SFY 2019 Health Home Care Coordination Rate Development

Washington State Health Care Authority

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I. EXECUTIVE SUMMARY

Milliman, Inc. (Milliman) has been retained by the State of Washington Health Care Authority (HCA) to provide actuarial consulting services related to the development of capitated rates for the fee-for-service (FFS) Health Home Care Coordination program effective during state fiscal year 2019 (July 2018 through June 2019). We have prepared this report to outline the development of those rates under the current three-tier structure.

The Health Home rate structure includes payments for three stages of care coordination (CC), which are billed as follows:

1. Tier 1: Outreach, Engagement and Health Action Plan (HCPCS G9148). This includes outreach, assessments and development of a health action plan (HAP). This code is billed upon submission of the HAP.

2. Tier 2: Intensive Health Home Care Coordination (G9149). This includes active engagement in the HAP, with at least one face-to-face visit every month. This code is billed once per month following the qualifying face-to-face visit.

3. Tier 3: Low-Level Health Home Care Coordination (G9150). This includes periodic review of the HAP at least once every four months. This code is billed once per month following performance of a qualifying Tier 3 (low-level) service.

Table 1a illustrates the proposed payment rates under the three-tier structure described above as well as an estimated composite rate using estimated encounters based on historical FFS utilization. Each tier includes an 8.5% administrative load for the SFY 2019 proposed rates, updated from the 10% administrative load assumed in previous rates.

Table 1a
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
SFY 2019 Proposed FFS Health Home Rates

HCPCS	Description	Projected Units	Proposed Rates	Prior Rates	Rate Change	Estimated Expenditures
G9148	Outreach, Engagement, HAP	3,359	$281.28	$252.93	11%	$945,000
G9149	Intensive HH CC	54,934	$208.36	$172.61	21%	$11,446,000
G9150	Low-Level HH CC	3,154	$83.34	$67.50	23%	$263,000
	Composite	**61,448**	**$205.93**	**$171.61**	**20%**	**$12,654,000**

Table 1b shows estimated Federal and State expenditures by tier (HCPCS) under the proposed SFY 2019 rate structure, assuming a 90% federal match for services provided in King and Snohomish counties (which are within their first two years of implementation), and 50% federal match for services provided in all other counties. Note that values have been rounded.

Table 1b
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Federal and State Projected Expenditures

HCPCS	Federal	State
G9148	$ 621,000	$ 324,000
G9149	$ 6,553,000	$ 4,893,000
G9150	$ 162,000	$ 101,000
Total	**$ 7,336,000**	**$ 5,318,000**

II. DATA

We reviewed multiple sources of data and information to update assumptions and understand actual experience relative to previously projected experience. The following identifies the data received and relied upon for the rate update. We relied upon data provided by participating Care Coordination Organizations (CCOs) via their Lead Organizations and HCA, as well as historical fee-for-service experience from the state's ProviderOne data warehouse. We have not audited or verified this data and other information. We reviewed the data and found sufficient completeness and accuracy for the purposes of this work.

CCO Templates

We created a simple data request template which was distributed to all Lead Organizations serving FFS members in the Health Home program. The template requested SFY 2016 through 2018 (through the third quarter of the SFY 2018 fiscal year) summary CCO information for the following metrics:

- Revenue
- Expenditures
- Service units by CC tier
- Estimated expenditures allocated by CC tier

We received completed data templates from 35 CCOs submitted by 9 Lead Organizations containing Health Home data and information pertaining to their Medicaid FFS Health Home populations.

We reviewed the reasonableness of each data component reported for each CCO individually and compiled all data that we assessed to be reliable. Upon review, several of the completed CCO data templates appeared incomplete, unreasonable, or duplicative for CCOs that work with multiple Lead Organizations. For these less reliable CCOs, our use of reported data was limited.

