

CY 2023 Managed Care Rate Development

BH Provider Draft Rate Meeting

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SEPTEMBER 23, 2022



Agenda

- 1 Executive Summary
- 2 DRAFT CY23 rates and rate drivers
- 3 Methodology and assumptions
- 4 Next steps and informal Q&A
- 5 Appendix – Rate change tables



Executive Summary

Evaluating Apple Health sustainability

Timeline for MC rates

Final rates due to CMS on October 1, 2022



DRAFT 2023 Managed Care Capitation Rates

Observations from rate setting

Intent of Managed Care capitation rate setting

- Fund **MCOs** based on actuarially sound prospective rates
- Based on all reasonable, appropriate and attainable MCO costs (**not** provider rates)
- MCO's use revenue from capitation rates to **contract** with providers
- CY23 BH rates include legislated provider directed payments

Key drivers and considerations for Managed Care rate setting

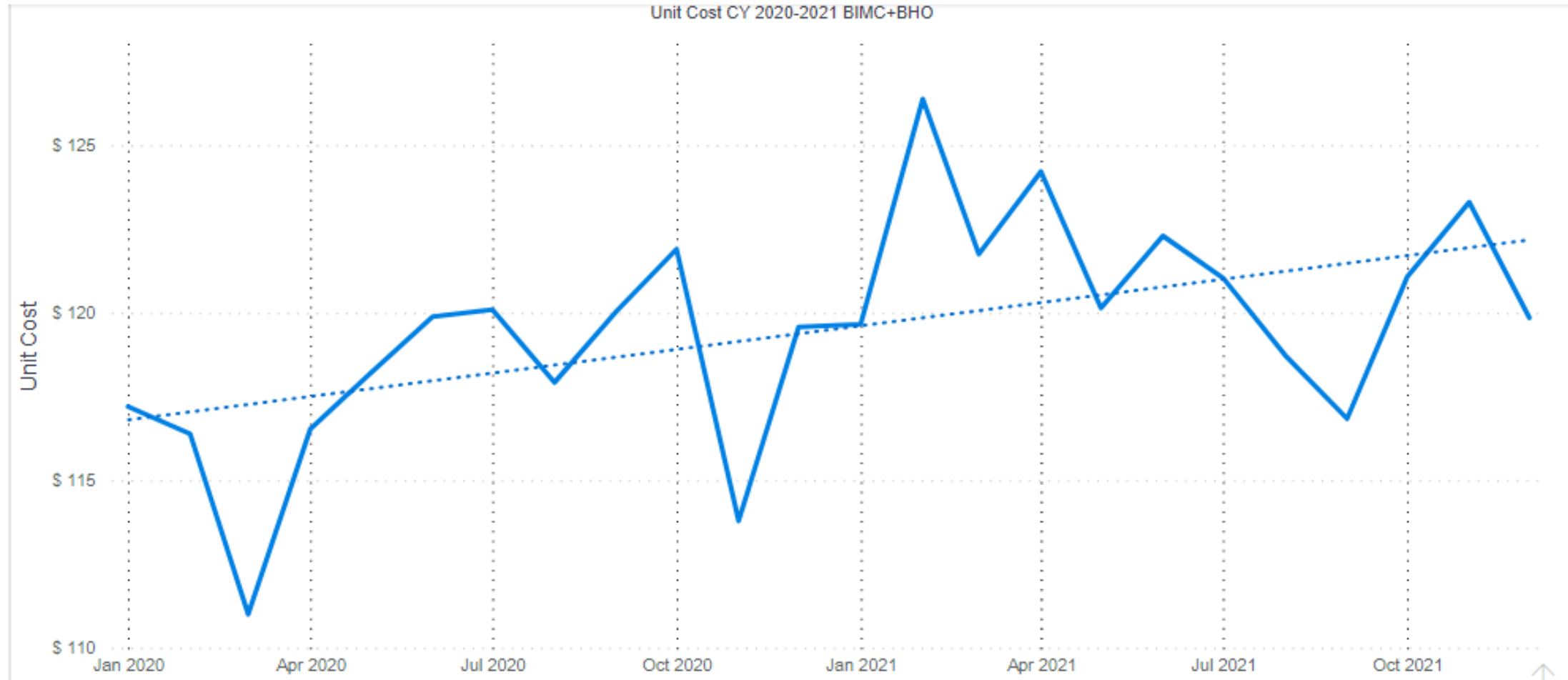
- Based on Medicaid utilization and unit cost on a per capita basis
- Mid-year update (w/retro changes) if the Medicaid data supports a material change
- **Limited ability to add revenue w/out utilization or legislative action**

