Welcome and Introductions

- **Tricia Leddy**  
  Senior Fellow for State Health Programs  
  Center for Health Care Strategies

- **Rebecca Owen**  
  Health Research Actuary  
  Society of Actuaries
I. Public Health and Medicaid: Making the Case for a Benefit Expansion or Change
   Tricia Leddy, CHCS

II. How Actuaries Think: Medicaid Managed Care Organizations and New Programs
    Rebecca Owen, Society of Actuaries

III. Questions
Public Health and Medicaid: Making the Case for a Benefit Expansion or Change

May 4, 2016

Tricia Leddy, Center for Health Care Strategies
Steps for Gathering and Documenting Information

1. Calculate the investment amount
   - This fiscal year
   - Future years
   - Magnitude: number of people, number of services, cost per service
Steps for Gathering and Documenting Information

Identify the potential gains

► Access
► Quality
► Outcomes/health status
► Customer satisfaction
► Financial savings (“business case”)
  ▪ Medical
  ▪ Administrative
Gather evidence for savings

- Research
- Other state Medicaid programs
Determine how savings will accrue

- True savings in an identifiable area of state expenditure
- “Cost avoidance” — what we would have spent without the new investment
Steps for Gathering and Documenting Information

Determine where potential savings will accrue

- Medicaid budget? (best for business case)
  - Managed care health plan
  - Medicaid Program

- Another state program?
  - Cost of the current state program investment
  - Savings from the investment will decrease costs of another state program

- Other?
  - Society/education/corrections/ etc.
Determine Best Strategy (*may differ by state*)

- **Strategize your approach**
  - Need budget approval from governor or legislature?
    - Significant cost, change in covered benefits, visible change
  - If savings can accrue to the Medicaid budget, consider proposing change as a budget savings initiative
  - Or, use the information to make the best case for a new investment
Determine Best Strategy (*may differ by state*)

- Need a contract change with health plans? (e.g., added benefit)
  - Will there be a state savings from a health plan investment?
    - Example: Adding LARC will decrease births
    - If this can be documented, the state can promise savings and add budgeted funds to the PMPM
  - Will there be health plan savings?
    - Can you make the case that this will be cost neutral or a net savings to the plan?
    - If so, no change in PMPM needed.
Need a change in procedure with health plans?

- Partner with the plan — get them on the same side of the table to help solve the problem
- First tell the plans what you want to change and why (e.g., removing prior authorization), not how to solve
  - How is it affecting enrollees/population?
  - Is it causing an access problem?
  - Ask how they intend to solve the problem
  - Offer ideas and information if needed/asked
• Get on the same side of the table!
  ▶ Public Health
    ▪ Can help Medicaid make the case by providing the information and data on behalf of enrollees/population
  ▶ Medicaid
    ▪ Understand that it is very difficult for Medicaid to add a new expenditure without a reliable offset to its own budget in the current Fiscal Year
  ▶ Health Plans
    ▪ Get the plans involved in solving the problem
    ▪ Consider their solutions
How Actuaries Think: Medicaid Managed Care Organizations and New Programs

REBECCA OWEN FSA, MAAA
Health Research Actuary
04 May 2016
Notes before we begin

• This presentation is at a high level and does not intend to be exhaustive.
• Every situation requires careful attention to the specifics at hand.
• Medicaid Managed Care Manual released last week is 1,425 pages long.
• Actuarial Standard of Practice: Medicaid Managed Care Capitation Rate Development and Certification.
• Medicaid Managed Care Rate Setting Guide.
Six topics MCO plan actuaries think about – Actuarial Soundness!

• Medicaid Managed Care rates need to cover all the cost of care (with some exceptions).
• Types of changes that are being proposed.
• Looking at expected costs of an added benefit or a care intervention means asking questions:
  • How does my population compare?
  • How does my delivery system compare?
  • What is the nature of my company?
  • What if the predictions are not accurate?
Medicaid Managed Care Rates need to cover all the cost of care (with some exceptions).

- First some jargon....
  - PMPM, Capitation Rate, Carve Out, Carve In

What the rates cover:

- Claims Costs
- Administration
- Margin

- Adjustments
  - Program
  - Geography
  - Age/Gender
  - Risk Score
Types of changes that are being proposed – program and interventions

- **Beneficiaries**
  - Add a benefit
  - Change a benefit

- **Provider Changes**
  - Change a delivery method
  - Change provider payments

- **Plan Changes**
  - Administration
  - Care management
How does my population compare?

- Demographics
- Geography
- Socio-economic factors
- Cultural Preferences
- Disease Prevalence
- Ability and Willingness to Change
- Other battles capturing attention and energy
How does delivery system compare?

- Types of Delivery Systems
- Network Structure
- Payment Methods
- Access to Care
- Current Programs in Place
- Time to Program Maturity
- Provider Incentives
- Pharmacy
What is the nature of my company?

• Small or Big?
• Regional or National?
• Provider Owned?
• Many Lines or Only Medicaid?
• Profit vs Not-for-profit?
• Aligned with Mission?
• Already Part of the Strategic Plan?
• Capacity and Capability?
What if the predictions are not accurate?

• How much premium is at risk?
• How many changes are there in this plan year?
• Do risks offset or do they compound?
• What other risks are evolving?
• How will this be monitored?
• Next year vs this year...
Details and links

• ASOP 49

• Medicaid.gov

• Medicaid Rule

• Medicaid Managed Care Rate Setting Guide
Thank You For Your Time
Rebecca Owen
rowen@soa.org
Download practical resources to improve the quality and cost-effectiveness of Medicaid services

Subscribe to CHCS e-mail, blog and social media updates to learn about new programs and resources

Learn about cutting-edge efforts to improve care for Medicaid’s highest-need, highest-cost beneficiaries