Washington State Health Care Authority

Medicaid Managed Care Rates – Budget Proviso

House Appropriations Committee
October 17, 2016

Thuy Hua-Ly, Chief Financial Officer
Nathan Johnson, Chief Policy Officer
Dr. Dan Lessler, Chief Medical Officer

Budget Proviso

2nd Engrossed Substitute House Bill 2376, Section (1)(b)

"$121,599,000 of the general fund-state appropriation for FY 2017 is provided solely for holding Medicaid managed care capitation rates flat at CY 2016 levels in state FY and CY 2017.

To achieve this target the authority shall engage with a group composed of the office of financial management, the Medicaid forecast work group, and the managed care plans on a range of strategies…The authority shall obtain actuarial analysis, support, and recommendations during this process, and the state actuary shall obtain independent actuarial analysis."

Proviso Update

- Engaged with stakeholders to identify a range of strategies to achieve flat rates through work group engagement.
- HCA obtained independent actuarial analysis, support, and recommendations.
- Office of the State Actuary obtained an actuarial review.
- Gave a progress update to the Joint Select Committee on Health Care on July 27, 2016 on the discussion and progress of the strategies and work groups.
- Timely submission of the report to the legislature by October 1, 2016.

Workgroup Strategies

Strategies and Future Opportunities

Managed Care
On-going care management strategies

Additional Opportunities Discussed

- Potentially Preventable Readmissions
- Facility Fee Reduction/Elimination
- Changes to how Mental Health Drugs are managed

Potentially Preventable Readmissions (PPR)

Overview	This subgroup was convened to discuss the current policy's connection to better health outcomes and its financial impact.
Stakeholders	• HCA • WSHA • MCOs • Navigant
Fiscal Impact	No impact to calendar year 2017 rates. Possible financial impact in the longer term.
Feasibility (short/long term)	Implemented: January 1, 2016
Legislative Action Needed?	None.
Recommendation	Continue to utilize the PPR policy as a mean of incenting strategies to reduce readmissions statewide. HCA will clarify 2017 MCO contract language to assure best use of concurrent review process.

Facility Fee Reduction/Elimination

Overview	This subgroup was convened to discuss the potential benefits and impacts if the State eliminated the current hospital facility fee for outpatient clinics and used those funds to support a primary care provider rate increase with the overall goal of increasing access and, ultimately, achieving cost savings.
Stakeholders	• HCA • WSHA • WSMA • MCOs
Fiscal Impact	HCA is working with Navigant Consulting and the WSHA to complete this analysis.
Feasibility (short/long term)	If implemented, HCA estimates 12 months to implement and make the necessary updates to multiple sections of Chapter 182-550 WAC and a SPA.
Legislative Action Needed?	None.
Recommendation	Continue to pursue strategies for collecting the necessary data to inform a data driven decision and perform a feasibility study.

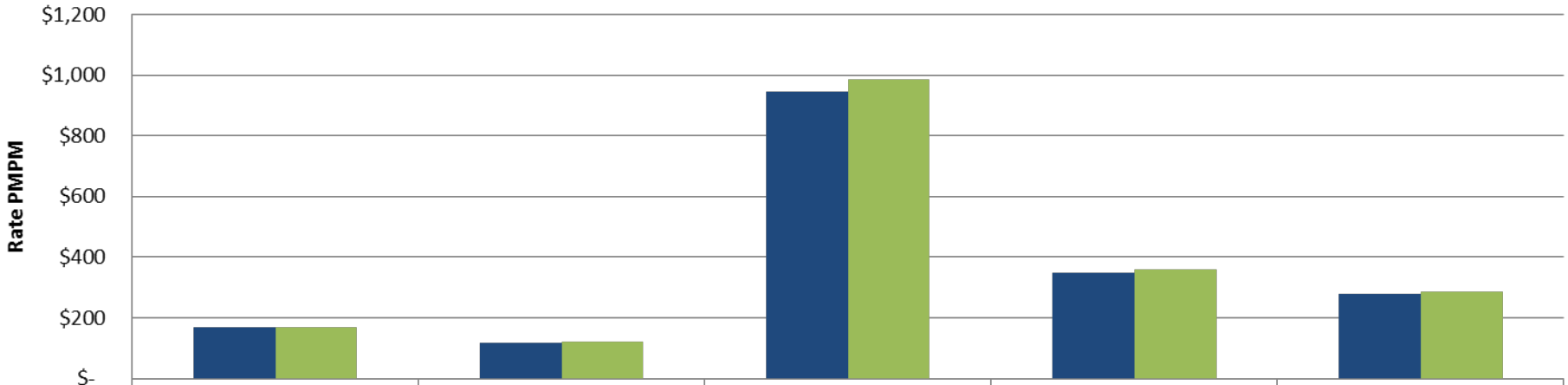
Mental Health Drug Costs

Overview	This sub work group was convened to identify and discuss opportunities to reduce mental health drug costs by assuring more clinically appropriate utilization of this class of medications.
Stakeholders	• HCA • MCOs
Fiscal Impact	The work group discussed short and intermediate term approaches to modifying PA criteria on a select group of commonly utilized high cost mental health drugs. It may be possible to safely implement expedited authorization on aripiprazole (which is the single most costly medication) in the short term. More comprehensive modifications to PA criteria will require additional data, analysis and stakeholder input.
Feasibility (short/long term)	As a next step, HCA's Chief Pharmacy Officer will convene the MCO pharmacy directors to identify such prior authorization opportunities, and where appropriate design and implement during calendar year 2017.
Legislative Action Needed?	None.
Recommendation	Identify opportunities and best practices for prescribing and authorizing mental health drugs.