Projecting CY2023 by evaluating emerging experience

- Encounter data to project experience, identify system issues, and inform future legislative actions
- **Decreases** in submitted BH encounters due to acuity shifts and workforce constraints

Emerging Behavioral Health Experience

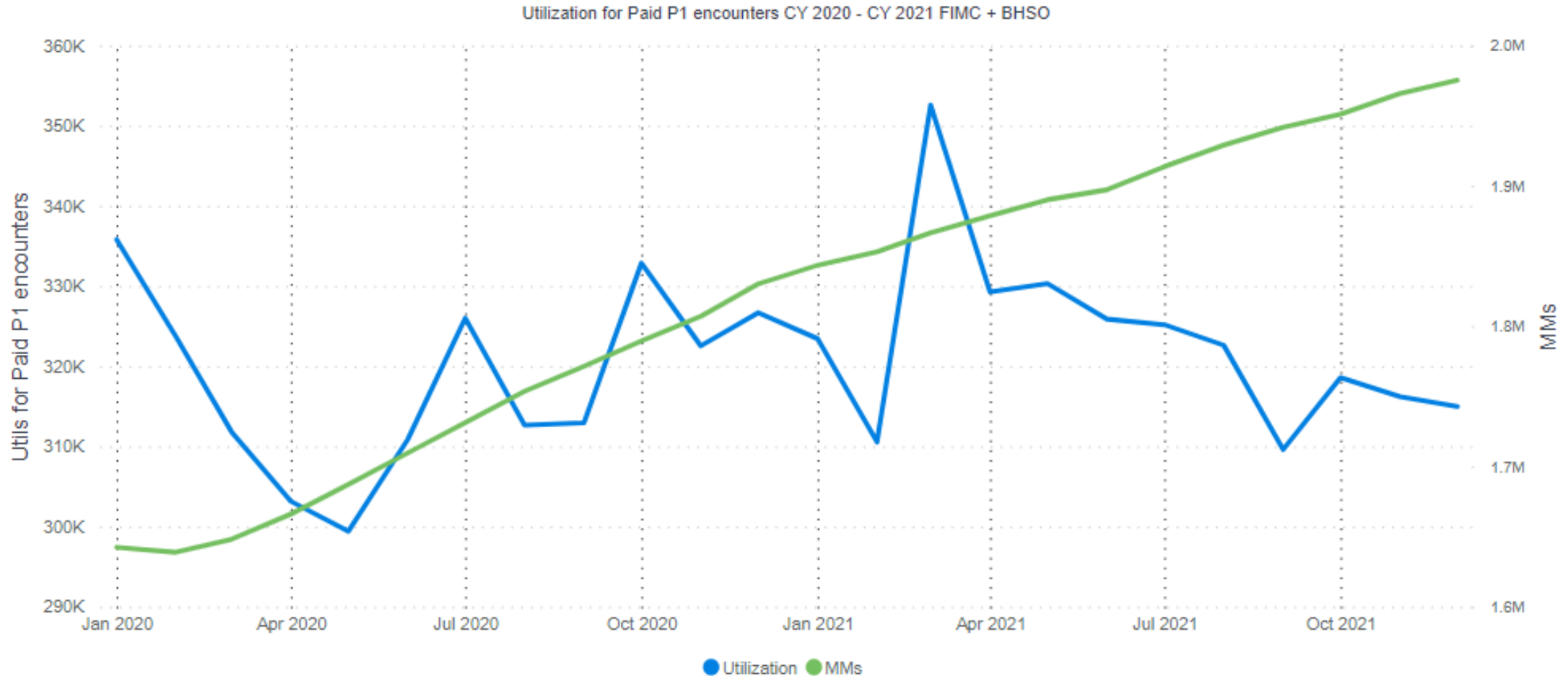
Benefit Cost Unit Cost - paid P1 encounters reported through June 2022



Notes: Limited to paid P1 encounters net of the 2% ARPA increase, no completion adjustment applied. Blend of hours and days. Excludes non-claim payments and corresponding shadow encounters.

