Financial Trends in the Connecticut HUSKY Health Program

Presentation to the
Medical Assistance Program Oversight Committee

February 9, 2018

- Bending the Cost Curve
- Review of Spending by Service
- Review of Administrative Costs
- Legislative Report Review
- Enrollment, Expenditures and PMPM Update
- Comparison to National Trends

Bending the Cost Curve:
Connecticut's Medicaid Financial Trends

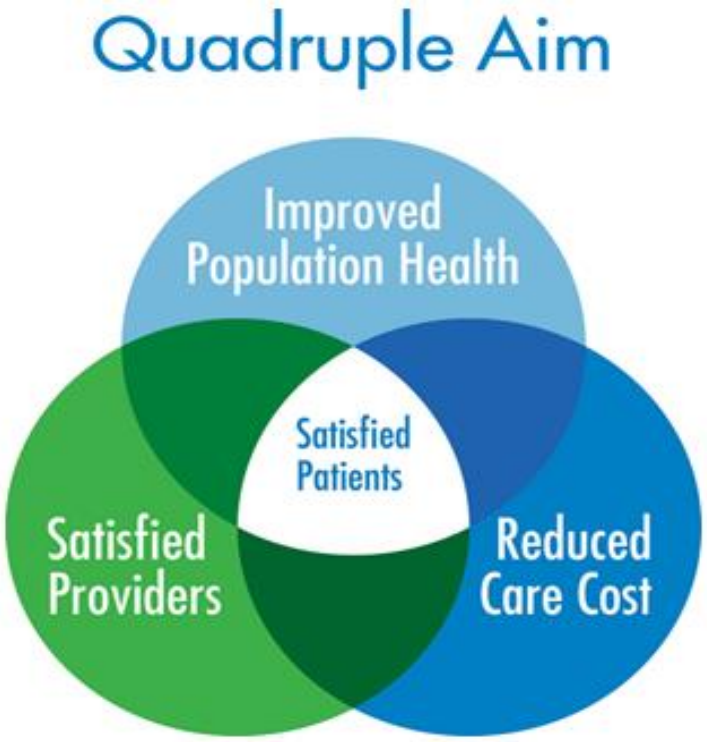
Conceptual Framework

DSS is motivated and guided by the Centers for Medicare and Medicaid Services (CMS) "Triple Aim":

- improving the patient experience of care (including quality and satisfaction)
- improving the health of populations
- reducing the per capita cost of health care

Conceptual Framework

We are also compelled by an expanded framework that considers provider satisfaction:



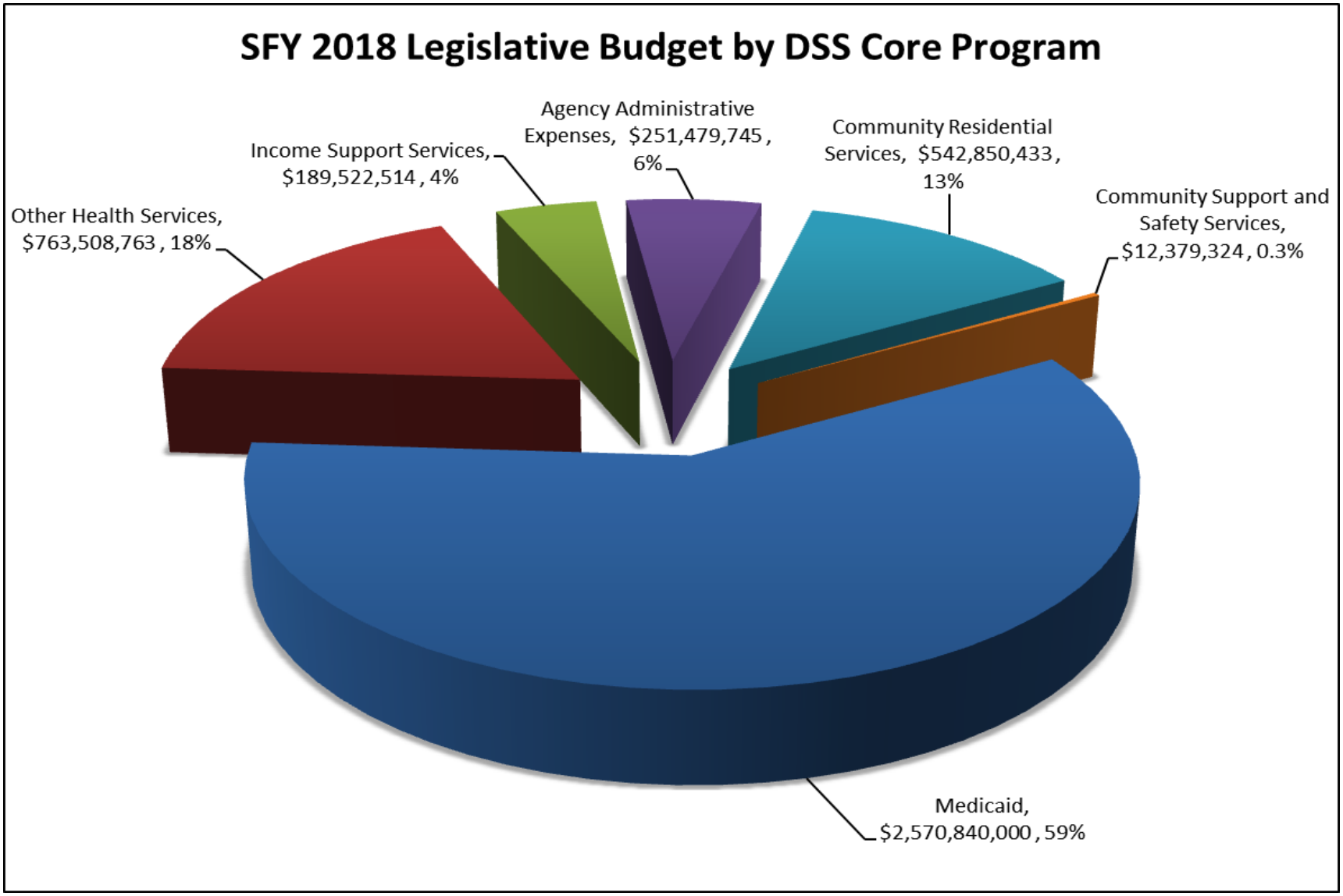
Bending the Cost Curve

What trends are we seeing?

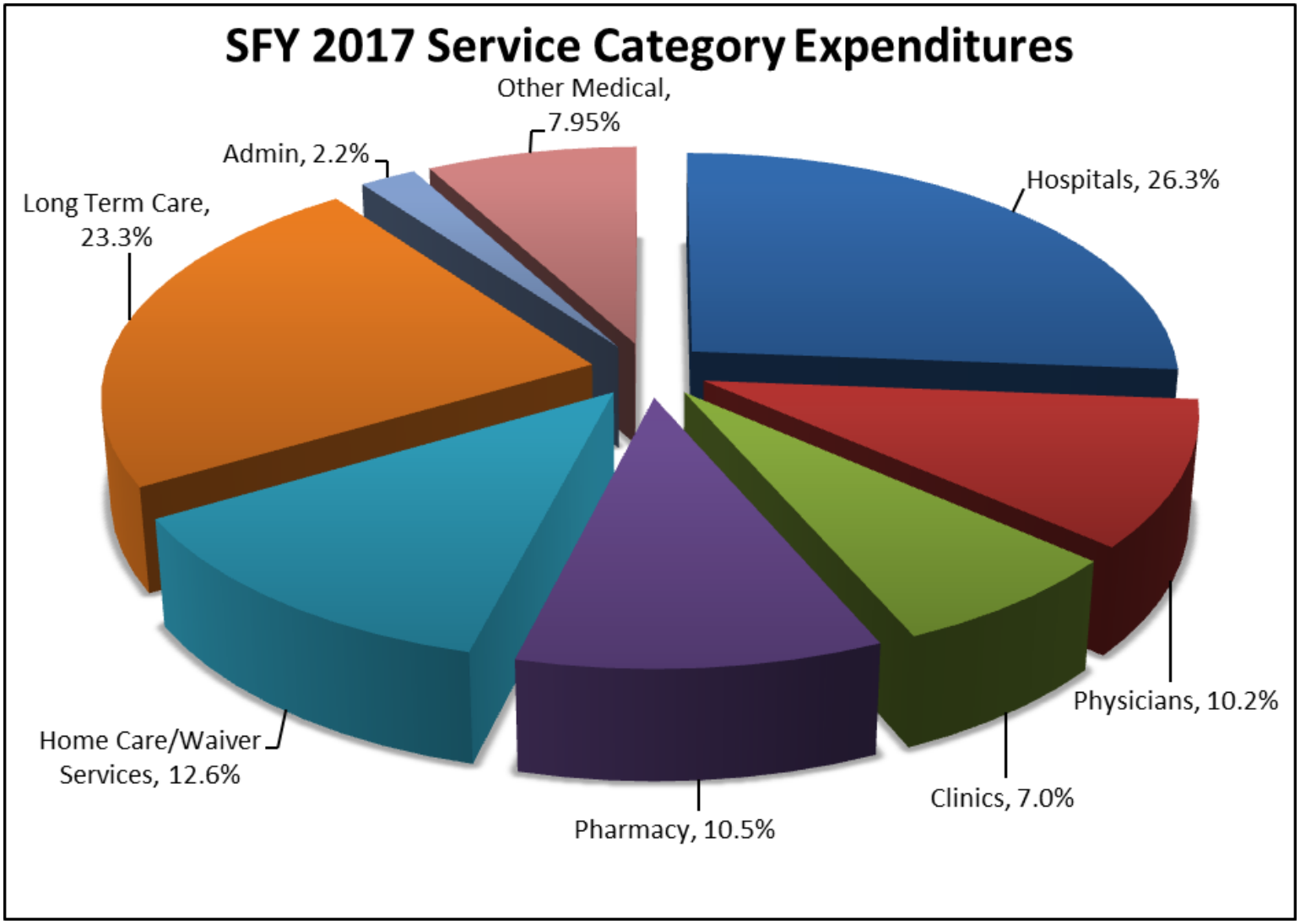
- **Cost trends** in select service categories **align with strategic objectives.**
- Total expenditures have increased due to increases in enrollment, but **per member per month costs have remained remarkably steady over time**.
- The state share of HUSKY Health costs are stable while the **federal share has increased**.
- HUSKY Health's **financial trends compare very favorably with national Medicaid trends**.

