Government Programs Update

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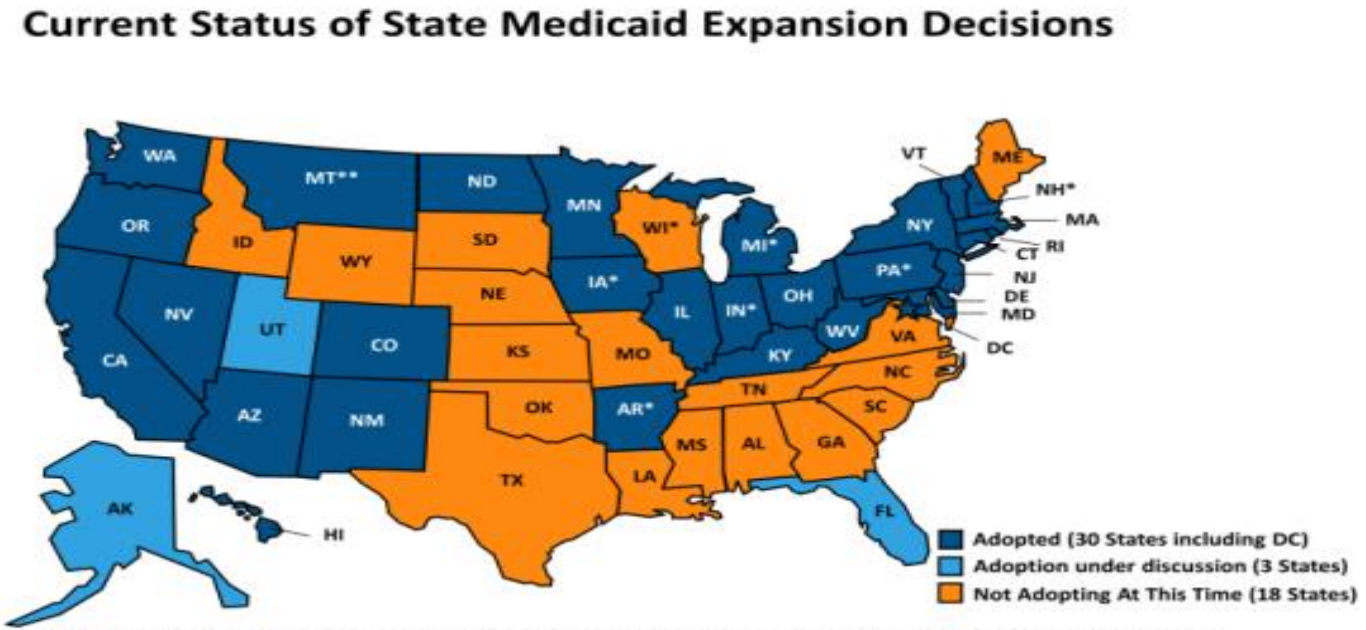
Topics

- Medicaid Update
  - Expansion
  - CMS Regulation and Review Changes
  - Risks: high cost drugs, managed care benefit/population carve-ins
- Medicare Advantage
  - Trends: Industry
  - Medicare Advantage Payment: % of FFS, stars, Part D
  - Traditional FFS Payment: value based purchasing and future impact on MA

Medicaid Expansion by State



NOTES: Under discussion indicates executive activity supporting adoption of the Medicaid expansion. **MT has passed legislation adopting the expansion; it requires federal waiver approval. *AR, IA, IN, MI, PA and NH have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it is transitioning coverage to a state plan amendment. Coverage under the IN waiver went into effect 2/1/15. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated May 26, 2015.
http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/

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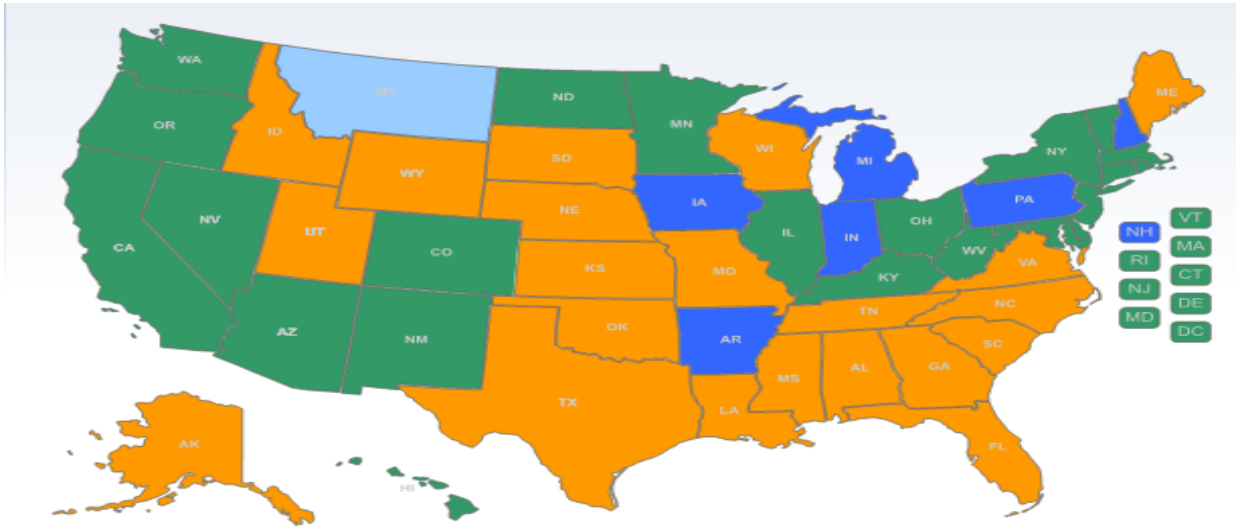
Medicaid Expansion by State



