



# Financial Trends in the Connecticut HUSKY Health Program - Transparency and Sustainability

Presentation to the  
Medical Assistance Program Oversight Committee

February 14, 2020



- Supporting transparency and sustainability
  - Administrative expenses
  - Category of service “rebalancing”
  - Per member per month cost trends
  - State share of Medicaid expenses
  - Medicaid share of the total CT state budget
- Recap of financial results



## Connecticut's Medicaid Financial Trends: Sustainability Benchmarks



- **Strategic financial benchmarks – five pillars**

- 1. Administrative load**
- 2. Category of service “rebalancing”**
- 3. Per member per month cost trends**
- 4. State share of Medicaid expenses**
- 5. Medicaid share of total state budget**



## What trends are we seeing?

- 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 **beginning to rise slightly**, in part due to declining federal HUSKY D reimbursement.
- **Cost trends** in select service categories **align with strategic objectives.**
- HUSKY Health **program and administrative cost trends compare very favorably with national Medicaid trends.**



# **Review of Medicaid Administrative Spending – Administrative Load**

## **Financial Benchmark #1**



- Recent MACPAC\* report cites CT Medicaid administrative costs at 4.6% in FFY 2018, in line with the national average of 4.5%.
- The MACPAC data includes costs associated with all eligibility staff and systems operations and development. CT incurred over \$144 million in eligibility staff and system support costs in FFY 2018.
- If eligibility and systems costs are removed, the MACPAC adjusted administrative load for CT would be 3.0% which is actually under this adjusted national average of 3.3% - by this adjusted measure, CT would place 15<sup>th</sup> nationally for the lowest administrative load.
- Additionally, the exclusion of managed care administrative costs from the CMS data used by MACPAC has a major impact on these statistics.

\*MACPAC-Medicaid and CHIP Payment and Access Commission, December 2019,  
<https://www.macpac.gov/publication/macstats-medicaid-and-chip-data-book-2/>



- As managed care organization (MCO) administrative costs and profit are built into the overall capitation rates and are claimed as program expenses, we compare even more favorably to other states if MCO administrative costs are considered
- *Results:*
  - *CT's managed fee-for-service system clearly demonstrates administrative cost efficiencies – if MCO administrative costs were considered, we estimate that CT would rank best in the nation for lowest percent of administrative spending for FFY 2018 (3.0%)*
- For an illustrative example of the math behind this adjustment for Medicaid managed care administrative expenses that are not captured in the traditional Medicaid administration expenditure comparisons, please see Appendix A





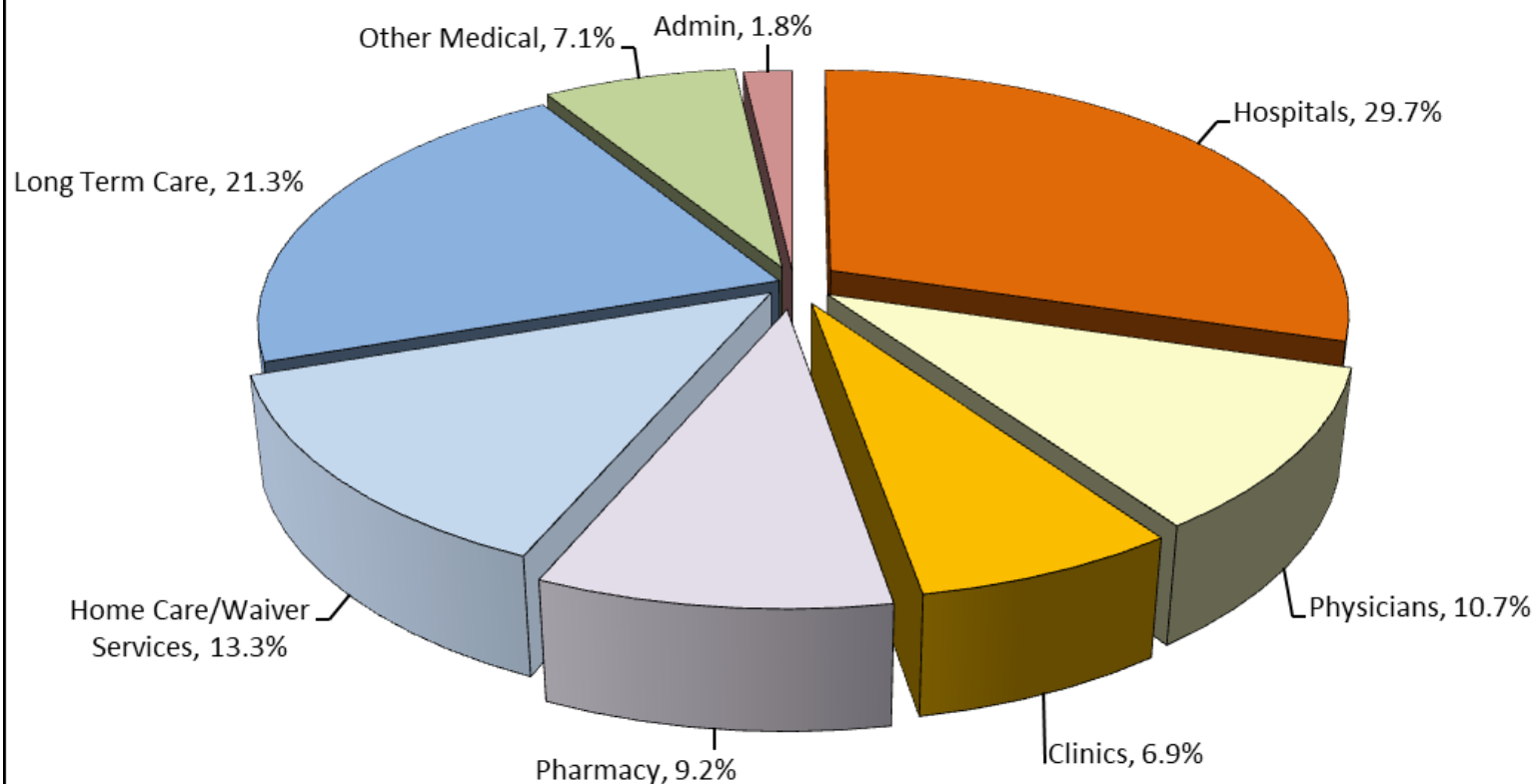
- DSS continues all possible efforts to maximize federal reimbursement for Medicaid administrative and eligibility costs.
- Based upon efforts with Access Health CT (AHCT) on the health insurance exchange, and DSS work on the ImpaCT system, we receive 75% on all Medicaid allocable eligibility staff and systems operation costs.
- Inclusive of one-time system development costs, which are generally reimbursable at 90%, the federal share of administrative costs has increased to 61.5% in FFY 2018 from 56.7% in FFY 2013.
- As a result of this change and other efficiencies, DSS administrative costs after federal reimbursement are approximately \$6 million less than they were in FFY 2013.