Review of Medicaid Spending by Service Category

DSS Budget Overview



Medicaid Service Categories



Medicaid by Service Category

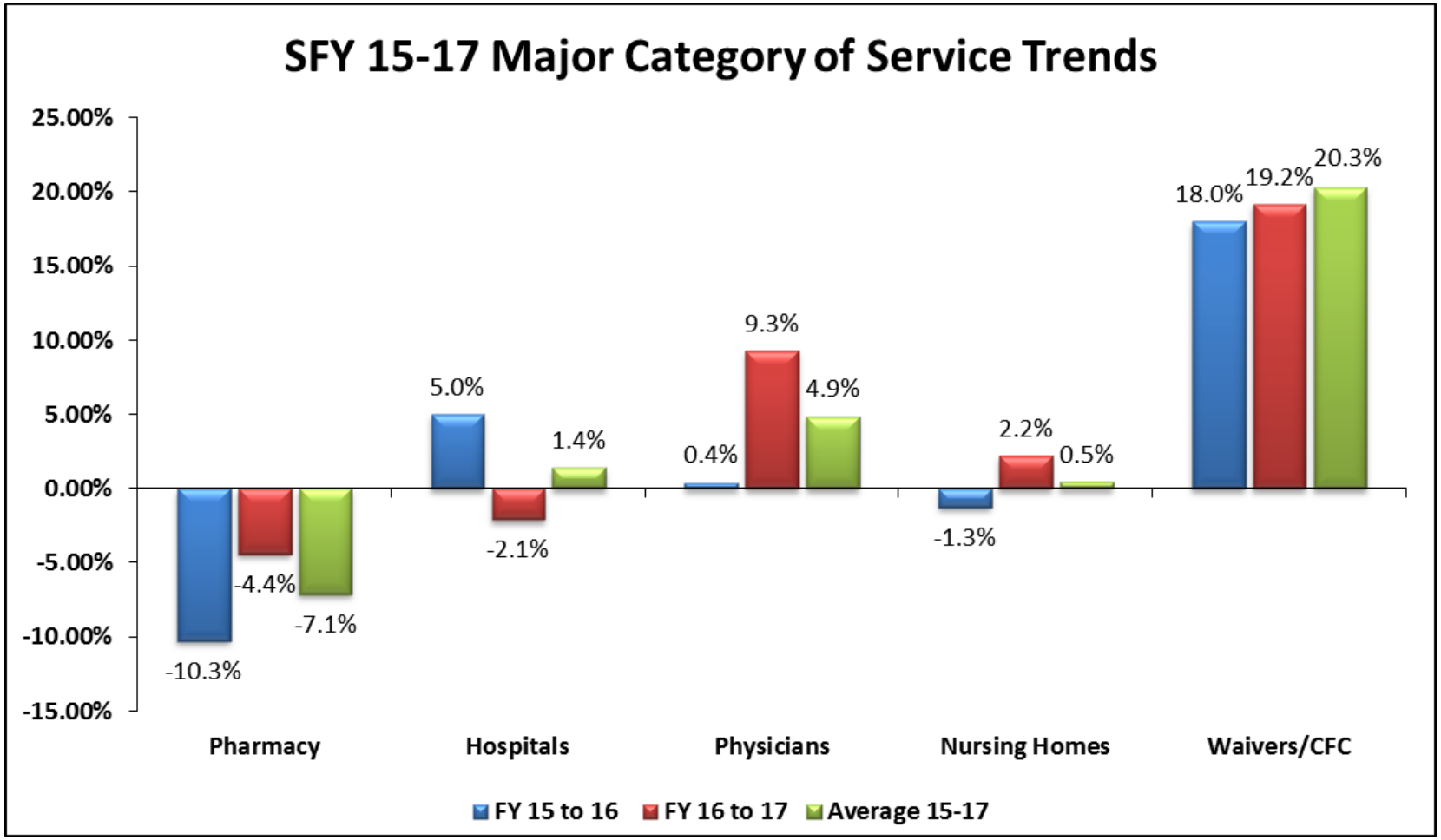
- Category of services trends in major areas

- Rebalancing long-term services and supports (LTSS)
  - Investment in LTSS waivers
  - Stability in nursing home costs

- Payment reform/cost controls
  - Stability in net pharmacy costs
  - Stability in hospital costs

- Service investments
  - Increase in physician expenditures

Medicaid by Service Category



Hospital expenses include inpatient and outpatient costs only; supplemental and settlement payments are not included.

Review of Medicaid Administrative Spending

Medicaid Administrative Costs

- Recent MACPAC report for FFY 2016 cites CT Medicaid administrative costs at 5.73%, above the national average of 4.56%.
- The MACPAC approach includes costs associated with all eligibility staff and eligibility systems operations and development. This included over $102 million in system development costs and $96 million in eligibility staff and system support costs.
- Once these eligibility costs are removed, the MACPAC adjusted admin load for CT would be 3.2% which is actually under the national average of 3.4%, if a similar adjustment is made to all other states.

Medicaid Administrative Costs

- As MCO administrative costs and profit are built into the overall capitation rates and are likely claimed as program expenses, we would compare even more favorably to other states if MCO administrative costs were considered.

- Hypothetical state example and assumptions:
  - MCO administrative costs, including profit, conservatively estimated at 6%
  - MCO administrative costs are included in capitation and reported as a program expense
  - MCO program service expenditure volume at 50% (50% of service costs provided by MCO)
  - State administrative expenses calculated at 4.5% against all program expenses, but do not include MCO administration and profit

- Results:
  - If MCO administrative expenses were included in this hypothetical state administrative cost structure, administrative expenses could be 3% higher

Medicaid Administrative Costs

- Potential impact of MCO administrative costs reported under program for a "hypothetical" state

Total program expense $10 billion

Reported administrative cost at 4.5%, or $450 million

+

MCO program component at 50%, or $5 billion

MCO administration at 6%, or $300 million, <u>but not included</u>

=

Adjusted administrative expenses at $750 million

Adjusted program expenditures of $9.7 billion

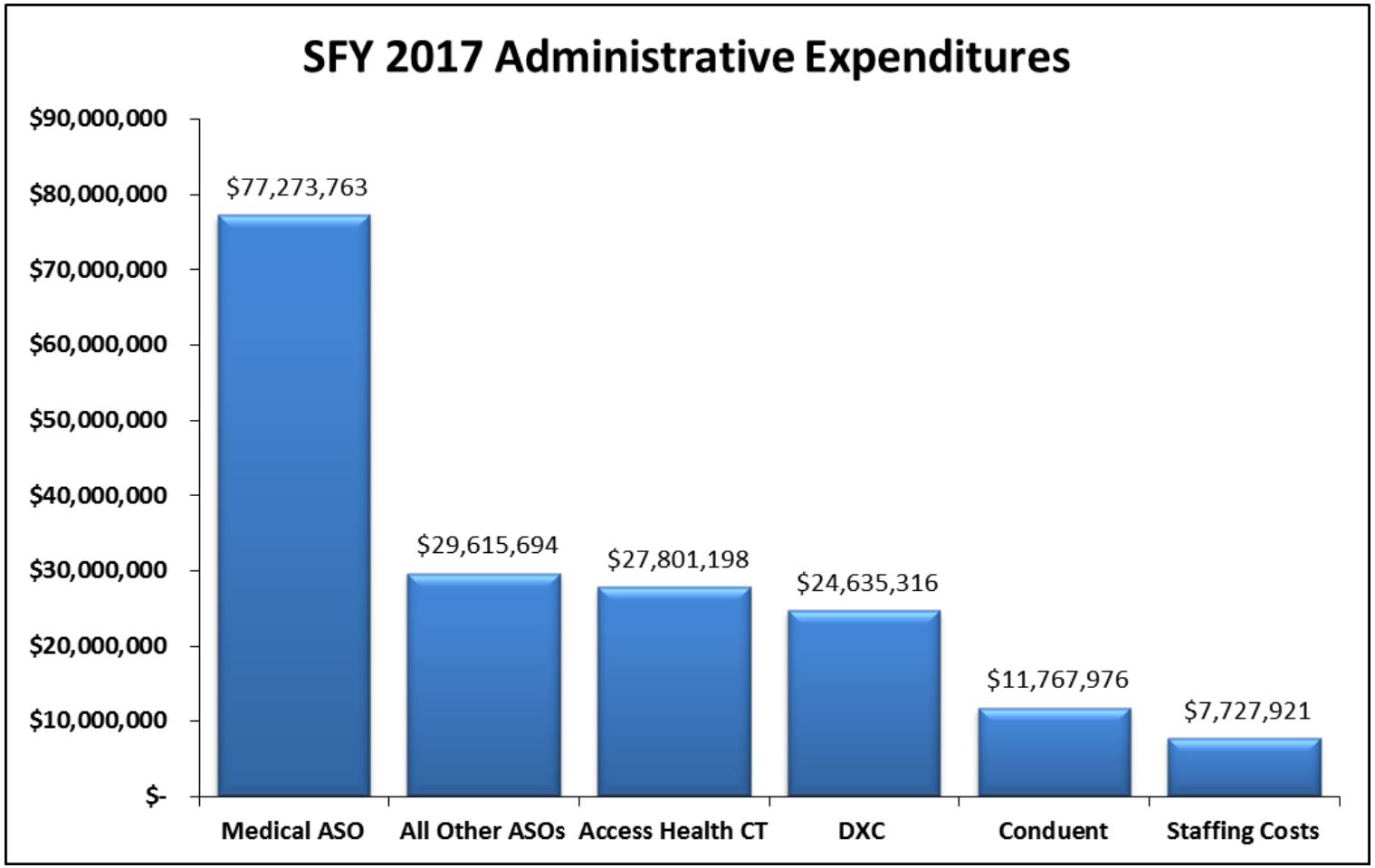
Adjusted administrative expense ratio at 7.7%