Produced by:
statereforum

Key:

- 21 states are not expanding Medicaid
- 23 states (count includes the District of Columbia) are expanding Medicaid
- 6 states are expanding Medicaid, but using an alternative to traditional expansion
- 1 state is expanding Medicaid; pending federal waiver approval

Medicaid Expansion Continued

- 30 States (including DC) are expanding
  - 23 States (including DC) expanding traditionally
  - 6 States expanding under alternative method
  - 1 State expanding pending Federal Waiver
- 3 States in discussions for expansion (though other States may follow suit)
- 18 States not in discussions to expand

Alternative Expansion thru a Waiver

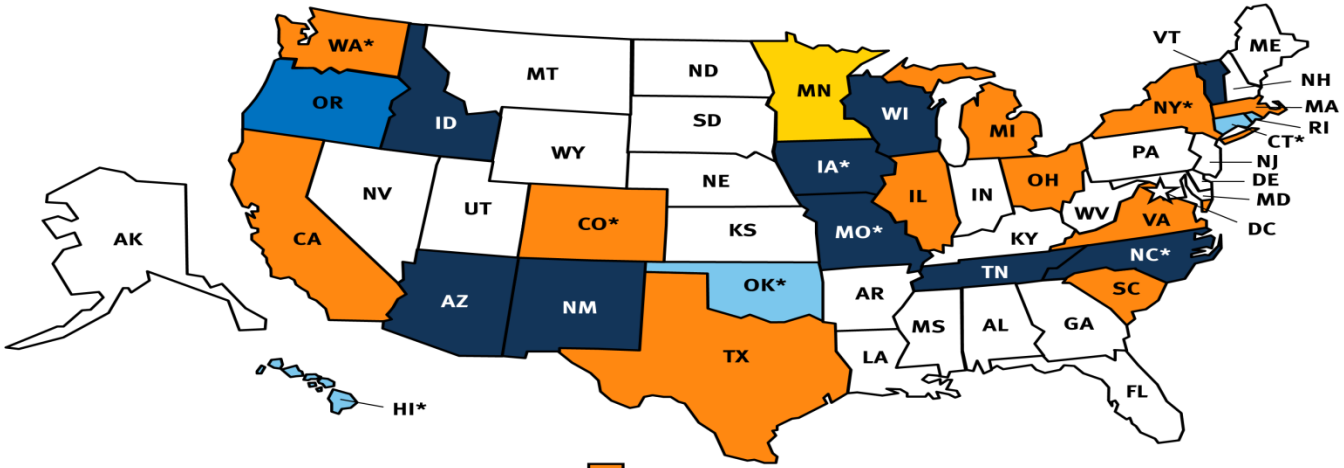
- **Arkansas**: Premium assistance model using Federal funds to purchase private insurance through QHPs
- **Indiana**: Expansion of current Healthy Indiana Plan, premium contributions required, two plan design options (Basic and Plus)
- **Iowa**: Premium assistance model using Federal funds to purchase private insurance through QHPs
- **Michigan**: Health savings accounts that can be used for required cost sharing payments

Alternative Expansion thru a Waiver

- **Montana**: Under discussion, enrollee pays maximum cost sharing allowed under law and also pays a premium of 2% of their income
- **New Hampshire**: Premium assistance model using Federal funds to purchase private insurance through QHPs
- **Pennsylvania**: Coverage of newly eligible through managed care organizations, premium contributions required

Duals Demonstration

State Demonstration Proposals to Align Financing and/or Administration for Dual Eligible Beneficiaries, February, 2015



NOTES: *CO, CT, IA, MO, and NC proposed managed FFS models. NY, OK, and WA proposed both capitated and managed FFS models; WA received approval for both demonstrations, but subsequently withdrew its capitated model; NY withdrew its managed FFS proposal. All other states proposed capitated models.
SOURCE: CMS Financial Alignment Initiative, State Financial Alignment Proposals and state websites.