Emerging Behavioral Health Experience

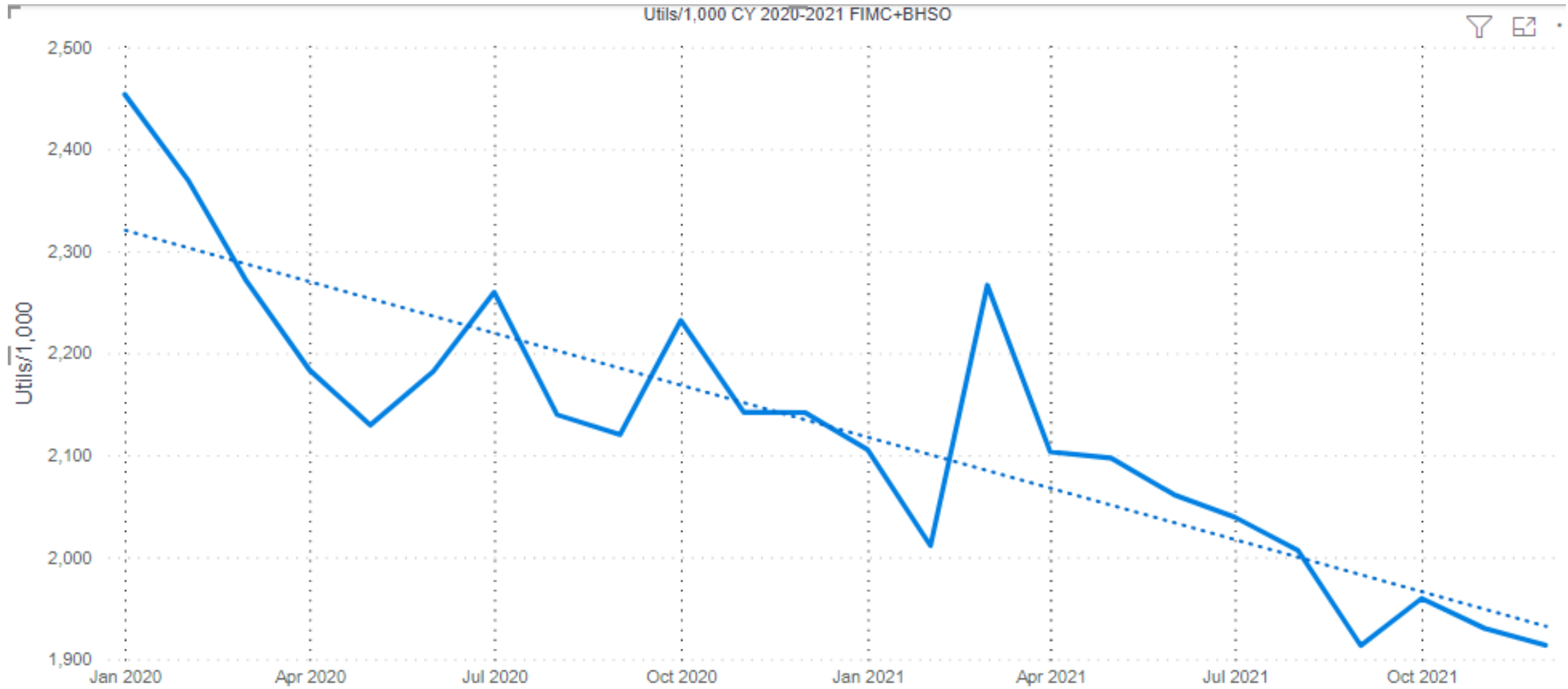
Utilization for Paid P1 encounters reported through June 2022



Notes: Limited to paid P1 encounters, no completion adjustment applied. Blend of hours and days. Excludes non-claim payments and corresponding shadow encounters.