→

CT's managed fee for service system demonstrates clear administrative cost efficiencies

Medicaid Administrative Costs

- Major components of Medicaid administrative costs



Medicaid Administrative Costs

- DSS continues all possible efforts to maximize federal reimbursement for Medicaid administrative and eligibility costs.
- Based upon efforts with AHCT on the health insurance exchange, and DSS work on the ImpaCT system, we now receive 75% on all Medicaid allocable eligibility staff and systems operation costs.
- Exclusive of one-time system development costs, the federal share of administrative costs has increased to 62.5% in FFY 2017 from 57% in FFY 2013.

Review of the Legislative Report

Legislative Report

- Monthly report initiated in late SFY 2014
- Service category detail along with quarterly enrollment, expenditures, per member per month (PMPM) costs for HUSKY A, B, C and D
- Represents aggregate expenditures, including both federal and State shares to promote transparency and annual comparisons
- Based upon date of payment to align with general State expenditure reporting practices

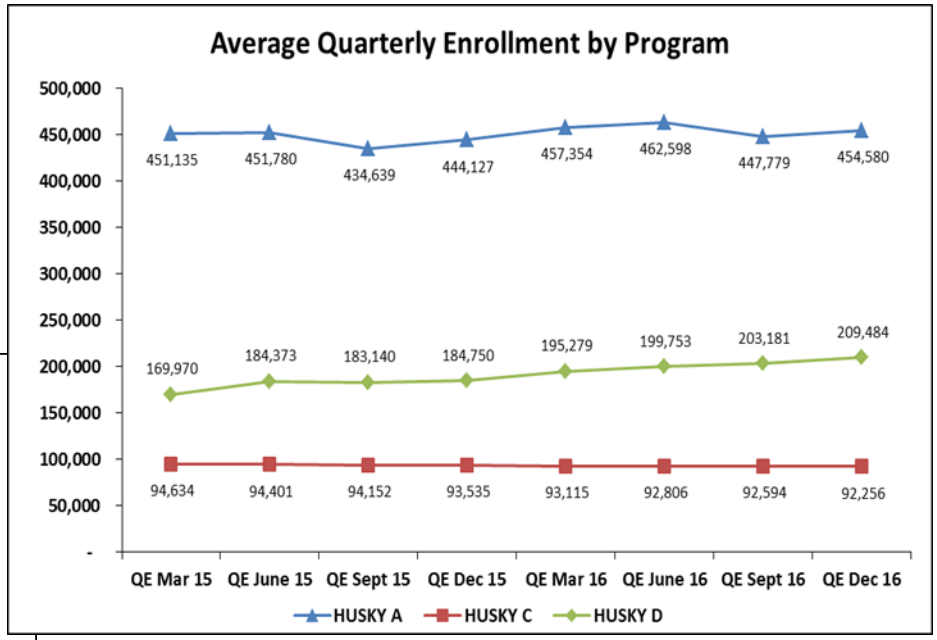
Legislative Report

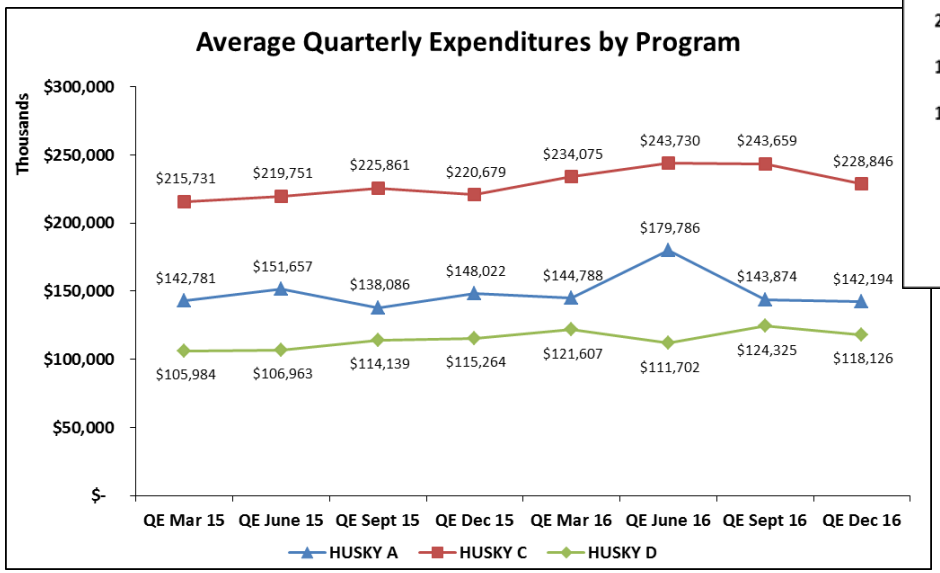
- Service category expenditures for the HUSKY Health program including detail by HUSKY A, B, C, D
- Details up to 56 different service/expenditure categories under the Medicaid account

PROVIDER CODE	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
Hospital Inpatient	22,786,689	24,881,720	28,493,323	23,927,597	26,815,238	27,212,418
Hospital Outpatient	26,903,355	26,112,715	31,867,720	27,529,697	26,745,563	31,878,179
Hospital Supplemental Payment	-	-	-	-	-	-
Hospital Retro	-	-	-	-	-	-
Physician Services	17,041,910	15,908,774	22,126,803	19,203,004	18,282,043	23,589,524
Physician ACA Services	2,287,616	2,215,347	2,362,733	2,009,578	1,980,400	1,913,356
Clinic Services	13,449,361	13,769,208	18,046,964	16,311,248	16,318,745	20,167,569
Dental Services	9,959,888	11,272,913	12,384,657	10,730,117	10,818,210	12,383,064
Vision Care Services	1,628,207	1,752,519	2,485,957	1,978,525	1,812,435	2,241,945
Family Planning	-	-	-	-	-	-
Other Practitioner	6,198,983	6,168,663	7,847,071	6,653,631	6,738,945	8,296,662
Other Practitioner ACA Services	264,638	275,972	259,664	237,261	236,140	192,556
Pharmacy	34,068,871	34,732,937	46,349,249	35,876,898	35,249,934	44,230,113
Medicare Part D - Premium	-	-	-	-	-	-
Medicaid Drug Rebates	(14,228,034)	(10,898,608)	(36,048,083)	(41,252,808)	(3,404,197)	(56,752,433)

Legislative Report

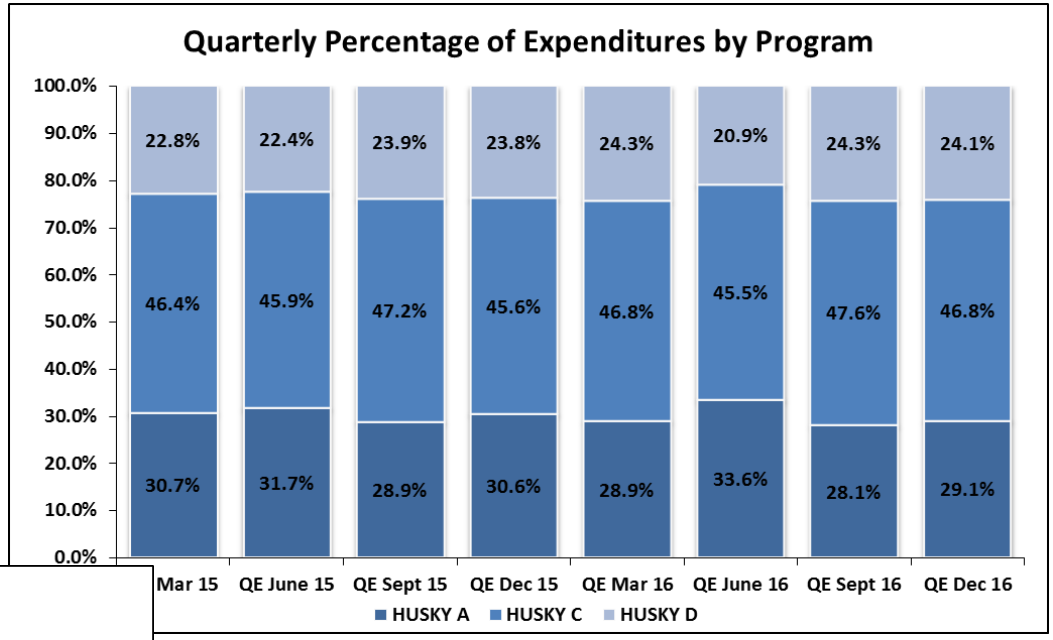
- Quarterly enrollment and expenditures by Medicaid program