# **Review of Medicaid Spending by Service Category and Rebalancing**

## **Financial Benchmark #2**

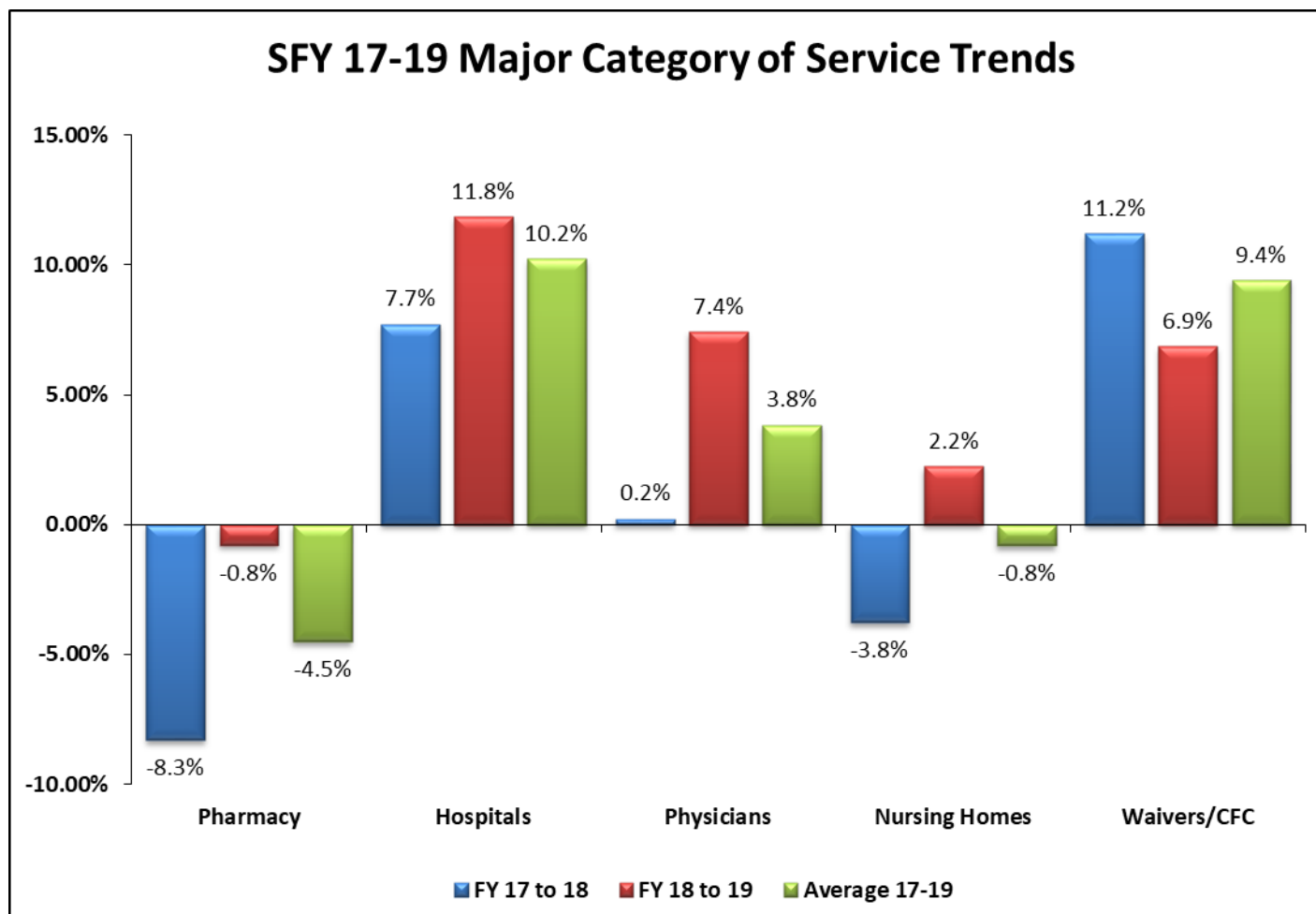
## SFY 2019 Medicaid Expenditures by Service Category