Emerging Behavioral Health Experience

Benefit Cost Utilization/1,000 – paid P1 encounters reported through June 2022

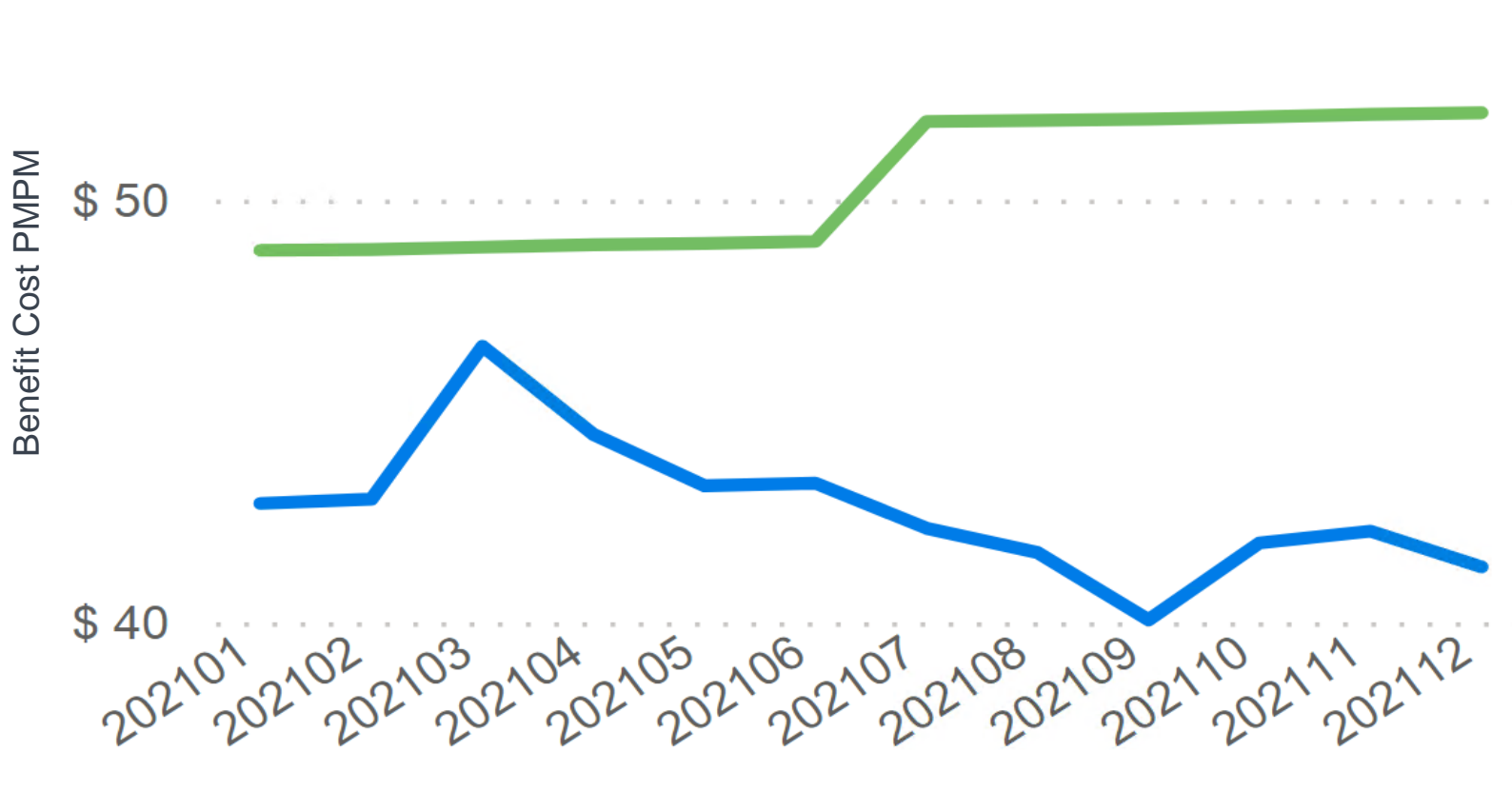


Notes: Limited to paid P1 encounters, no completion adjustment applied. Blend of hours and days. Excludes non-claim payments and corresponding shadow encounters.

Emerging Behavioral Health Experience

IMC and BHSO: **Benefit Cost** Experience (w/ adjustment for IBNR) and Revenue

● PMPM Experience ● PMPM Rev Actual



Statewide CY 2021 **benefit cost**:

- Experience: **\$ 42.43**
- Revenue: **\$ 49.76**
- E/R: **85%**
- *Note – see chart for visual*

Statewide monthly **capitation rates**:

- CY 2021 (aggregated): **\$ 59.12**
- CY 2023: **\$ 59.41**
- CY23/CY21 change: **+0.4%**
- *Note – for reference only*

Notes: Includes all benefit costs (encounters, shadow encounters, and non-claims). Excludes the ARPA 2% directed payment and ESSB enhancements from expenses and revenue.