Based on aggregated information from the reliable CCO templates, we analyzed historical revenues, expenditures, and gains/losses related to the FFS Health Home program. We reviewed the information individually and in aggregate to inform our assumption for an overall capitation rate increase.

Fewer CCOs were able to reliably report allocations of cost and utilization among tiers. For the CCOs that reported reasonable allocations of expenditures and units by service tier, we reviewed the information individually and in aggregate to inform our assumptions for the relative cost of each tier compared to the intensive CC tier.

Provider One Fee-for-Service Claims

We used historical encounter experience for the three CC service tier codes from ProviderOne (P1) encounter data for the FFS population, as well as membership data received from HCA, to inform projected utilization rates and program engagement assumptions. This data was reviewed for reasonableness and completeness in prior analyses conducted for HCA. We relied on eligibility and encounter data from October 2015 through March 2018 in order to:

- assess CCO-reported revenues information
- establish historical engagement rates
- determine patterns of service use for the intensive and low-level HH tiers

All experience was reviewed separately for King and Snohomish counties versus the rest of the state because the Health Home program was not implemented in these counties until April 2017, while the program has been operational elsewhere since 2014.

DSHS Performance Payments Summary

We received a model prepared by DSHS personnel which summarized the historical performance bonus payments paid to Health Home CCOs. HCA has historically paid a performance payment of 20% of total revenue within a particular region for

CCOs that reach least 20% engagement in a quarter. The model was provided via email on May 4, 2018 and entitled "*FY2018 HH Performance Payments Summary.xlsb*."

Effective SFY 2019, the performance payment is reduced from 20% of total revenue to 5% of total revenue. These performance payments are considered an added incentive rather than a withhold arrangement where achieving the engagement level is a requirement to remain viable. We have not incorporated assumptions for the potential fiscal impact of shared savings performance payments in developing the payment rates presented herein. Rates are developed to be sufficient in and of themselves, and any performance payments received in SFY 2019 will be on top of the proposed rate increase.

The information provided on historical performance payments was utilized to assess CCO-reported experience, to understand engagement rates and performance payment experience in the Health Home program, and to determine the potential impact of performance payments on future rate increases.

III. METHODOLOGY AND ASSUMPTIONS

This section illustrates the calculations applied in the development of the SFY 2019 Health Home payment rates. Note that values presented in the tables below have been rounded and may contain illustrative rounding errors as a result.

Validation of CCO Templates

In reviewing the CCO-reported data, reviewed several sources of comparative information in addition to comparing data among CCOs. First, we analyzed reported utilization by lead for SFY 2016 through SFY 2018 (through third quarter of the fiscal year) and compared this to utilization in the P1 encounters. Because not all CCOs completed the data templates, we were not able to compare aggregate utilization between the sources, but we were able to assess specific CCO experience as well as distributions of utilization among tiers for all CCOs in aggregate. Note that there are separate payment HCPCS for each tier, therefore tiers are presented by these HCPCS codes in this report.

In addition to the use of P1 data to validate CCO templates, we compared CCO-reported revenue to HCA's Performance Payment document to validate revenue reported by individual CCOs.

Finally, we reviewed reported revenue, expenditures, and distributions by tiers for reasonableness and reliability. CCOs with limited, duplicative, volatile, or unreasonable experience were excluded from our analysis. We identified outliers separately for each reported metric for each CCO. Reported revenue and expenditures were compared to distributions by tiers to check for internal consistency within CCO templates, and multiple methods of allocating expenses among tiers were evaluated.

Table 2 gives a brief summary of the data received from CCOs.

Table 2
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Expenditures as a percent of Revenue - Statistics

Number of CCOs Reporting	35
Date Data Received	4/27/2018
Time Periods Covered	SFY2016-SFY2018 (partial)
CCOs With Reliable Revenue & Expenditures	17
Average Annual Revenue Amounts	$362,214
CCOs With Reliable Expense Allocation	3

Review of CCO Financial Performance

Of the CCOs that completed the templates, 33 reported at least one year of revenue, and 30 reported at least two years. 33 CCOs reported expenditures for at least two years. We reviewed the revenue and expenditure data provided by each CCO and assessed that 19 CCOs reported at least two years of reliable revenue and expenditure data. We used these reported values in aggregate to assess financial performance of the Health Home program and to inform our assumption for increasing payment rates.