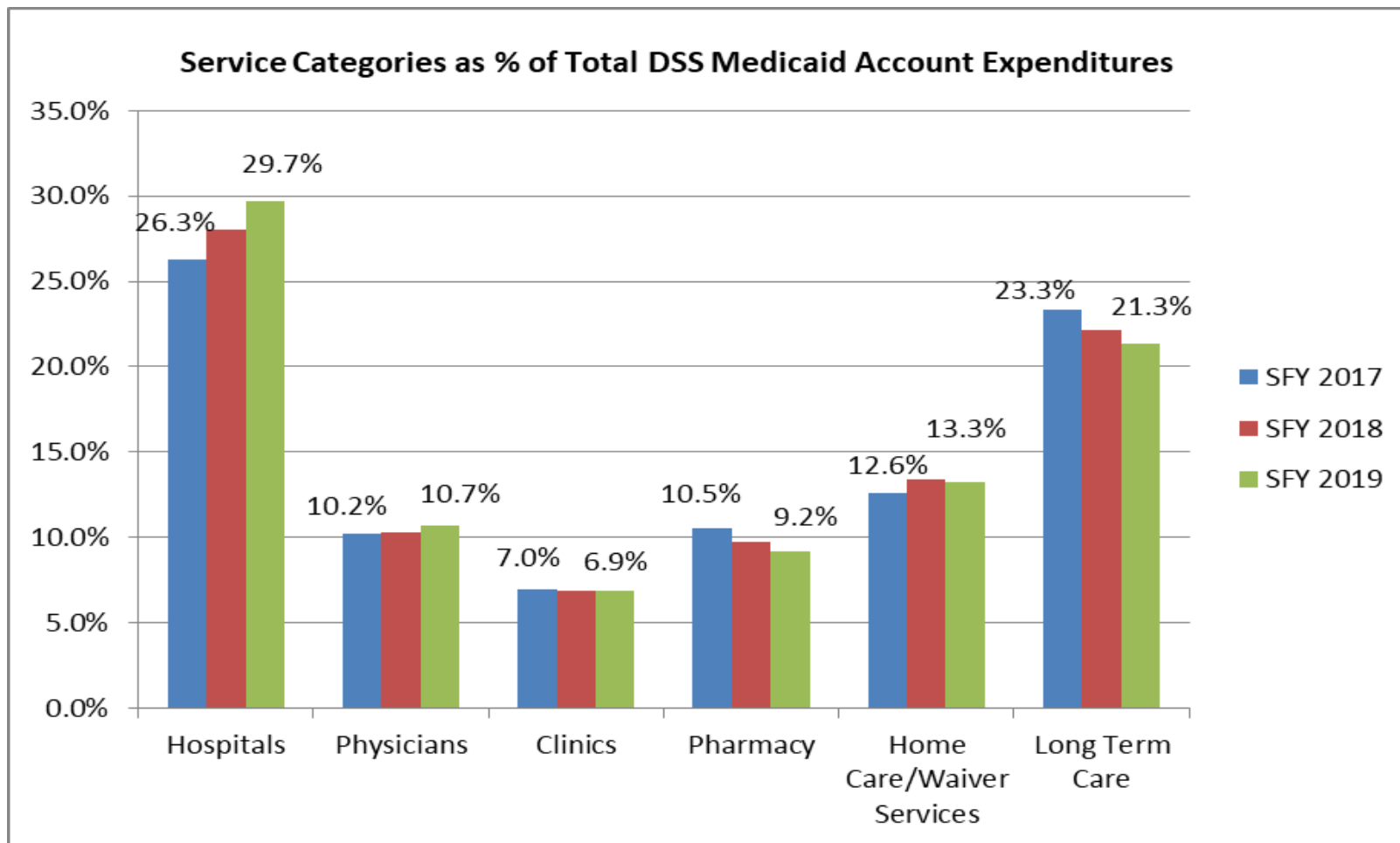
Reflects expenditures for Medicaid services paid directly from our DSS Medicaid account, and does not include Medicaid claimable expenditures provided by other state agencies



- Highlights of category of service trends in major areas
  - Rebalancing long-term services and supports (LTSS)
    - Investment in LTSS waiver services
  - Payment reform/cost controls
    - Stability in net pharmacy costs
  - Service investments
    - Increase in physician expenditures
    - Continued impact of 2018 increase in hospital rates



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



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## ■ Pharmacy expenses and enhanced rebates

- CT's rebate percentage has grown from 49.4% in SFY 2015 to 68.9% in SFY 2019
- CT ranked 11<sup>th</sup> in the nation in terms of its rebate recovery percentage in FFY 2018

Actuals	SFY 15	SFY 16	SFY 17	SFY 18	SFY 2019	SFY 19 vs. 15
Pharmacy Gross Expenses*	1,071,729,224	1,238,980,681	1,281,608,644	1,301,447,228	1,359,308,898	287,579,674
Medicaid Drug Rebates	(529,399,553)	(752,456,475)	(816,519,421)	(875,006,383)	(936,273,532)	(406,873,979)
Net Pharmacy Expenses	542,329,671	486,524,207	465,089,223	426,440,845	423,035,366	(119,294,305)
% Change by Year		-10.3%	-4.4%	-8.3%	-0.8%	-22.0%
<b>Rebate Percentage</b>	<b>49.4%</b>	<b>60.7%</b>	<b>63.7%</b>	<b>67.2%</b>	<b>68.9%</b>	
*Costs before rebates are applied						
Growth in Expenses		15.6%	3.4%	1.5%	4.4%	26.8%
Growth in Rebates		42.1%	8.5%	7.2%	7.0%	76.9%

\*Total spending on pharmacy services including both the federal and state share of expenses before Medicaid pharmacy rebates.

## ■ Hospital payments

- The majority of hospital inpatient services converted to a DRG system in 2015 and outpatient services converted to an APC system in 2016
- Rate increases for both inpatient and outpatient services were provided in SFY 2018 (estimated at \$175 million once fully annualized)

	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	Difference from 2015
Inpatient	829,467,388	849,065,795	843,173,368	881,827,156	911,742,899	82,275,512
Outpatient	706,823,261	764,201,753	736,146,297	819,260,999	881,150,907	174,327,646
Total	1,536,290,649	1,613,267,548	1,579,319,665	1,701,088,155	1,792,893,806	256,603,157

Excludes hospital supplemental payments, with the exception of the grouper supplemental payment adjustment

\*DRG-Diagnosis Related Groups; APC-Ambulatory Payment Classification





## ■ Primary care investments

- Physician expenditures increased from \$302 million in SFY 2013 (pre-ACA rate increase) to \$514 million in SFY 2019
- The primary care rate increase to pay 95% of 2014 Medicare is estimated to account for \$57 million of that difference
- Some of that increase is attributable to a change in the categorization of hospital physician expenditures resulting from our APC conversion
- The balance of the increase can be attributed to enhanced reimbursement for PCMH practices and general increases in Medicaid caseload



- Long-term services and supports rebalancing
  - Nursing home costs have held relatively steady with an average 0.8% decrease from SFY 2017 to 2019; with a 2.2% increase in SFY 2019
  - Recently implemented a 2% increase in nursing home rates for enhancing staff wages and benefits (the first of three phased-in increases over the biennium)
  - Waiver services and Community First Choice expenses increased over 9.4% on average from SFY 2017 to 2019



