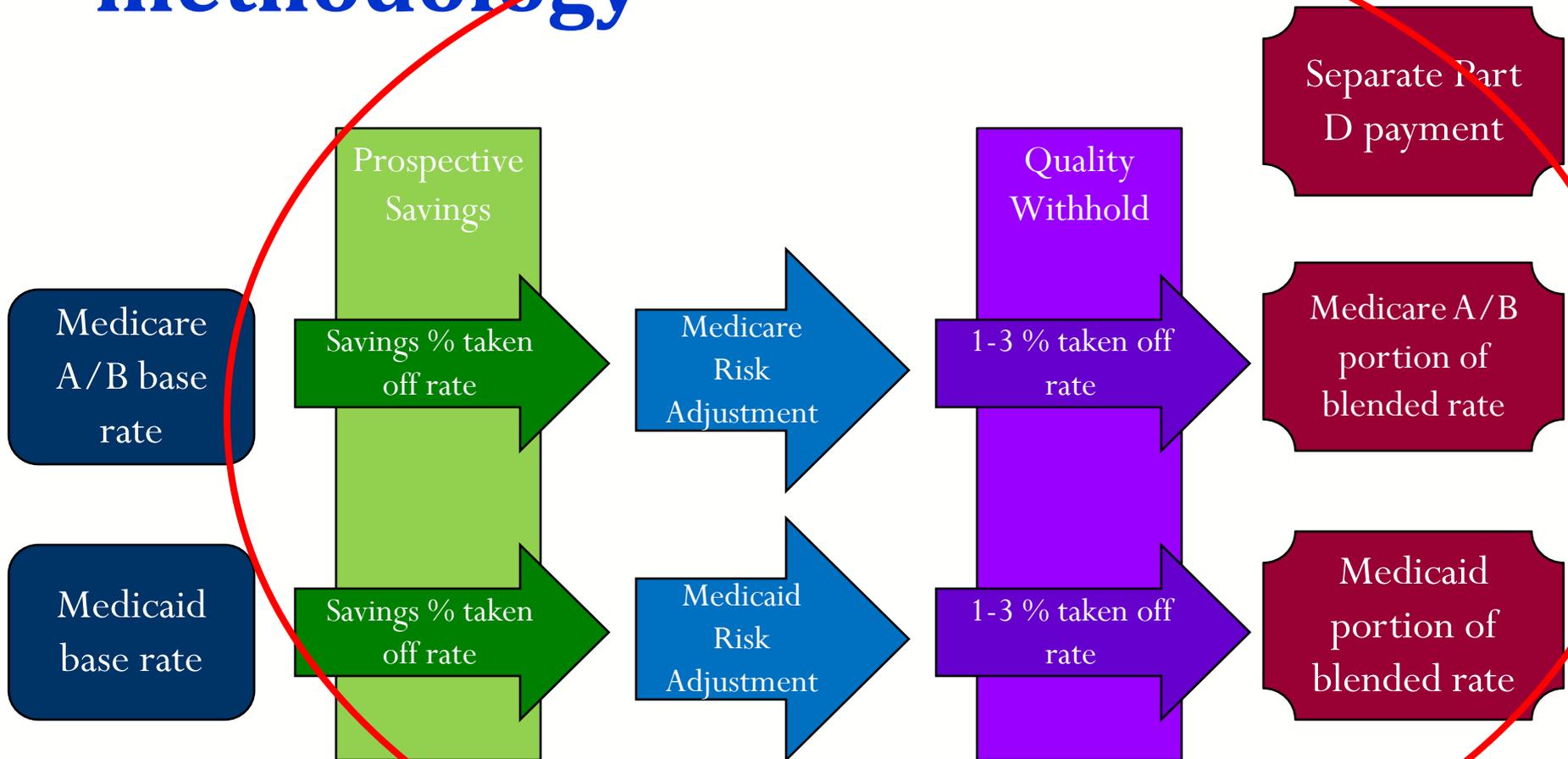
- States take lead in developing but CMS must review and approve

Medicaid Managed Care Portion:  
Historical spending trended forward.

Medicaid FFS Portion:  
Historical spending trended forward.

Blended based  
on % of  
enrollees  
coming from  
MCOs vs. FFS

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# Other aspects of methodology

- Prospective savings – negotiated between state and CMS, same percentage taken out of Medicare and Medicaid base rates
  - In Massachusetts, 1% in year 1, 2% in year 2, 4% in year 3
- Quality withhold – same percentage taken out of Medicare and Medicaid base rates, returned to plans if meet quality requirements/benchmarks
  - 1% in year 1, 2% in year 2, 3% in year 3
- Part D payment:
  - National Average Bid Amount plus LIS amount
  - Will not be subject to savings or quality withhold

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# Medicare Portion of Rate Problematic in Oregon

- Oregon FFS costs will continue to be much lower than MA benchmarks
  - 13-16% below benchmarks after account for FFS SGR fix
- Why? Mechanics of MA rate-setting:
  - New ACA rates leave MA benchmarks at relatively high % of FFS (expect to be 112.5% statewide average in 2014)
  - 2012 average star rating of 3.82 – vs. nat'l average of 3.49
  - Estimated 64% of dually eligible individuals living in double bonus counties
- In blending FFS and MA, high MA penetration mitigates
  - But plans currently serving this population compare demonstration rate to what they are currently getting – vs. other states where this is a new market

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# Low Medicare FFS Costs in Oregon

- But why are FFS costs so low in the first place?
  - Low utilization, particularly inpatient
  - Concern that low FFS spending may be partially due to lack of access to care in FFS Medicare

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# Next Steps in Oregon

- Oregon will explore a modified demonstration with CMS, focusing on delivery system reforms underway in CCOs and Medicare/Medicaid administrative alignments with no financial component
- Will also continue to analyze integrated Medicare/Medicaid data to better understand the experience of the Medicare FFS population

# Questions?

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