On average across reliable CCOs, reported expenditures for the FFS population exceeded reported revenue by approximately 20% to 25%. Table 3 shows statistical metrics for the ratio of expenditures to revenue for these CCOs.

Table 3
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Aggregate Ratio of Expenditures to Revenue - Statistics

	FY2016	FY2017	FY2018
Number of CCOs Used	17	17	17
Max	137%	171%	172%
Min	99%	100%	98%
Median	118%	127%	111%
Mean	**118%**	**127%**	**120%**

Review of Rate Distribution

In addition to reviewing overall losses reported by the CCOs, we reviewed reported cost per service tier, and compared this to the current rates to assess whether the allocation of funding should be distributed differently by tier. Experience varied significantly among the five CCOs that reported reliable cost and utilization allocations by tier. The reported cost relativity relationships between tiers suggested a variance from the current rate structure may be appropriate. We used a combination of CCO-reported data, CCO-reported anecdotal estimates, and estimated loss by HH tier relative to previous encounter rates to inform our revised assumptions.

- The cost of Tier I outreach and engagement (G9148) are approximately 35% more than the cost of Tier II care coordination efforts (G9149).
- The cost of Tier III care coordination efforts (G9150) are approximately 40% of the cost of Tier II care coordination efforts (G9149).

Table 4 summarizes the historical relativities between rates per tier and reported costs per tier.

Table 4
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Rate Distribution and Cost Distribution

	G9148	G9149	G9150
Prior Rates	$ 252.93	$ 172.61	$ 67.50
Prior Rate Relativity	1.465	1.000	0.391
Min Reported Rate Relativity	1.240	1.000	0.281
Max Reported Rate Relativity	2.000	1.000	0.573
Mean Reported Rate Relativity	1.505	1.000	0.455
Proposed SFY19 Rate Relativity	**1.350**	**1.000**	**0.400**

Notes:
(1) Rate Relativity is unit cost compared to G9149, Intensive Support.
(2) Min/max statistics were not necessarily reported by the same CCO

Development of SFY 2019 Utilization Estimates

To develop SFY 2019 utilization for estimating projected expenditures and composite rate increases, we used detailed encounter data and Health Home FFS membership to project aggregate encounters by tier into SFY 2019. Projections were developed separately for King and Snohomish counties as the program was not implemented there until April 2017.

Outreach and Engagements

- Statewide, excluding King and Snohomish Counties: To project outreach and engagement utilization, we projected FFS Health Home membership using historical experience. We observed a relatively flat trend in Health Home membership in recent periods, and assumed a flat trend in our projection. We then calculated historical rates of engagement encounter submissions as a percent of FFS Health Home enrolled members, and used this to project successful engagements in SFY 2019.
- King and Snohomish Counties: Given the recent inception of the Health Home program in King and Snohomish counties, we did not have sufficient Health Home eligibility experience to directly project membership into SFY 2019. As such, we projected total FFS membership and estimated Health Home eligible membership as percentage of total FFS based on experience from the rest of the state, attaining an ultimate FFS Health Home participation rate of approximately 9.5%. We assumed King and Snohomish counties will reach a similar level as the program matures. We then created an estimate of engagement encounter submissions by comparing historical engagement rates as a percent of eligible members for King and Snohomish counties as well as in the rest of the state.

Intensive and Low-Level Health Home Care Coordination

Utilization for intensive and low-level health home care coordination was estimated based on projected cumulative engagement encounters.