CY 2017 Rate Update

Impact of CY 2017 Rates

Comparison of CY 2016 and CY 2017 Composite Rates Net of Pass through Programs



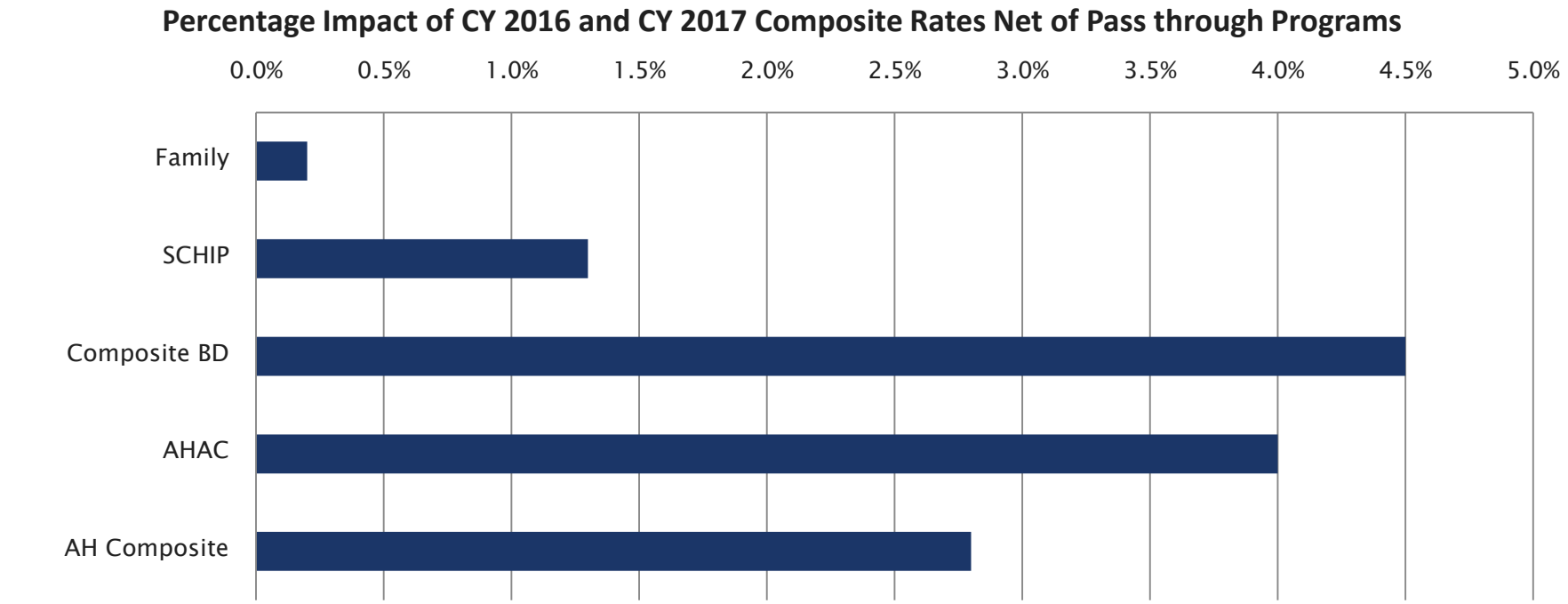
	Family	SCHIP	Composite BD	AHAC	AH Composite
CY 2016	$169	$119	$944	$347	$279
CY 2017	$169	$121	$986	$361	$287
HCA Impact	**$1.6m**	**$65k**	**$20.3m**	**$4m**	**$26m**

(1) Base member months are from April 2015 - March 2016.

(2) Proposed rates include DCR and LBW costs and are weighted based on demographics in (1).

(3) January 2016 rates applied based on demographics in (1). FFS projected costs include trend

Percentage Impact of CY 2017 Rates



	AH Composite	AHAC	Composite BD	SCHIP	Family
Percentage Impact	2.8%	4.0%	4.5%	1.3%	0.2%

Washington State Health Care Authority

Rate Drivers

Percentage Difference (Medical/Pharmacy Only)

Benefit	SCHIP	Child - FAMILY	Adult - FAMILY	AHAC	AHBD	COPES
Hospital Inpatient	204%	58%	-66%	23%	14%	30%
Hospital Outpatient	135%	75%	-38%	4%	13%	10%
Professional	-256%	-15%	-7%	18%	15%	21%
Prescription Drugs	7%	-26%	4%	47%	37%	24%
Other	10%	7%	8%	8%	21%	15%
Premium (w/ DCR/LBW)	**100%**	**100%**	**-100%**	**100%**	**100%**	**100%**

Next Steps

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- The rates produced by Milliman are subject to review by HCA, OFM, OSA, legislative fiscal staff, CMS, and external review by Milliman prior to being final.
- HCA will continue to communicate and keep the Legislature and stakeholders involved as rates are finalized.
- HCA plans to submit the rates to CMS for final approval in early November 2016.
- HCA has implemented a continuous monitoring approach for managed care costs and performance. The intent of these monitoring activities and reports is to inform the annual rate setting process and provide an early indication of prospective rate changes.

Questions?

Thuy Hua-Ly, Chief Financial Officer
thuy.hua-ly@hca.wa.gov

Nathan Johnson, Chief Policy Officer
nathan.johnson@hca.wa.gov

Dr. Dan Lessler, Chief Medical Officer
daniel.lessler@hca.wa.gov