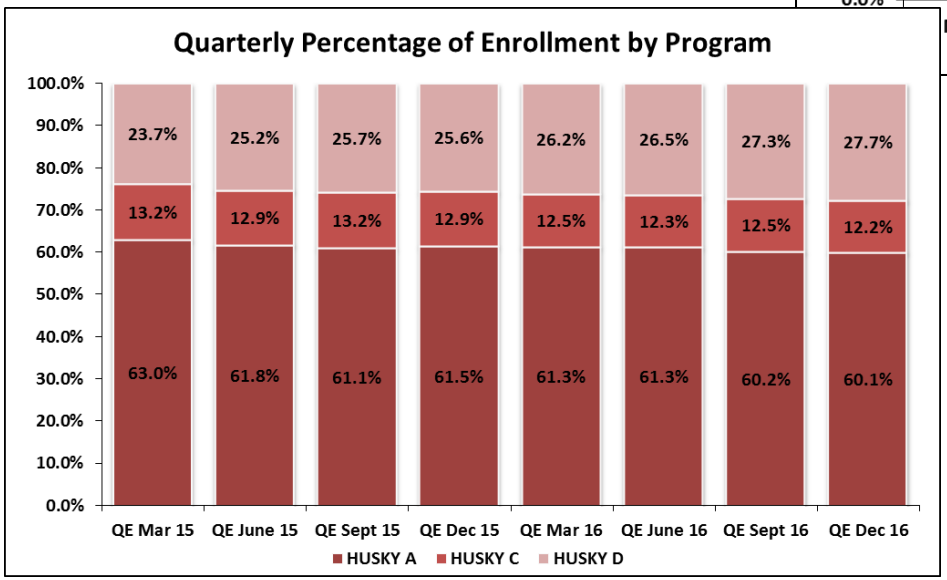




Legislative Report

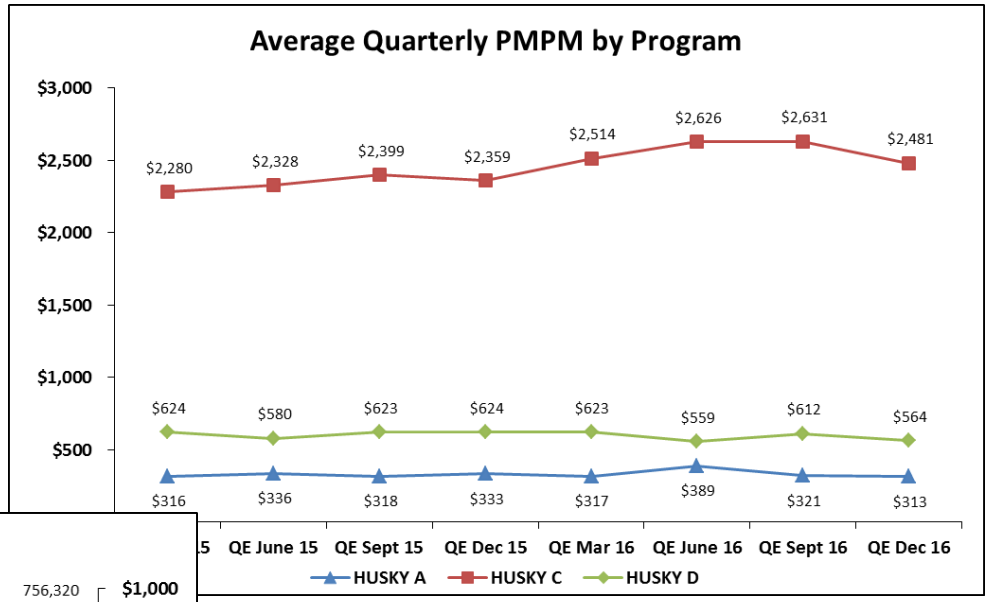
- Quarterly expenditure and enrollment percentages