Evaluating the Sustainability of the Apple Health Program

Multi-year review of capitation rates + caseload for the Apple Health Program

Caseload needed to determine total Medicaid capitation revenue

- Medicaid membership needed to assess Medicaid MC capitation funding
- Historically high enrollment in CY20+ due to the PHE
- Projected **enrollment still high in CY23**, despite assuming redetermination will begin in February

Total Medicaid managed care capitation for Behavioral Health

- CY2021: \$1.36 billion
- CY2022: \$1.57 billion
- CY2023: \$1.43 billion
- **Approx. \$4.4B from CY21-CY23 (over 71M member months)**
- **Excludes:** WISe + New Journeys case rates (approx. \$100M - \$125M/year)

Evaluating the Sustainability of the Apple Health Program

Key state initiatives and policy priorities to ensure system sustainability

Alternative funding streams beyond capitation rates

- Community, provider, and system investment through the regional ACHs
- Non-Medicaid BH funding (state-only for crisis/ITA)
- Workforce/provider support (e.g., \$100M bridge waiver, community health worker grants)

Behavioral health comparison rates

- Increase transparency in provider costs (+worked with providers to set rates)
- Identify gaps in provider reimbursement and inform MCO contracting
- Inform future Legislative investments

Managed care contracting

- Reprocurement
- VBP withhold improvement
- Expanding network adequacy beyond time and distance

Delivery transformation

- Bi-directional services
- Opioid Treatment Program (OTP)
- CCBHC research

DRAFT rate changes and rate drivers

+CY2023 capitation rates

CY 2023 BH Rate Change Summary – DRAFT

DRAFT rates compared to CY21 and CY22: **excludes premium tax**



Mix Adjusted PMPM	IMC	BHSO	Composite
CY 2021 Avg Rate	\$ 55.82	\$ 99.88	\$ 59.19
Jan 2022 Rate	59.40	105.81	62.95
Jul 2022 Rate	61.14	106.88	64.64
CY 2022 Avg Rate	60.27	106.34	63.79
CY 2023 Rate	55.83	102.56	59.41
CY23 / Jul22	(8.7%)	(4.0%)	(8.1%)
CY23 / CY22	(7.4%)	(3.6%)	(6.9%)
CY23 / CY21	0.0%	2.6%	0.3%

MCO capitation rate comparison

CY2023 rate: DRAFT capitation rate for CY2023

CY 2022 avg rate: Average for January – June and July – December 2022

CY 2021 avg rate: Month-weighted average for January – March, April – June, and July – December 2021

Note:

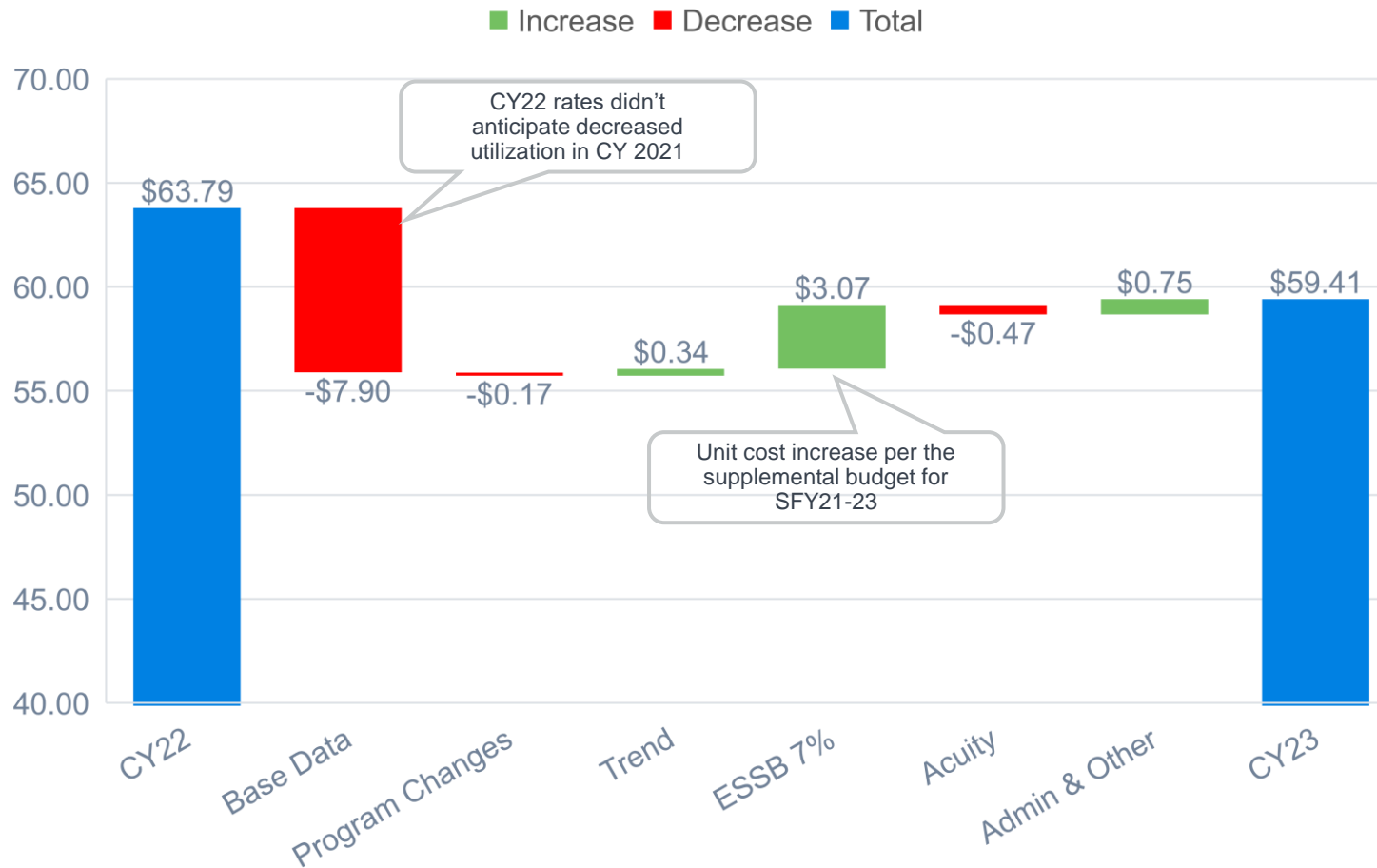
- All rates composited using CY23 membership.

Exclusions:

- Behavioral health case rates (WISe and New Journeys) not included

BH PMPM Drivers for CY2023 – IMC & BHSO

Excludes WISe case payments & premium tax



Drivers of change from Average CY22 Rate

- **CY22:** Average CY22 rate. Rates were amended in July and included retroactive funding back to January.
- **Base data:** Difference between this year's base (CY21) and a comparable estimate from last year (CY20 base + PHE data adjustment + trend).
- **Program Changes:** Program change impacts are similar between rate periods.
- **Trend:** Addition of one year of trend from CY22 to CY23. Small increase illustrates lower utilization trend assumptions for CY23.
- **ESSB 7%:** Uniform 7% unit cost increase applied to all services except OTP (per ESSB 5693).
- **Acuity:** Acuity adjustment driven by PHE redetermination freeze.
- **Admin & Other:** Increase driven by a higher admin inflation assumption.
- *Note: CY22 rates are composited using projected 2023 enrollment.*

WISe

Wraparound with Intensive Services



Overview

- WISe is a program that provides eligible children, youth, and their families with intensive mental health care.
- Services are available in home and community settings and offer a system of care based on the individualized need of the child or youth.

Region Group	July 2022 Rate	DRAFT CY 2023 Rates	% Change from July
High-cost	n/a	\$ 4,528.28	n/a
Average-cost	n/a	4,396.38	n/a
Low-cost	n/a	4,264.49	n/a
Composite	\$ 3,611.79	\$ 4,401.91	21.9%

Methodology

- P1 Encounter data to create cost models
- Utilization trends consistent with 10.5 hours monthly at the agency level
- Unit cost levels are based on WISe team staffing requirements
- Changes in regional rates – reflects variation in wages and travel
 - High: Great Rivers, King, Thurston-Mason
 - Average: Greater Columbia, North Central, North Sound, Pierce
 - Low : Salish, Southwest, Spokane
- Addition of explicit MCO admin

New Journeys

Case Rate Development



Overview

- New Journeys is a program that provides eligible youth, young adults, and their families with intensive mental health care after experiencing their first episode of psychosis.
- Services are available in home and community settings and offer a system of care based on the individualized need of the youth or young adult.