- Statewide, excluding King and Snohomish Counties: Using historical experience, monthly intensive service encounters were submitted for approximately 40% of cumulative engagements, and low-level services make up approximately 2% of cumulative engagements. These assumptions incorporate churn of members into and out of the program over time.
- King and Snohomish Counties: For King and Snohomish counties, we assumed monthly intensive service encounters would be submitted at a rate of approximately 55% of cumulative engagements, and low-level services will make up approximately 5% of cumulative engagements. The higher utilization percentages used in King and Snohomish counties are the result of the recent implementation of the program, consistent with experience seen in other counties.

Normalized Cost Projection

Using the CCO financial information, we established a 20% aggregate rate increase will be required to adequately fund the continuation of the Health Home program for FFS members. In addition to the aggregate 20% rate increase, we redistributed rates among tiers to realign payment rates with estimated cost allocations.

Using the P1 data, we calculated the projected utilization by tier for SFY 2019 and used this distribution to calculate the weighted-average composite rate for across all health home encounters for SFY 2019. We applied the 20% increase to the composite rate and applied the proposed rate relativity assumptions presented in Table 4 to calculate new payment rates by tier.

Table 5 shows the development of the SY 2019 rates and change in rate relativities, as described above.

Table 5
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
SFY 2019 Rate Relativities

HCPCS	Estimated Units	Prior Rates	Prior Relativities	Proposed Rates	Proposed Relativities	Rate Change
G9148	3,359	$ 252.93	1.465	$ 281.28	1.350	11%
G9149	54,934	172.61	1.000	208.36	1.000	21%
G9150	3,154	67.50	0.391	83.34	0.400	23%
Composite	**61,448**	**$ 171.61**		**$ 205.93**		**20%**

Administrative Cost

We reviewed the administrative cost load both as a percentage and on a per-encounter basis by tier. Proposed SFY 2019 rates incorporate a reduction in administrative cost percentage from 10.0% to 8.5% of unit cost, however the aggregate per-encounter administrative load is increased by 2%. Table 6 summarizes administrative cost assumptions by tier for previous and proposed encounter rates.

Table 6
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Administrative Cost By Tier

HCPCS	Prior	Proposed
G9148	$ 25.29	$ 23.91
G9149	17.26	17.71
G9150	6.75	7.08
Total	**$ 17.13**	**$ 17.50**

Table 7 shows the resulting effective rate increase to the CCOs for provision of care coordination services.

Table 7
State of Washington
Health Care Authority
FFS Health Home Care Coordination Program
Effective CCO Increase by Service Tier – Net of Administrative Cost

HCPCS	Estimated Units	Prior Rates	Proposed Rates	Rate Change
G9148	3,359	$ 227.64	$ 257.37	13%
G9149	54,934	155.35	190.65	23%
G9150	3,154	60.75	76.26	26%
Composite	**61,448**	**$ 154.45**	**$ 188.43**	**22%**

IV. LIMITATIONS AND QUALIFICATIONS

The services provided for this project were performed under the contract between Milliman and HCA dated December 15, 2017.

This analysis is intended for the use of the Washington Health Care Authority in support of rate development of the Health Home Care Coordination program. We understand that this information may be shared with HCA's contracted CCOs and Leads, and the Centers for Medicaid and Medicare Services (CMS). This report may not be distributed to other third parties without the prior consent of Milliman. To the extent that the information contained in this letter is provided to third parties, the document should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this report to third parties. Similarly, third parties are instructed that they are to place no reliance upon this report prepared for HCA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. It is the responsibility of any CCO to make an independent determination as to the adequacy of the proposed capitation rates for their organization.

Actual costs for the program will vary from our projections for many reasons, including the actual cost to obtain necessary care coordination staff. Experience should continue to be monitored on a regular basis, with modifications to rates or to the program as necessary.

This analysis has relied extensively on data provided by HCA and its vendors. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report are members of the American Academy of Actuaries and meet the qualification standards for performing the analysis documented herein.