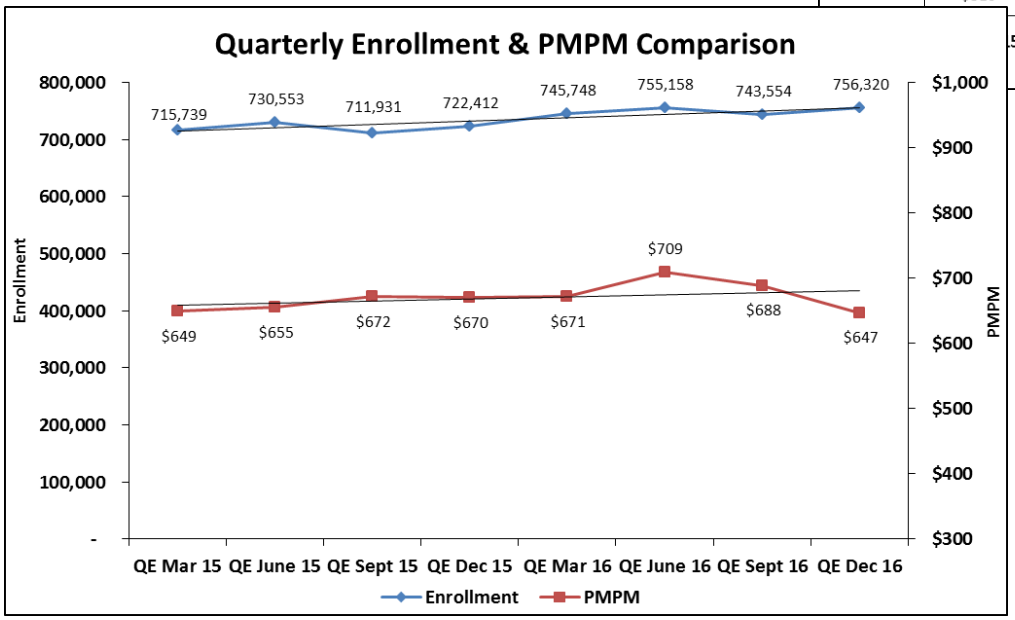




Legislative Report

- Quarterly PMPM detail by program and in aggregate



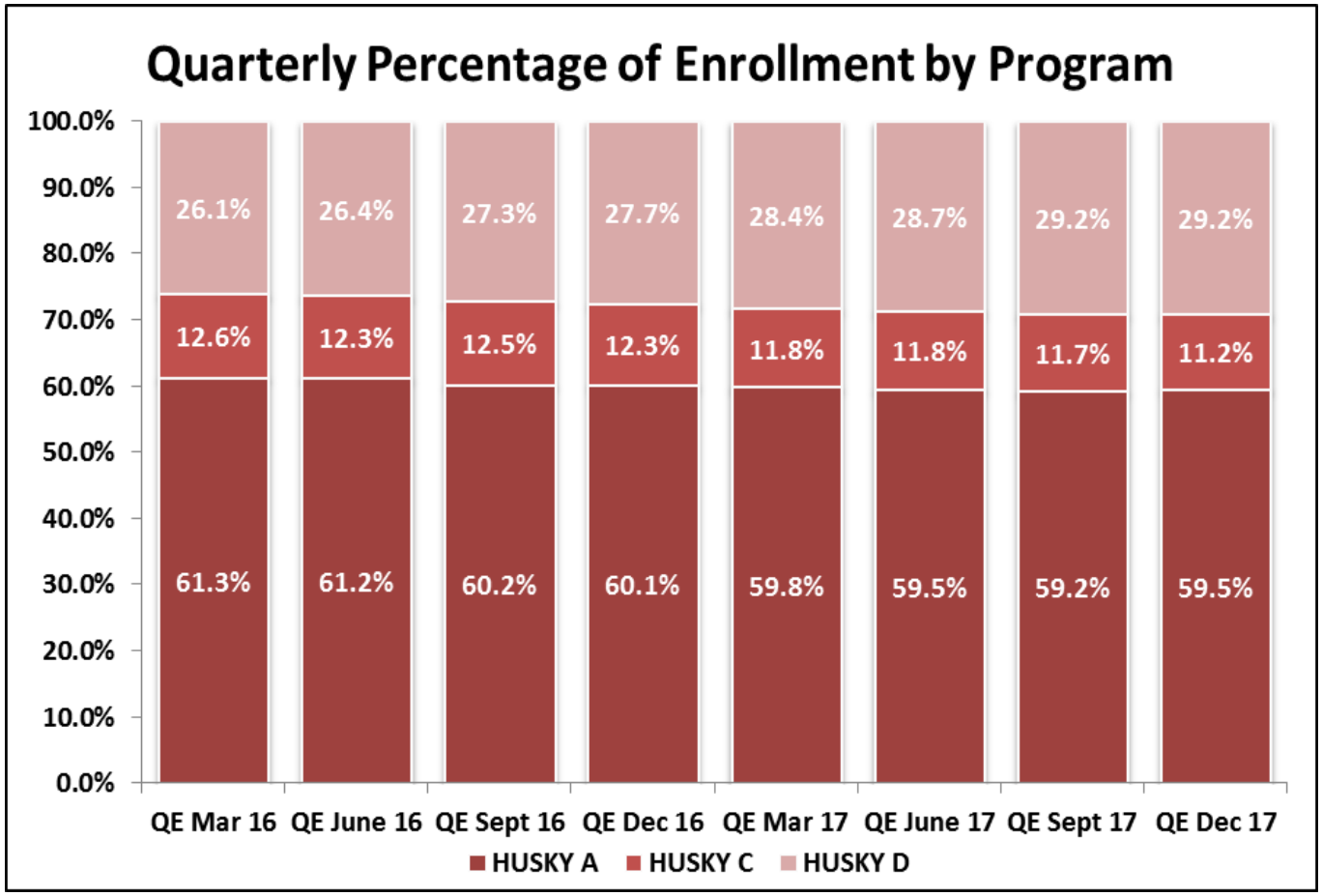


Preliminary Updates to Legislative Report: Enrollment, Expenditures and PMPM's

Enrollment Update

- Preliminary December enrollment figures indicate approximately 800,000 Medicaid enrollees and approximately 18,000 HUSKY B enrollees.
- Data is preliminary pending additional review and validation of the ImpaCT system reports, and completion of full EMS case conversions.
- Due to changes in ImpaCT reporting methodologies, prior EMS data (pre October 2016) is adjusted for the purpose of facilitating comparison of present trends to historical data.
- This adjusted data is utilized for all ongoing slides which include enrollment data.

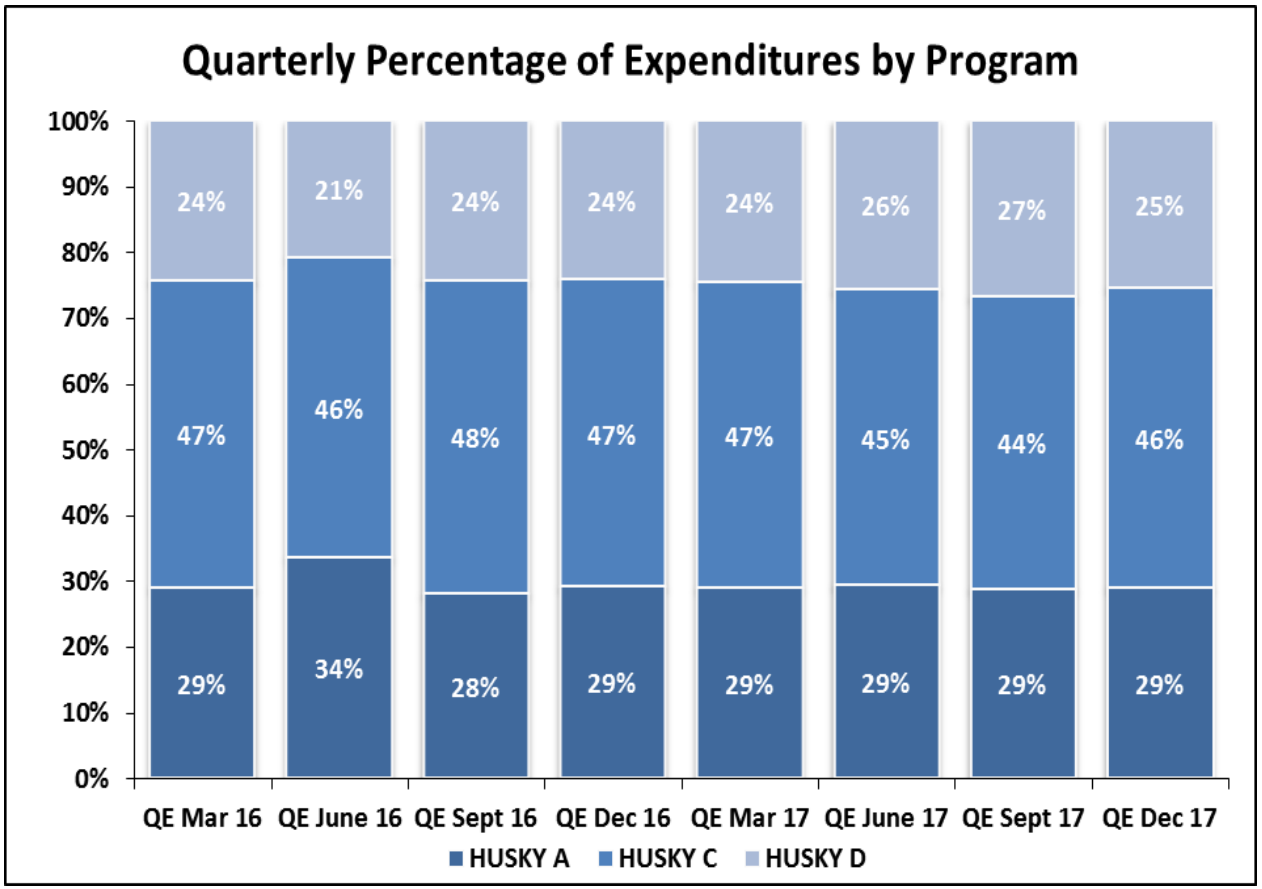
Composition of Enrollment



Significant HUSKY D enrollee growth has contributed to its increasing share of overall Medicaid enrollees, resulting in slightly smaller shares of both HUSKY C and HUSKY A enrollees

HUSKY A – Families and children
HUSKY C – Aged and disabled
HUSKY D – ACA single adults

Composition of Expenditures

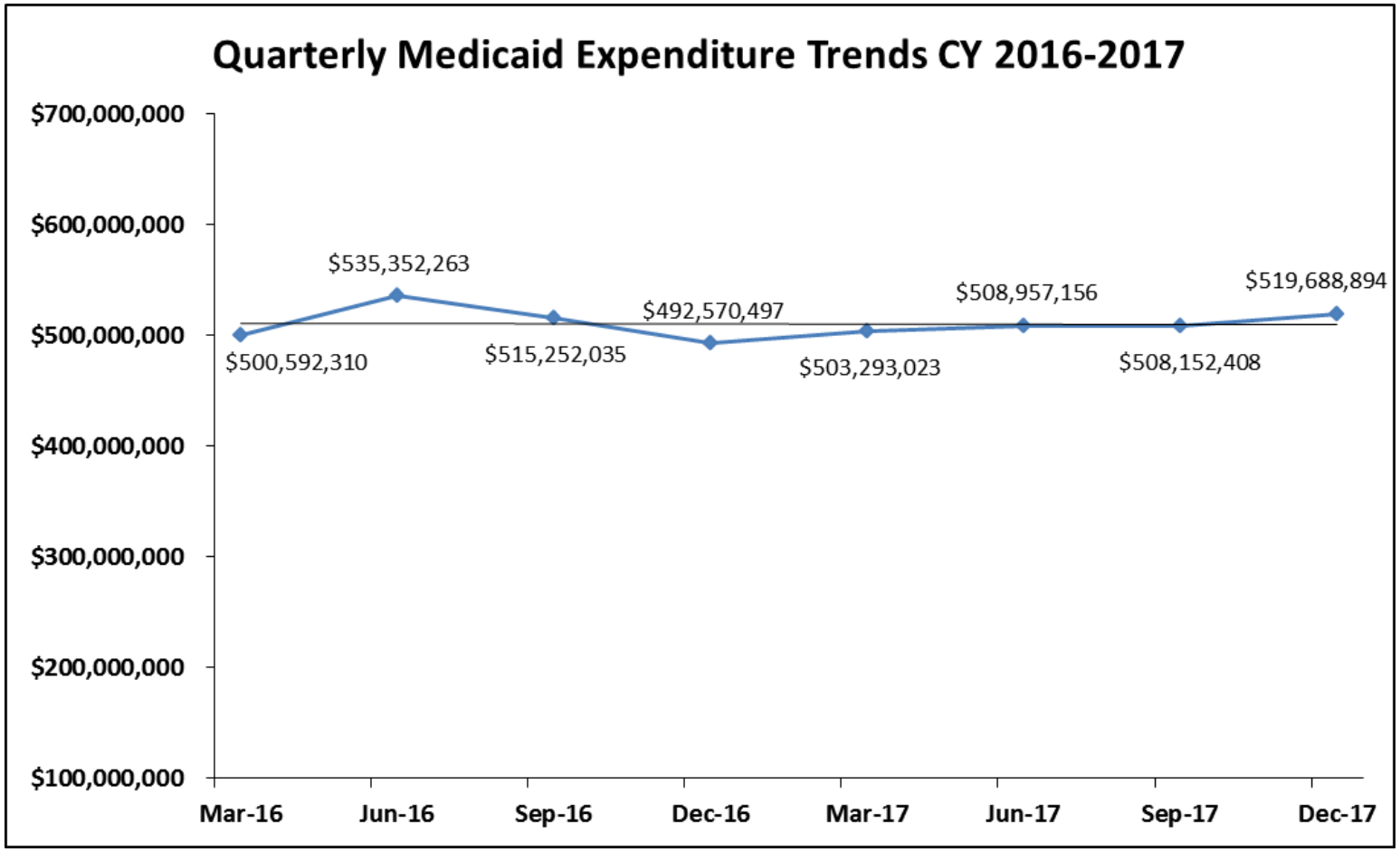


HUSKY D clients represent 29% of enrollees compared to 25% of overall expenditures