# **Review of Medicaid PMPM Trends**

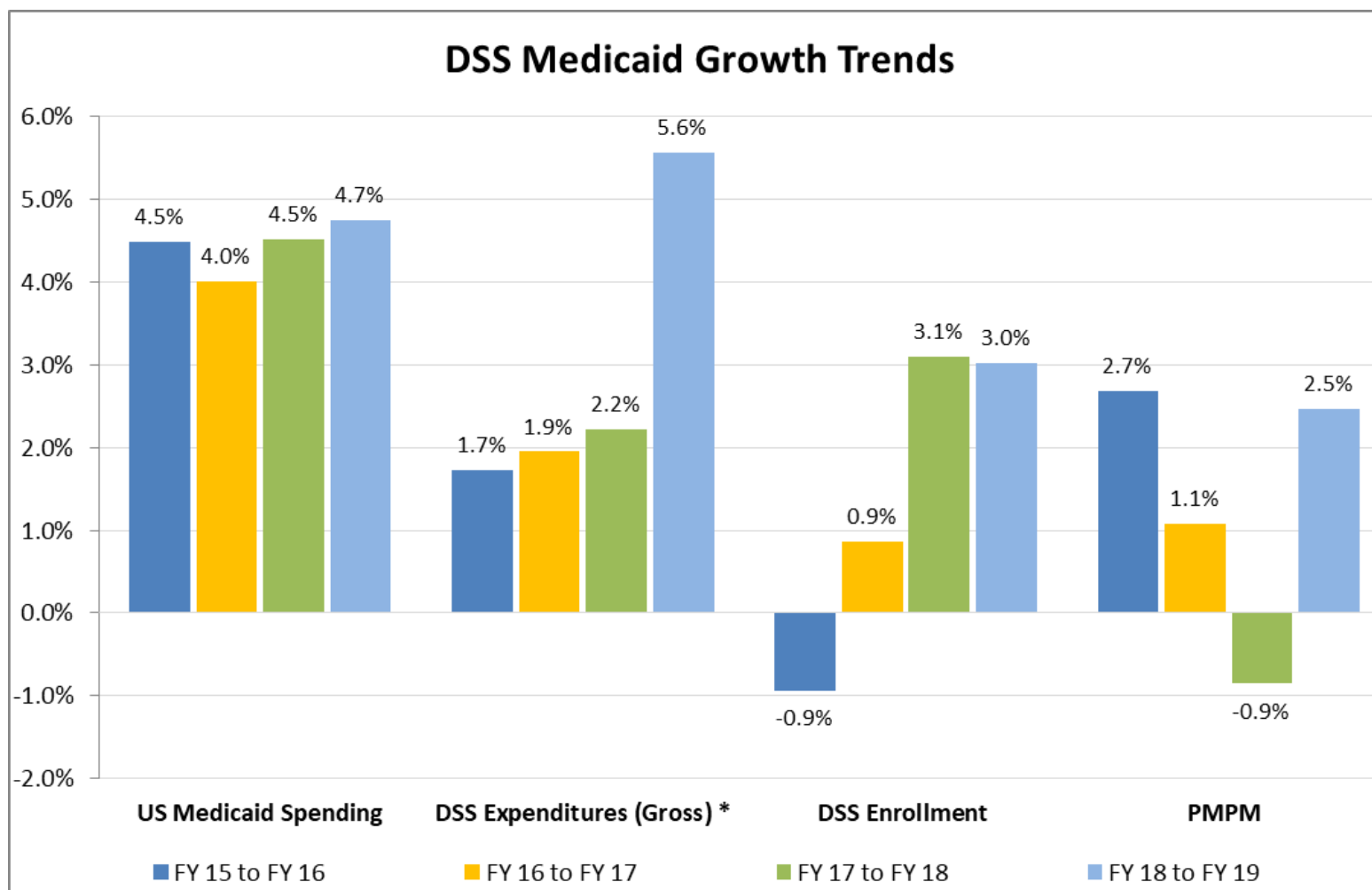
## **Financial Benchmark #3**



- *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.



- The per member per month (PMPM) costs are presented in two distinct ways:
  - Medicaid expenses traditionally characterized as the “DSS Medicaid account”, including both state and federal shares
  - Global measures of total Medicaid program expenses included in our CMS 64 expenditure report – all federally reimbursable expenses including our Medicaid account, hospital supplemental payments, DSH payments, eligible other state agency expenses (DDS, DMHAS, others)



*\* Expenditures are net of drug rebates and exclude hospital supplemental payments given the significant variance in that area over the years*



- **PMPM Trends in the Medicaid Account**
  - Average DSS Medicaid account PMPM growth has been approximately 1.35% annually from SFY 2015 to SFY 2019
  - While not represented on the graphic, since SFY 2014 the PMPM has remained virtually unchanged
  - The most recent PMPM for SFY 2019 increased by 2.5%; without the annualization of the 2018 hospital rate increase, the PMPM increase would have been approximately 1.0%.
  - If CT Medicaid expenditures had grown at the national average for the SFY 2015 to SFY 2019 period, costs could have been \$400 million higher