Tier	July 2022 Rate	DRAFT CY 2023 Rates	% Change from July
Tier 1: Months 1-6	\$ 1,900.00	\$ 2,153.49	13.3%
Tier 2: Months 7-24	1,330.00	1,538.21	15.7%

Methodology

- Based on the monthly cost of a New Journeys team
 - Team of 4.25 FTE employees supporting 30 individuals
- Setting two rates to reflect variation in services between the two phases (tiers) of the program
 - Phase 1 – Outreach and stabilization
 - Phase 2 – Recovery and resiliency
- Addition of explicit MCO admin
- Note: Final rates will include an additional 7% ESSB provider increase

Methodology and key rate assumptions

+CY2023 capitation rates

Key methodology changes

Changes new to CY2023 rate development

Utilization assumptions

- State and plan/provider measures are expected to lead to a partial return of utilization.
- Utilization will begin to increase but won't return to early CY21 levels

Unit Cost assumptions

- Statewide and region-specific increases to unit cost in addition to directed payments

PHE adjustment

- **Last year:** adjustment to account for disruptions in CY20
- **This year:** member cohort analysis (acuity) + non-claims adjustment (budget & membership-based arrangements)

Program changes

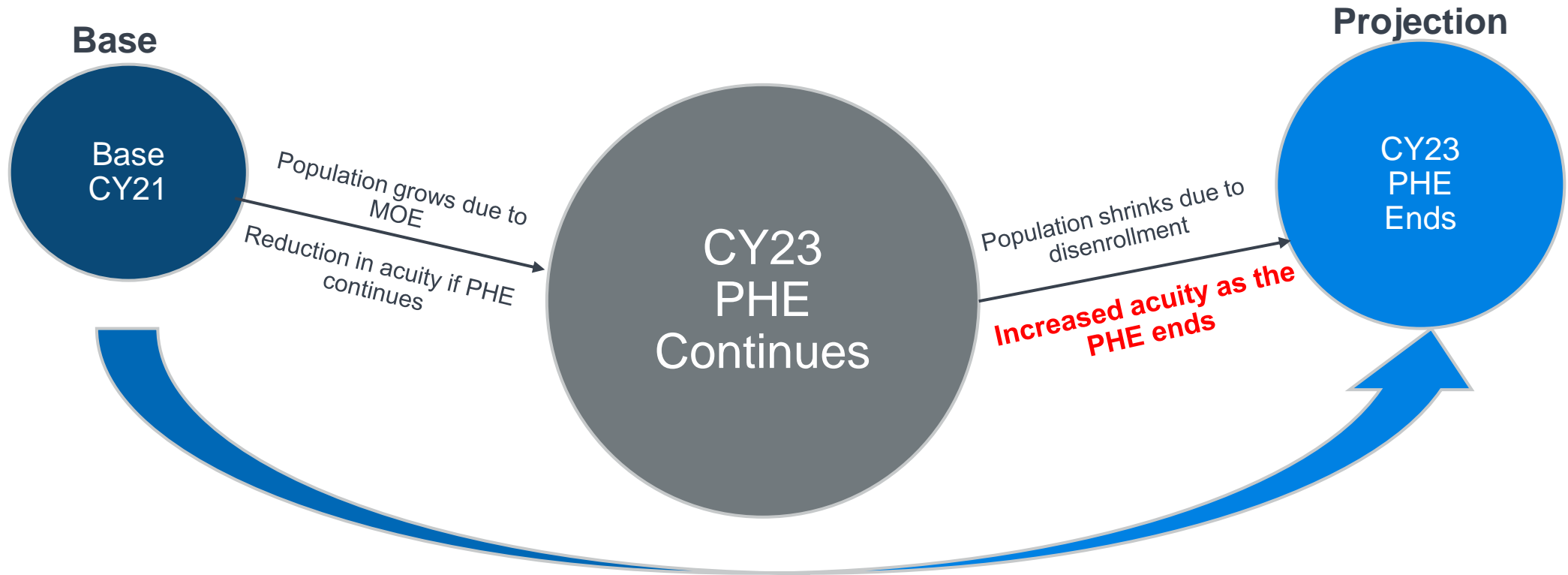
- 7% increase to community BH services in addition to the 2% adjustment from 2021
- Increase to OTP service payments due to ESSB 5693
- Expanded AOT eligibility and region
- Recently opened and closed facilities