HUSKY A clients comprise 60% of enrollees but account for only 29% of program costs

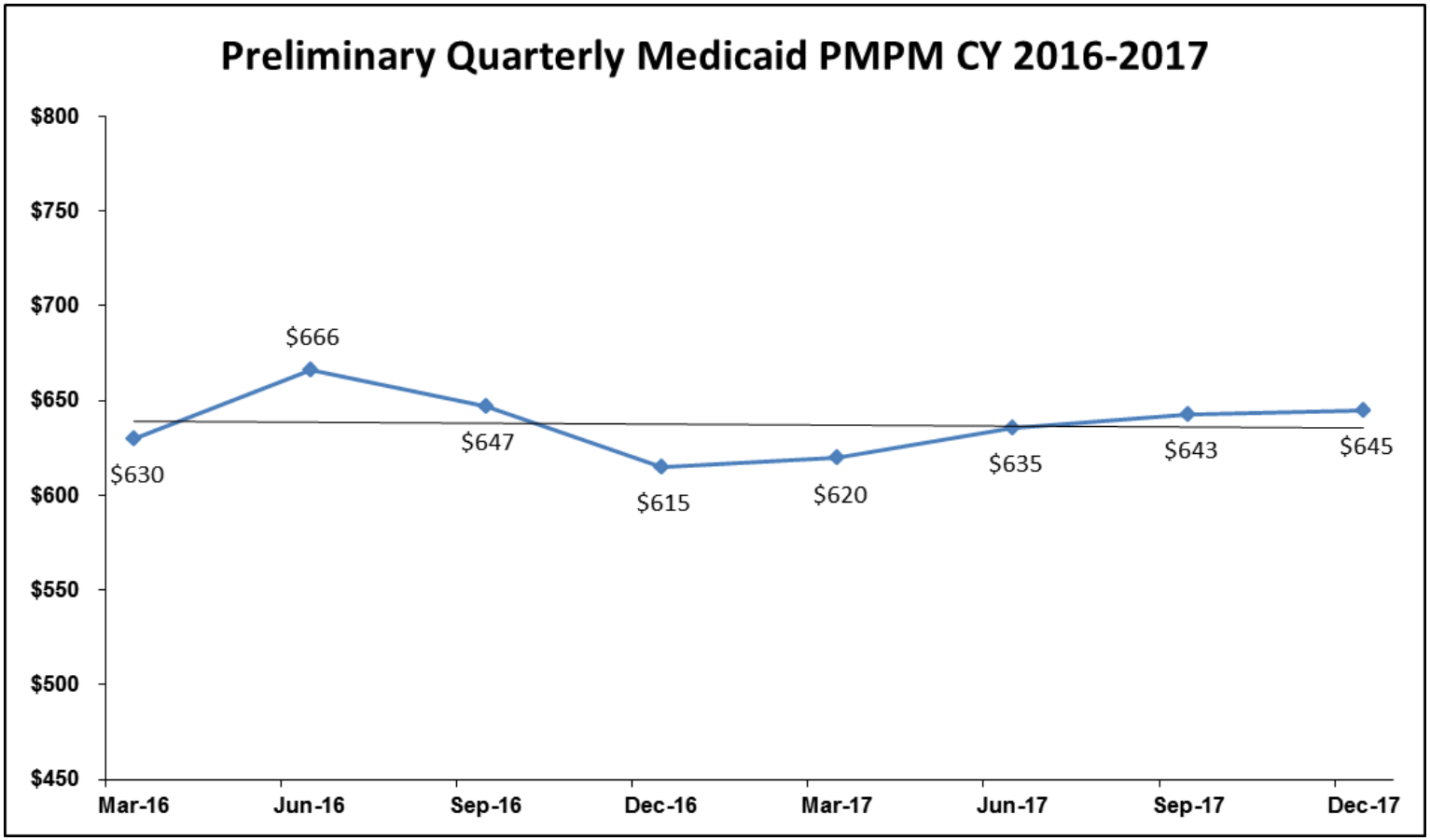
HUSKY C clients make up 11% of the enrollees but comprise 46% of expenses

Expenditure Trends



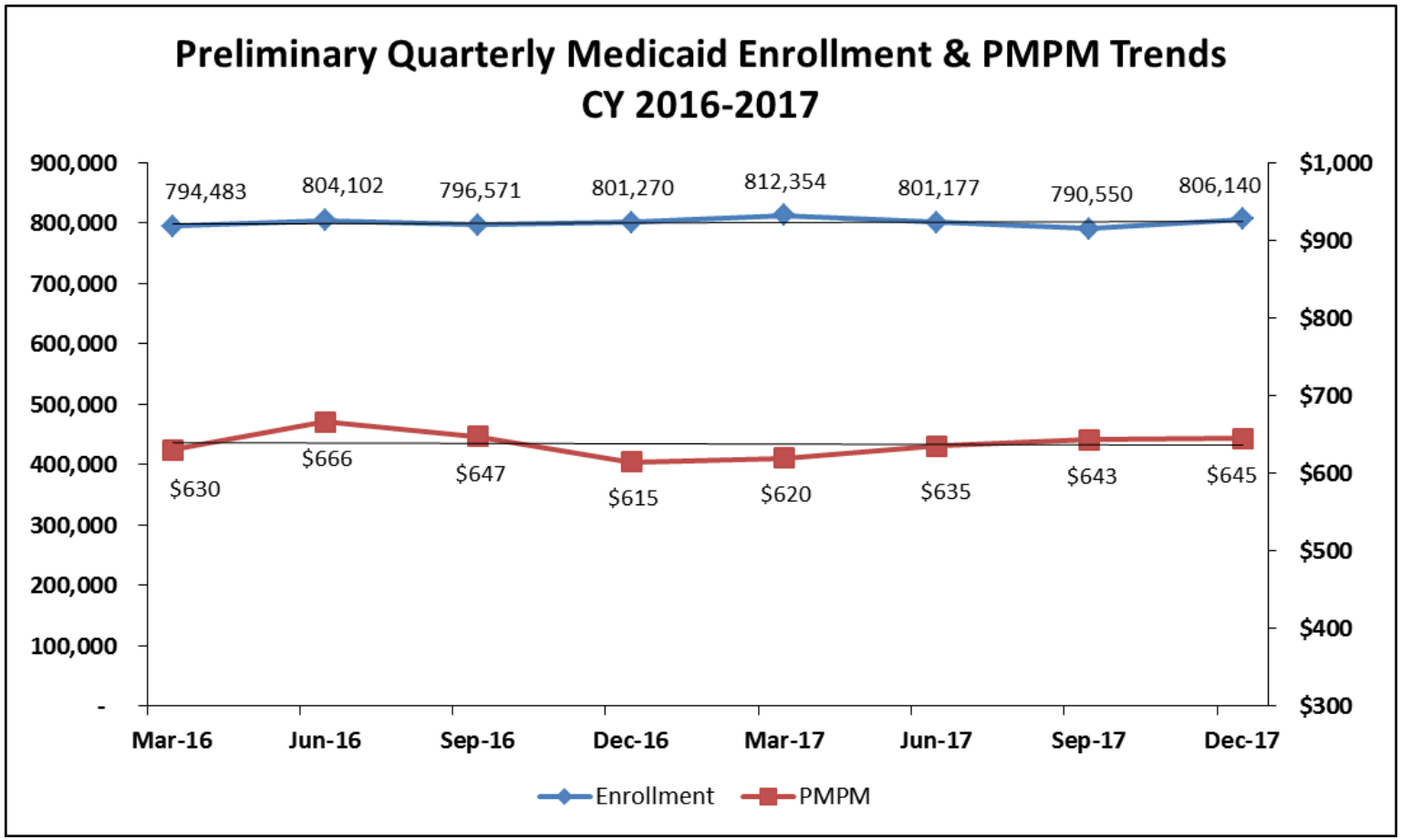
Expenditure trends have remained relatively steady over the past eight quarters

PMPM Trends



Quarterly PMPM trends have similarly remained steady over the last eight quarters

Enrollment & PMPM



Relatively stable enrollment growth and PMPMs are evident over the last eight quarters.