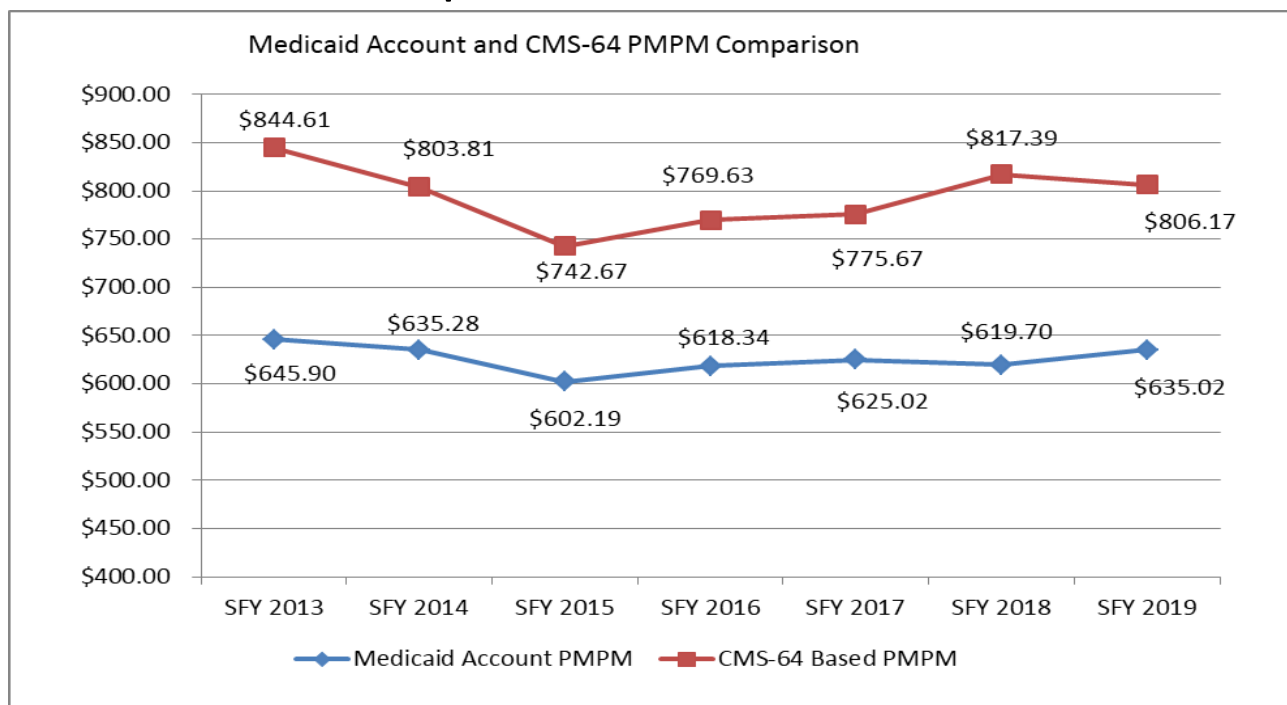


- PMPM Review Using the Federal CMS-64 Report
  - CMS-64 report is the federally required report used by the federal government to document all Medicaid services subject to federal reimbursement
  - Differences between the Medicaid account and CMS-64 report include, but are not limited to:
    - Medicaid 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)





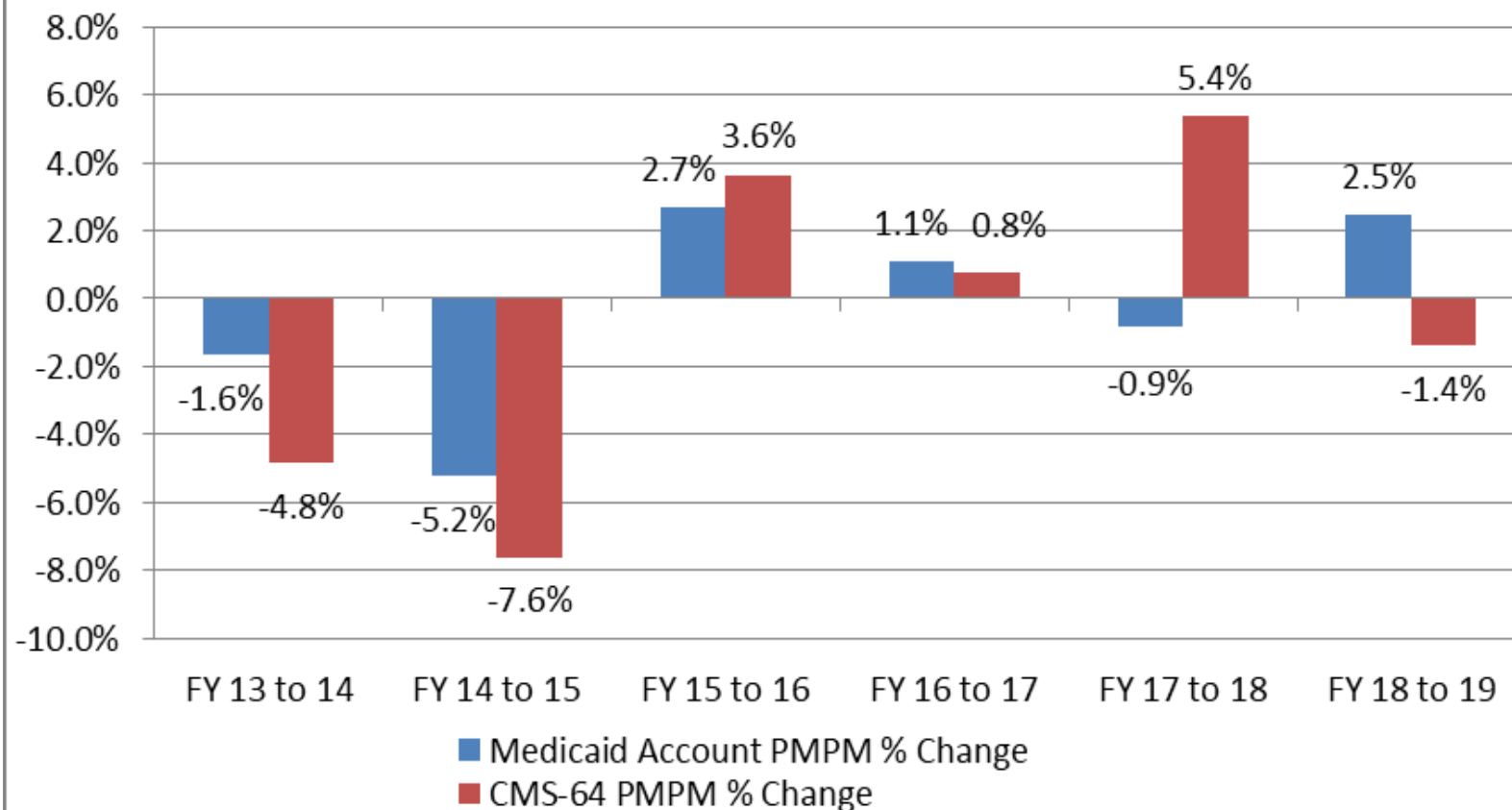
- PMPM Review Using the Federal CMS-64 Report\*
  - Global CMS-64 PMPM is also favorable over the period since SFY 2013 as shown below
  - Comparing SFY 2019 to SFY 2013, the PMPM decreased by 4.6% over that period



\*Using updated enrollment data from the Open Data portal; CMS data may differ



Medicaid Account and CMS-64 PMPM Percent Change Comparison



Please note SFY 18 includes significant additional expenditures associated with hospital supplemental payment increases (\$480 million above SFY 2017 levels)



- Review of Global Per Member Annual Costs\*
  - MACPAC publishes data on the annual cost per enrollee, which they call the spending per full year equivalent enrollee
  - The table below summarizes data for a peer state cohort that includes New England states, New York and New Jersey