Provider Workforce Outlook

- Workforce feedback from providers during August 2022 meeting. Various constraints on provider capacity:
 - Worker pipeline issues
 - Wage inflation in non-health care sectors
 - Social distancing requirements and vaccination mandates
 - Paid leave allowances
- Expectations for CY 2023: Partial return of utilization
 - Increased provider payments lead to higher salaries and easier retention
 - 7% ESSB 5693 payment increase
 - \$100 million bridge funding
 - 32% OTP payment rate increase
 - Relaxation of PHE distancing requirements
 - Impacts not expected to be fully realized in 2023 – we will continue to monitor emerging experience

PHE acuity adjustment

Note – the larger the circle (membership) the lower the acuity



Negative acuity adjustment in 2023 compared to 2021 base period

The state will take a **year** to return to 'steady state' levels of enrollment

The projected membership in 2023 will **still be higher** than the base period

The projected acuity will be lower than the **base** period

Evaluating the acuity adjustment after January 1, 2023

Considerations for updates to the CY23 rate

Considerations

Change in PHE end date

Change in speed of HCA
unwind

Changes in member acuity

Other policy changes that
impact disenrollment

Data review

Monitor acuity and
assumptions used in rate
setting

**Requires sufficient
experience in CY23**

Potential updates

Data driven

Requires sufficient utilization

Timing considerations

HCA will update the CY23 rates if an adjustment is warranted

Next Steps

Q&A

Limitations

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Appendix: Draft CY23 capitation rates

+comparison to CY 2022

Behavioral Health

DRAFT CY2023 Capitation Rates

CY 2023 Rate Change Summary – DRAFT

Behavioral Health Rate Build: IMC and BHSO combined; excludes tax



Table Notes

- **New base** – CY2021
- **Previous base** – CY 2020
- **Refreshed program changes:** key drivers are new facilities and OTP payment rate increase
- **ARPA & Enhancement funds:** All experience removed from base and applied separately
- **ESSB 5693:** 7% increase in unit cost for all services aside from OTP
- **Trend:** includes considerations for inflation (unit cost) and provider capacity (utilization)
- **Acuity:** acuity expected to increase as PHE ends but CY23 to be lower acuity than CY21
- **Admin:** adjusted for inflation

Rate Components	DRAFT 2023 PMPM
CY21 Base Data - P1 encounters	\$ 20.28
CY21 Base Data - Shadow encounters	9.06
CY21 Base Data – Residual non-claims	11.81
Completion	1.32
Acuity	(0.59)
Utilization Trend	0.12
Unit Cost Trend	2.21
Membership Mix	0.55
Program Changes	1.99
ARPA	0.92
ESSB 5693 7% Increase	3.07
Credibility	0.01
Enhancement Funds	2.30
Administration	5.75
Margin	0.59
January 2023 Composite	\$ 59.41
CY 2022 Avg Composite	\$ 63.79
% Change	(6.9%)

CY 2023 Rate Change Summary – DRAFT

Behavioral Health rate change by population; excludes premium tax



Table Notes

- **CY 2022** rates are average of Jan and July 2022 rates.
- **Composite rate decrease** due to significant drop in base experience.
- **AHAC and family adult** impacted most significantly by acuity change, in both base and projection periods.

Population	CY 2023 Projected MMs	Jan 2022 Rates	July 2022 Rates	CY 2022 Avg Rates	DRAFT CY 2023 Rates	% Change from CY22
SCHIP	669,145	\$ 23.85	\$ 24.47	\$ 24.16	\$ 23.40	(3.1%)
Family Child	8,896,843	21.76	22.38	22.07	21.10	(4.4%)
Family Adult	1,781,776	70.14	72.74	71.44	64.84	(9.2%)
AHAC	9,335,843	79.10	81.56	80.33	73.47	(8.5%)
AHBD	1,099,072	200.88	204.90	202.89	192.26	(5.2%)
IMC Composite	21,782,679	\$ 59.40	\$ 61.14	\$ 60.27	\$ 55.83	(7.4%)
BHSO Composite	1,806,318	\$ 105.81	\$ 106.88	\$ 106.34	\$ 102.54	(3.6%)
IMC/BHSO Composite	23,588,997	\$62.95	\$ 64.64	\$ 63.79	\$ 59.41	(6.9%)



Thank you

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