Comparison to National Medicaid Trends

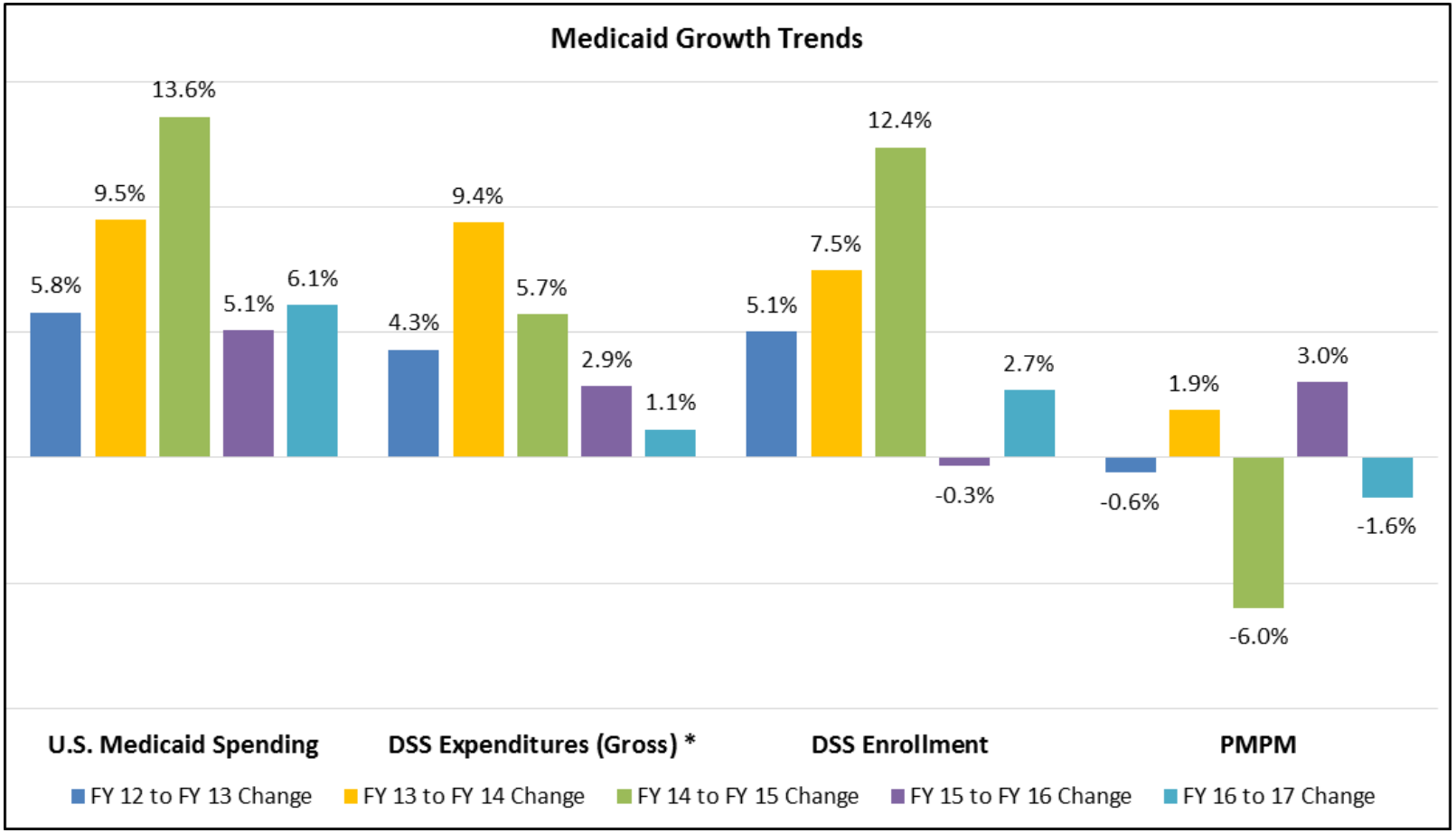
Comparison with National Trends

- *Health Affairs'* June 2017 issue reported that Connecticut's Medicaid program led the nation in controlling cost trends on a per enrollee basis for the 2010-2014 period.

- Connecticut was reported as having reduced its per-person spending by a greater percentage (5.7%) than any other state in the country.

- Overall and in Connecticut, Medicaid tracked lower nationally than both private health insurance and Medicare in the cost trend comparisons.

Comparison with National Trends



** Expenditures are net of drug rebates and include DMHAS' behavioral health costs claimable under Medicaid.*

Connecticut Trends – Medicaid Account

- Expenditure growth
  - Overall DSS expenditure growth since SFY 2012, including both federal and state shares, has ranged from as high as 9.4% during SFY 2014 to the most recent 2017 fiscal year in which growth was limited to 1.1%.
- Enrollment growth
  - DSS enrollment growth has varied from a high of 12.4% in SFY 2015 to a small decrease of 0.3% in SFY 2016. Preliminary caseload growth for SFY 2017 indicates a 2.7% increase.

Connecticut Trends-Medicaid Account

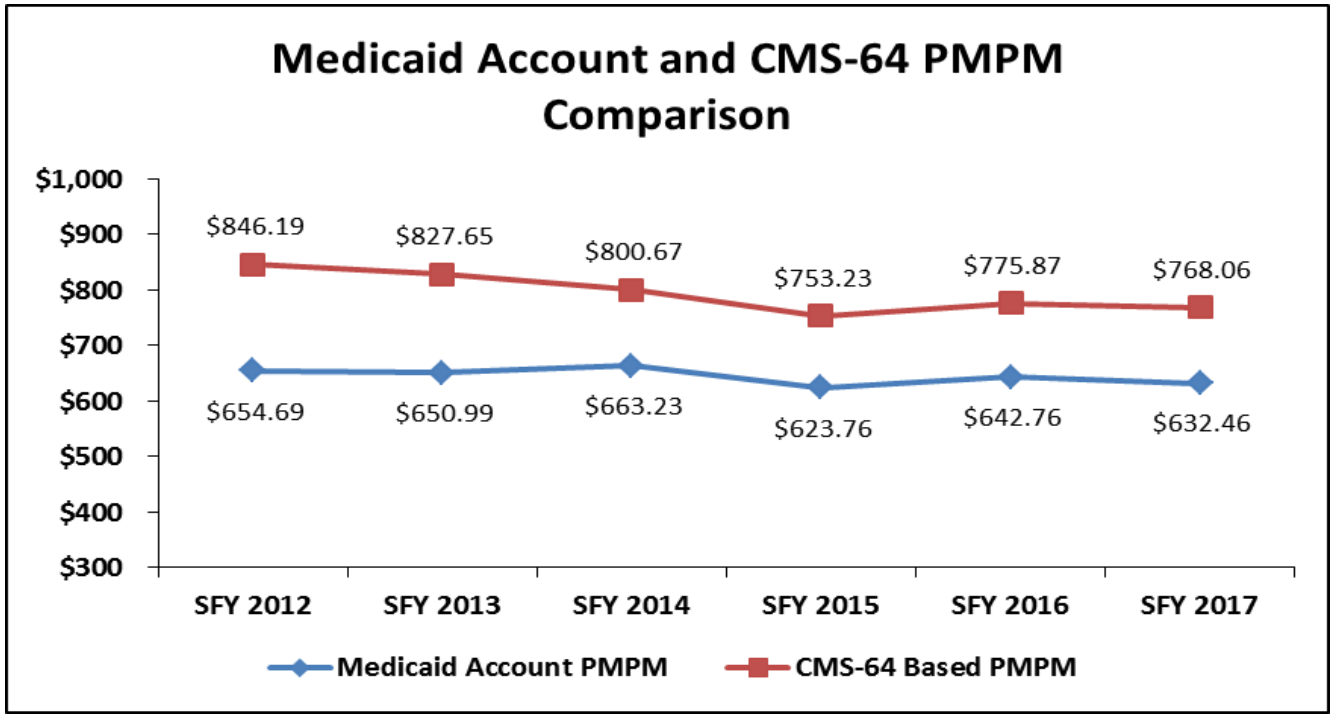
- PMPM Growth
  - DSS PMPM growth was as low as a 6.0% decrease in SFY 2015, and at its highest reached 3.0% in SFY 2016.
  - The most recent preliminary PMPM for SFY 2017 decreased by 1.6%.
  - Comparing SFY 2017 to SFY 2012, the PMPM decreased by 3.4% over that five year period.

Connecticut Trends-Global Approach

- PMPM Review Using the Federal CMS-64 Report
  - CMS-64 report is the federally required report used by the federal government to document all Medicaid services subject to federal reimbursement
  - Differences between the Medicaid account and CMS-64 report include but are not limited to:
    - Medicaid account includes State-funded elements and Administrative Services Organization (ASO) expenses
    - CMS-64 report includes disproportionate share hospital (DSH) expenses, reimbursable other state agency programs, and Medicare premiums (MSP)