Spending per Full Year Equivalent Enrollee		
New York	\$11,864	2nd highest
New Hampshire	\$11,355	3rd highest
Maine	\$10,507	9th highest
Massachusetts	\$9,788	12th highest
Vermont	\$8,999	17th highest
Connecticut	\$8,857	18th highest
New Jersey	\$8,764	19th highest
Rhode Island	\$8,475	23rd highest
Average of peer cohort	\$9,826	

CT is the third lowest cost state in this cohort with costs that are close to \$1,000 lower than the group average

\*from FFY 2018 MACPAC report, Exhibit 23



# **Trends in the State Share of Total Medicaid Spending**

## **Financial Benchmark #4**

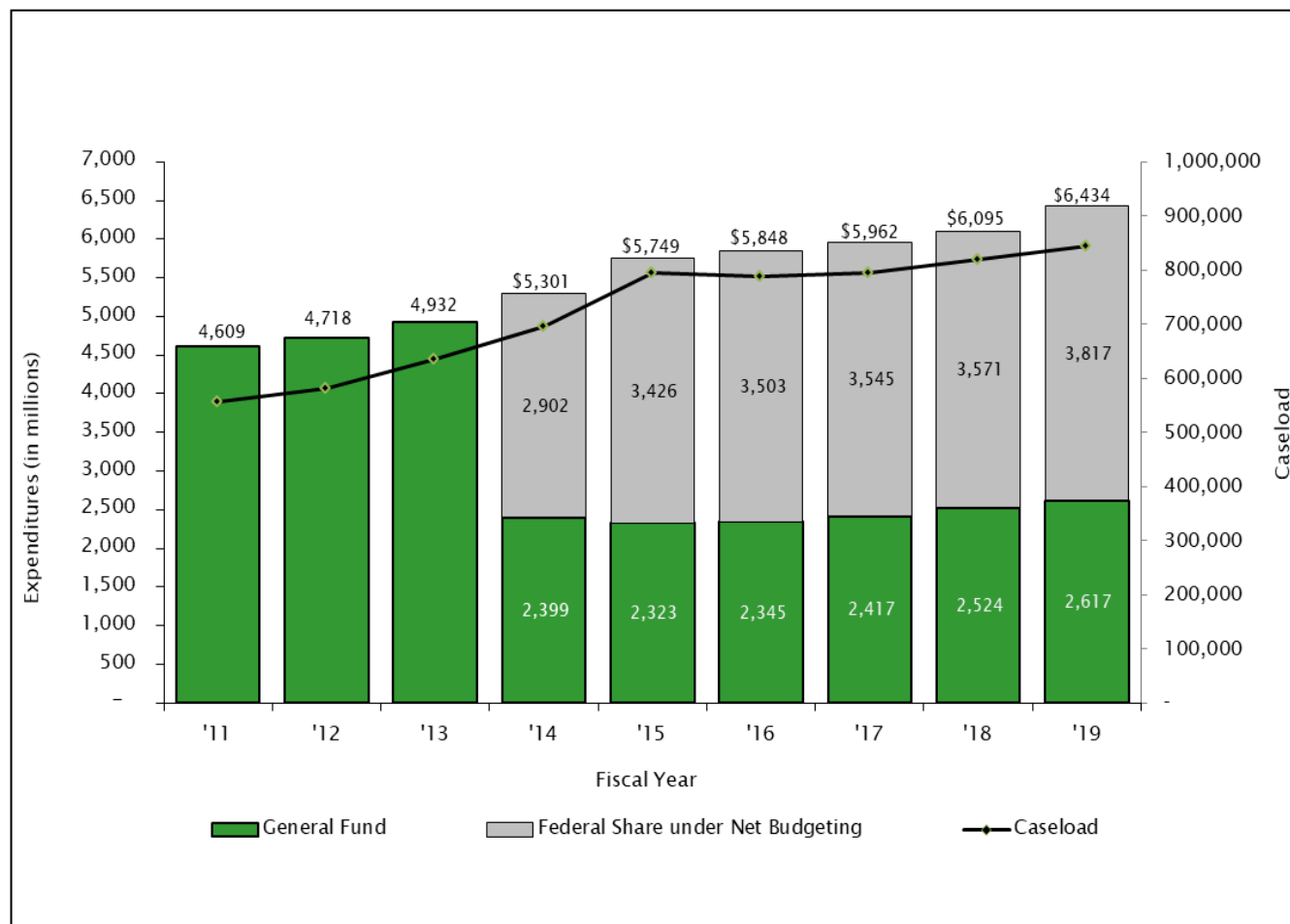


CT's state share of Medicaid costs have remained stable.

State share of costs was virtually unchanged from SFY 2013 to 2017.

SFY 2019 state share was only \$151 million, or 6.1%, higher than the estimated SFY 2013 state share. This equates to an average annual increase of 1.0%.

SFY 2018 and 2019 began to rise due to lower federal reimbursement for single adults and hospital rate increases.



\*Excludes hospital supplemental payments



- 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 90% for calendar year 2020 and future years.
- The federal share of HUSKY B (CHIP) is currently 76.5%, down from 88% in FFY 2019; this will drop further to 65% in FFY 2021.
- Federal reimbursement for new systems development costs that support Medicaid is 90%.
- Systems operation costs, including eligibility systems built to support ACA, are now 75% reimbursed, as are the associated Medicaid eligibility staff costs.

\*ACA-Affordable Care Act



# **Connecticut Medicaid as a Share of the Overall State Budget**

## **Financial Benchmark #5**



- In SFY 2019, the “all states” average Medicaid expenditures as a percentage of total State expenditures: 28.9%\*
- Connecticut’s SFY 2019 Medicaid expenditures as a percentage of total State expenditures: 23.8%\*
- Going back as far as 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 the lowest percentage.
- In SFY 2015 through 2017, Connecticut had the lowest percentage share of the total state budget of all our peer states and had the second lowest percentage in SFY 2018 and 2019 (0.1% higher than NJ in both years).