- MOU signed with CMS to implement financial alignment demonstration (11 states)
- MOU signed with CMS to implement administrative alignment demonstration (1 state)
- Proposal pending with CMS (4 states plus NY's capitated DD proposal)
- Proposal submitted, will not pursue financial alignment but may pursue administrative alignment (1 state)
- Proposal withdrawn (9 states plus NY managed FFS and WA capitated)
- Not participating in demonstration (24 states and DC)

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Duals Demonstration

- Capitated Financial Alignment
  - Three-way contract between CMS, State, and health plan
  - 9 States
- Managed Fee for Service
  - Contract between CMS and State
  - 2 States
- Administrative Functions w/o Financial Alignment
  - Coordination of services
  - 1 State

CMS Regulation and Review Changes

- Managed care rate development
  - Guide is more detailed so documentation is more complete and consistent
  - Improve the accountability of rates
- Managed Medicaid regulation changes
  - Medical Loss Ratio: Minimum of 85%
  - Actuarial Soundness: New standards and processes, such as data requirement and risk-sharing arrangements
  - Network Adequacy: Adopt time and distance standards
  - Quality of Care: Propose States adopt care quality rating system
  - Grievance & Appeals: Align with MA and Commercial processes
  - Prescription Drug Coverage: State covers drugs not covered by managed care

Risks

- High cost drugs
  - Hepatitis C
  - PCKS9
  - Biosimilar
- Managed care carve-in
  - Rates and managed care savings
  - Ability to manage the population

Medicare Advantage Trends

- CMS
  - Overall FFS USPCC medical trend estimated to be 1.3% in 2015 and 1.9% in 2016
  - Overall pharmacy trend estimated to be 9.2% in 2015 and 6.4% in 2016 (9.2% being the highest yearly trend since Part D began)
- Vendor Surveys
  - Overall medical trend is expected to be between 2% and 3% for 2015 and 2016, driven by outpatient and Part B Rx
  - Overall pharmacy trend is expected to be between 10% and 15% for 2015 and 2016, driven by specialty drugs

Medicare Advantage Payment

- County benchmark based on % of FFS
  - 2 and 4 year phase-in counties are complete as of 2015, 6 year phase-in counties complete in 2017
  - IME phase-out, 0.6% a year until completely removed
  - Average benchmark/FFS cost was 1.16 in 2010, for 2015 it is 1.12
  - Average A/B bid/FFS cost was 1.02 in 2010, for 2015 it is 0.92

Source: MedPac: The relative cost of Medicare Advantage Care Organizations and fee-for-service Medicare

Medicare Advantage Payment

- Stars
  - Removal of pre-determined 4.0 star thresholds
  - Bell curve?
  - Maxed out?

Star Rating	2011	2012	2013	2014	2015
2	0	4	0	0	0
2.5	22	30	28	8	16
3	124	88	76	68	55
3.5	86	95	95	95	107
4	37	43	54	72	66
4.5	32	36	45	51	51
5	3	8	6	10	9
Total	**304**	**304**	**304**	**304**	**304**
Ave Rating	**3.40**	**3.47**	**3.55**	**3.70**	**3.68**
% 4.0+	**23.7%**	**28.6%**	**34.5%**	**43.8%**	**41.4%**
% of 4.0+ Losing QB		**11.5%**	**12.4%**	**10.5%**	**18.3%**
% under 4.0+ Gaining QB		**11.5%**	**15.6%**	**24.6%**	**9.0%**

Medicare Advantage Payment

- Part D

	2007	2008	2009	2010	2011	2012	2013	2014	2015
National Average Bid	80.43	80.52	84.33	88.33	87.05	84.50	79.64	75.88	70.18
Reinsurance Premium	26.82	29.01	34.73	36.92	39.77	37.38	42.60	51.26	59.74
National Average Beneficiary Premium	27.35	27.93	30.36	31.94	32.34	31.08	31.17	32.42	33.13
Direct Subsidy @ risk score of 1.000	53.08	52.59	53.97	56.39	54.71	53.42	48.47	43.46	37.05
% increase in National Average Bid		0.1%	4.7%	4.7%	-1.4%	-2.9%	-5.8%	-4.7%	-7.5%
% increase in Reinsurance Premium		8.1%	19.7%	6.3%	7.7%	-6.0%	13.9%	20.3%	16.6%
% increase in National Average Beneficiary Premium		2.1%	8.7%	5.2%	1.3%	-3.9%	0.3%	4.0%	2.2%

Medicare Advantage Payment

- Part D
  - Closing of the coverage gap by 2020, member pays 25%; plan covers 42% generic and 5% brand in 2016
  - Star ratings due not impact Part D payments

Traditional FFS Payment

- Value based purchasing goals
- ACO results
- How does this impact Medicare Advantage?

Value and Quality Based Purchasing

- 2016 Goal
  - 30% in alternative payment models (ACOs, bundled payments, and medical homes)
  - 85% in value based purchasing and readmission reduction program
- 2018 Goal
  - 50% in alternative payment models
  - 90% in value based purchasing and readmission reduction program

ACO Results

- Pioneer ACO: upside and downside risk
  - $385M over two years but $280M in year 1
  - 19 of 32 ACOs continued in year 2
- MSSP ACOs: two tracks but majority in upside risk only
  - $705M in one year
  - Over 404 ACOs covering over 7.3 million beneficiaries
  - Improved performance on 30 of 33 quality measures
- Track 3
  - Higher amount of savings shared

Questions