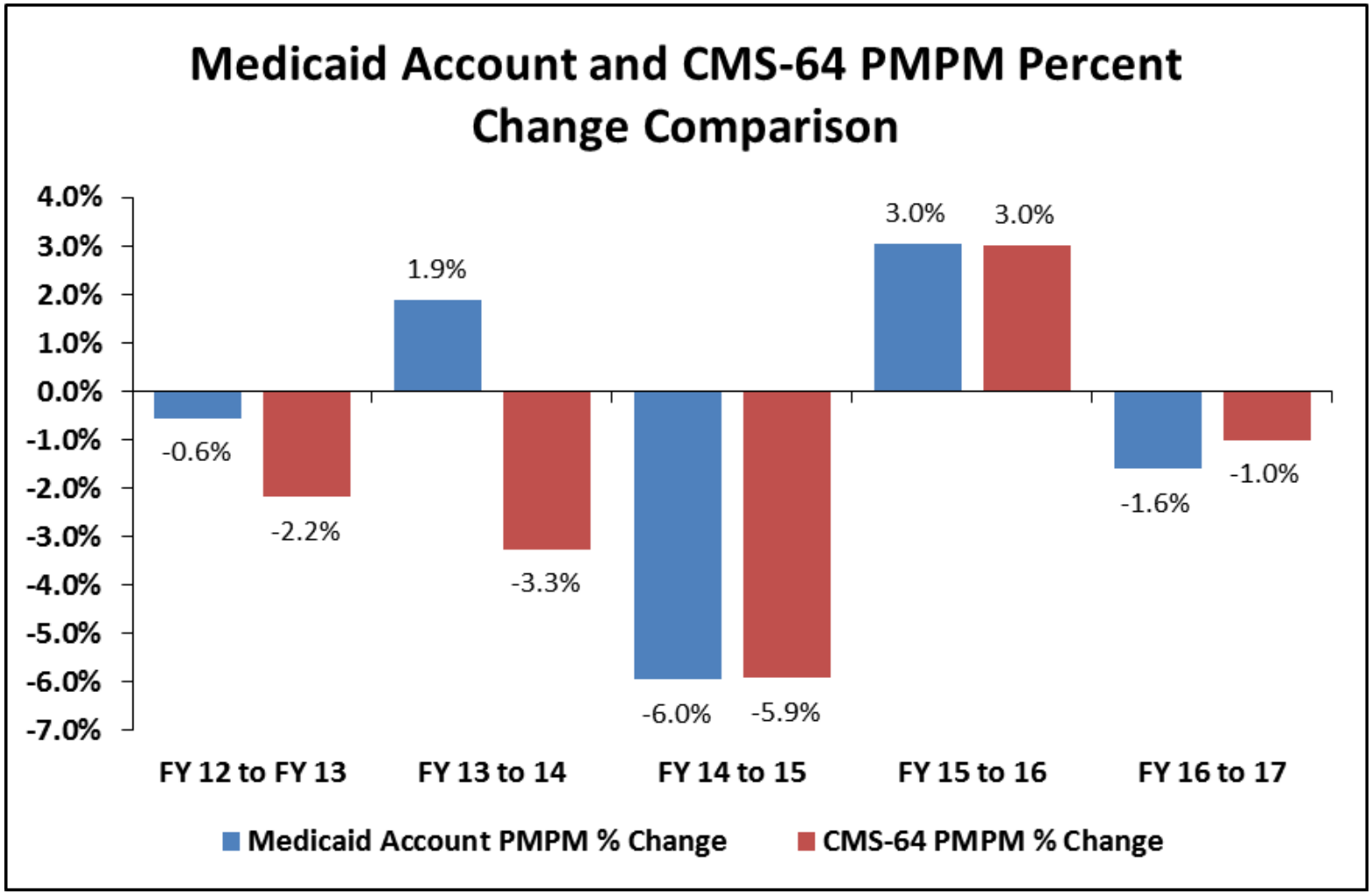
Connecticut Trends-Global Approach

- PMPM Review Using the Federal CMS 64 Report
  - Global CMS 64 PMPM is even more favorable over the period since SFY 2012 as shown below*
  - Comparing SFY 2017 to SFY 2012, the PMPM decreased by 9.2%*



*Using updated preliminary enrollment; CMS data may differ

Connecticut Trends-Global Approach

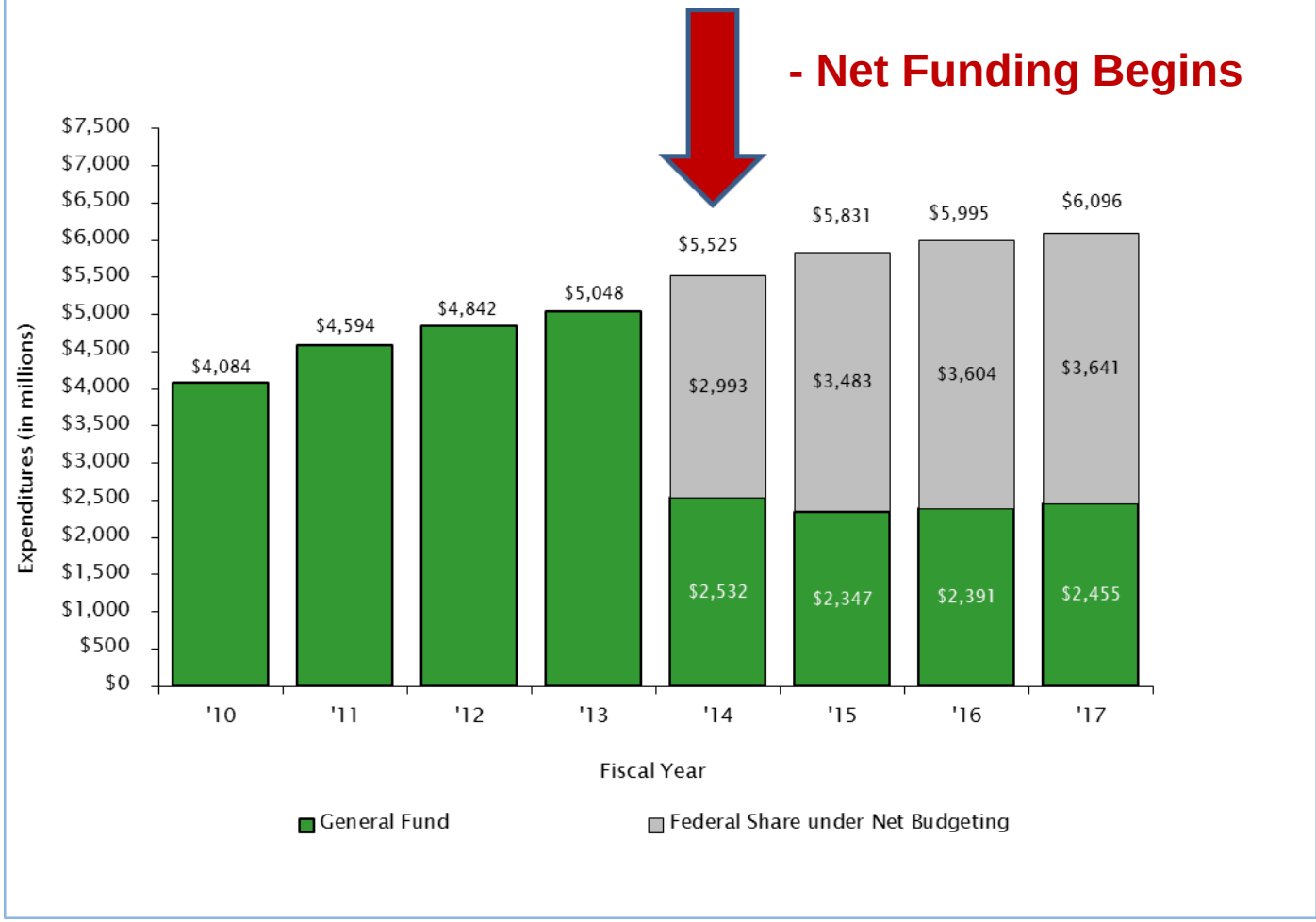


Federal and State Share of Medicaid

CT's state share of Medicaid costs have dramatically stabilized.

State share of costs was lower in SFY 2017 than it was in SFY 2014.

SFY 2017 state share was only $34 million, or 1.4%, higher than the estimated SFY 2012 state share.



Federal and State Share of Medicaid

- The federal share of Medicaid program expenses has increased to 59%, up from 50% pre-ACA, due to enhanced federal funding for HUSKY D, currently at 94% for calendar year 2018.
- The federal share of HUSKY B (CHIP) is currently 88%.
- Federal reimbursement for new systems development costs that support Medicaid is 90%.
- Systems operation costs, now including eligibility systems built to support ACA, are now 75% reimbursed, as are the associated Medicaid eligibility staff costs.

Medicaid Share of Total CT Budget

- In SFY 2016, the "all states" average Medicaid expenditures as a percentage of total State expenditures:
  - 28.7%*
- Connecticut's SFY 2016 Medicaid expenditures as a percentage of total State expenditures:
  - 22.7%*
- Based upon NASBO data, going back to SFY 2010, CT compares extremely favorably to its "peer" states (New England, NY and NJ). For the entire period, we consistently were among the three states with lowest percentage. In SFY 2015 and 2016, Connecticut had the lowest percentage share of the total state budget of all our peer states.

*Per the most recent National Association of State Budget Officers (NASBO) State Expenditure Report; includes both federal and State Medicaid shares

Medicaid Share of Total CT Budget

- Total Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data for SFY 2015 and 2016

	SFY 2015	SFY 2016
All States	27.9%	28.7%
Maine	32.8%	33.0%
Massachusetts	23.7%	24.7%
New Hampshire	29.7%	33.6%
New York	31.7%	31.9%
New Jersey	24.2%	25.0%
Rhode Island	30.4%	29.8%
Vermont	28.5%	29.5%
Connecticut	23.1%	22.7%

CT exceeded its peers in both SFY 2015 and 2016 in terms of having the lowest Medicaid expense as a percentage of the total state budget

Per the most recent National Association of State Budget Officers (NASBO) State Expenditure Report; includes both federal and state Medicaid shares

Summary

- HUSKY Health is **improving outcomes while controlling costs**
  - **Health outcomes and care experience are improving** through use of data to identify and support those in greatest need, care delivery reforms and use of community-based services
  - **Provider participation has increased** as a result of targeted investments in prevention, practice transformation, and timely payment for services provided

Summary

- HUSKY Health is **improving outcomes while controlling costs (continued)**
  - **Connecticut's expenditure trends**, when measured by PMPM costs across the entire program or by the level of State share, **have remained exceptionally steady the past five years**