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



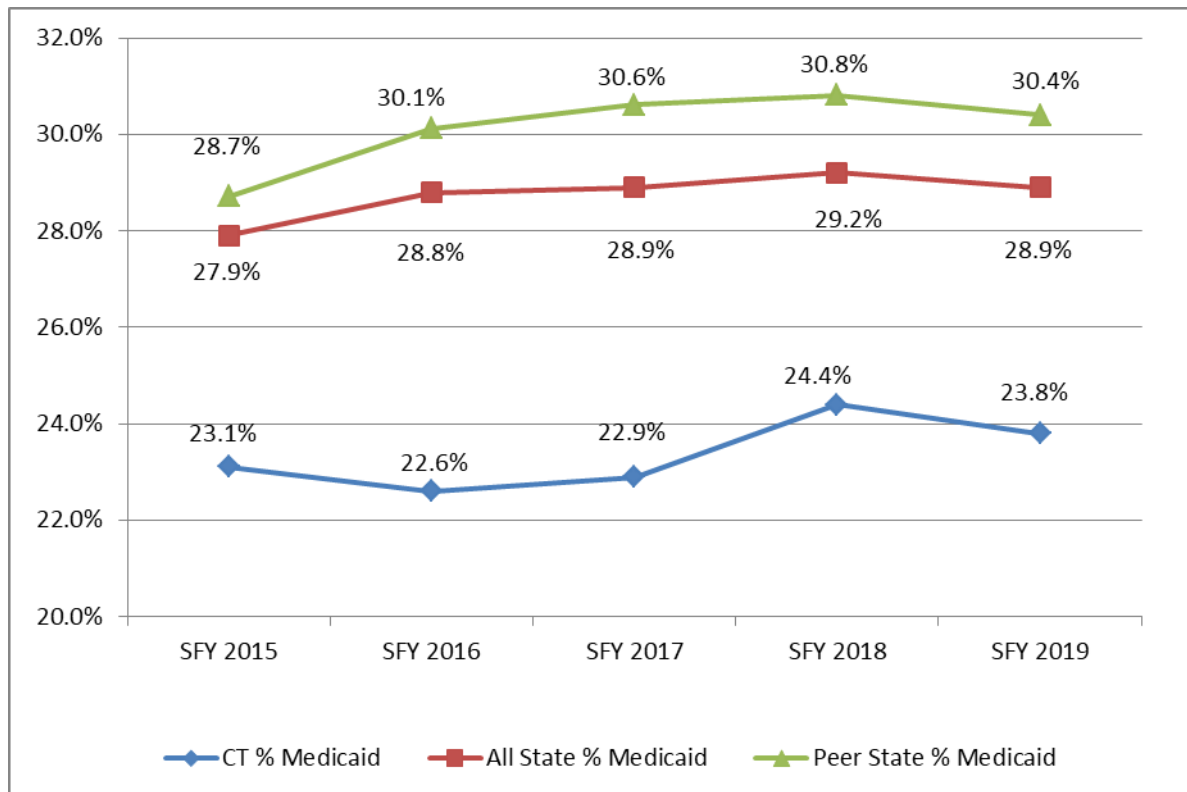
- Total Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data\*

	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019
Connecticut	23.1%	22.6%	22.9%	24.4%	23.8%
Maine	32.8%	33.0%	32.2%	33.6%	33.8%
Massachusetts	23.7%	27.8%	28.0%	29.2%	28.7%
New Hampshire	29.7%	34.7%	36.6%	35.5%	35.2%
Rhode Island	30.4%	29.0%	29.9%	29.3%	27.4%
Vermont	28.5%	29.5%	28.8%	28.2%	28.7%
New Jersey	24.2%	25.0%	24.5%	24.3%	23.7%
New York	31.7%	31.9%	34.3%	35.6%	35.3%
Peer State Avg (w/o CT)	28.7%	30.1%	30.6%	30.8%	30.4%
All States	27.9%	28.8%	28.9%	29.2%	28.9%

CT's Medicaid to total State budget cost ratio was lower than the all states average and the average of its peer states from SFY 2015 through 2019

\*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares

- CT Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data\*



CT has maintained a favorable position compared to other states, having a much lower Medicaid expense as a percentage of the total state budget compared to its peers and to the national average

\*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares



## **Recap – Significant Financial Benchmarks**



- Administrative expenses at approximately 3.0 to 3.5% are well under Medicaid managed care norms of close to 12%\*
- Service investments and rebalancing indicating enhanced primary care expenditures and shifts to community-based waiver and related services
- DSS Medicaid account PMPM cost stability with a 1.35% PMPM average annual increase from SFY 2015 to SFY 2019

\*Administrative loss ratio per 2018 Milliman Medicaid Managed Care Financial Results report, June 2019



- Global CMS-64 PMPM cost stability – the global PMPM has grown on average at 2.1% annually since SFY 2015
- SFY 2019 state share of Medicaid expenses was only \$151 million, or 6.1%, higher than the estimated SFY 2013 state share. This equates to an average annual increase of 1.0%.
- Favorable percentage of Medicaid ratio of costs to overall State budget costs when compared to both national averages and “peer” regional states by a significant 5-6% differential

## Managed Care Adjusted Medicaid Admin Costs

- Hypothetical state example and assumptions:
  - MCO administrative costs, including profit, conservatively estimated at 10%
  - 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 MCOs)
  - 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 would be 5% higher*

- Potential impact of MCO administrative costs reported as program services for a “hypothetical” managed care state

Total program expense \$10 billion

MACPAC reported administrative cost at 4.5%, or \$450 million



MCO program component at 50%, or \$5 billion

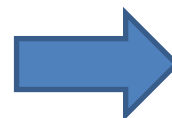
MCO administration at 10%, or \$500 million, but not included



Adjusted administrative expenses at \$950 million

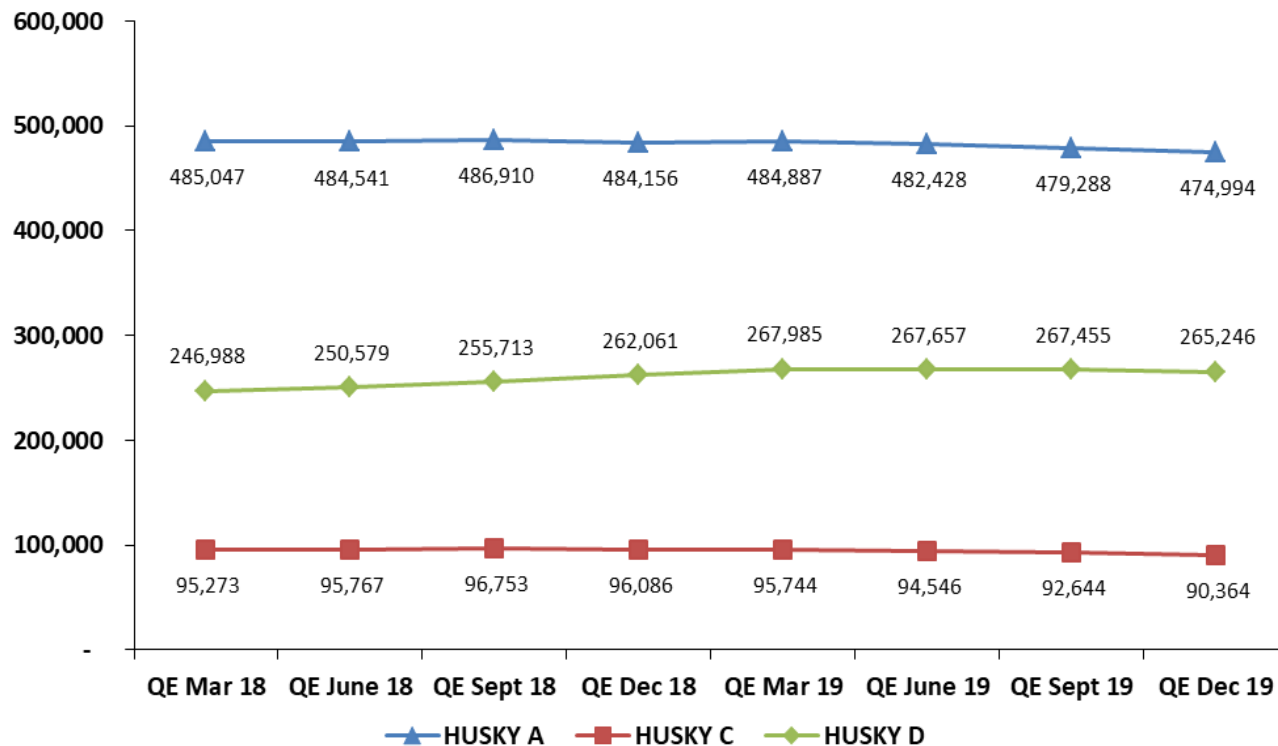
Adjusted program expenditures of \$9.5 billion

Adjusted administrative expense ratio at 10%



CT's managed fee-for-service system demonstrates clear admin cost efficiencies – if MCO admin costs were considered, CT would rank best in the nation for lowest percent of administrative spending

**Average Quarterly Enrollment by Program**



Total HUSKY  
Medicaid  
enrollment of over  
830,000, with an  
additional 20,300  
under HUSKY B

Significant HUSKY D  
enrollee growth has  
contributed to its  
increasing share of  
overall Medicaid  
enrollees, but that  
growth has begun  
to stabilize recently.

HUSKY A – Families and children  
HUSKY C – Aged and disabled  
HUSKY D – ACA expansion, childless adults



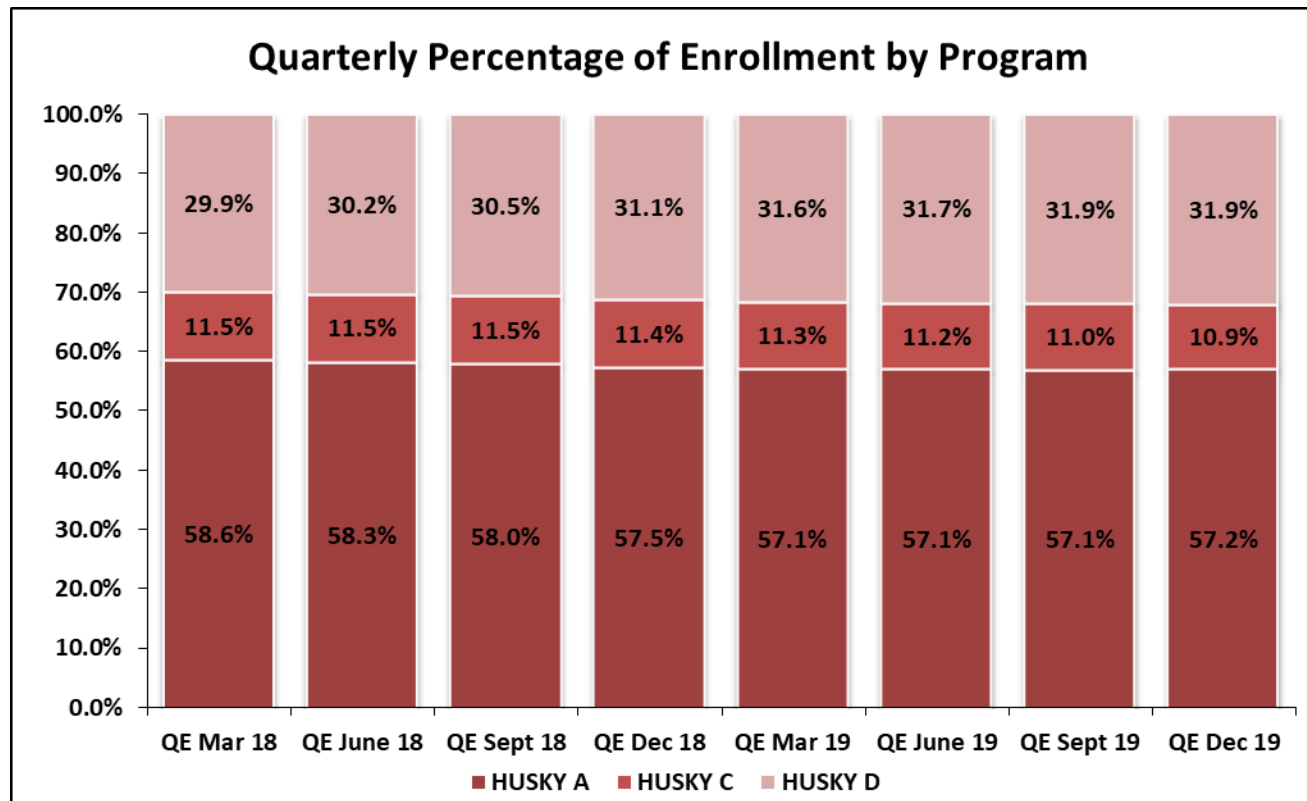


# **Appendix B**

## **MAPOC Monthly Report Data**

### **Trends in Enrollment and Expenditures**

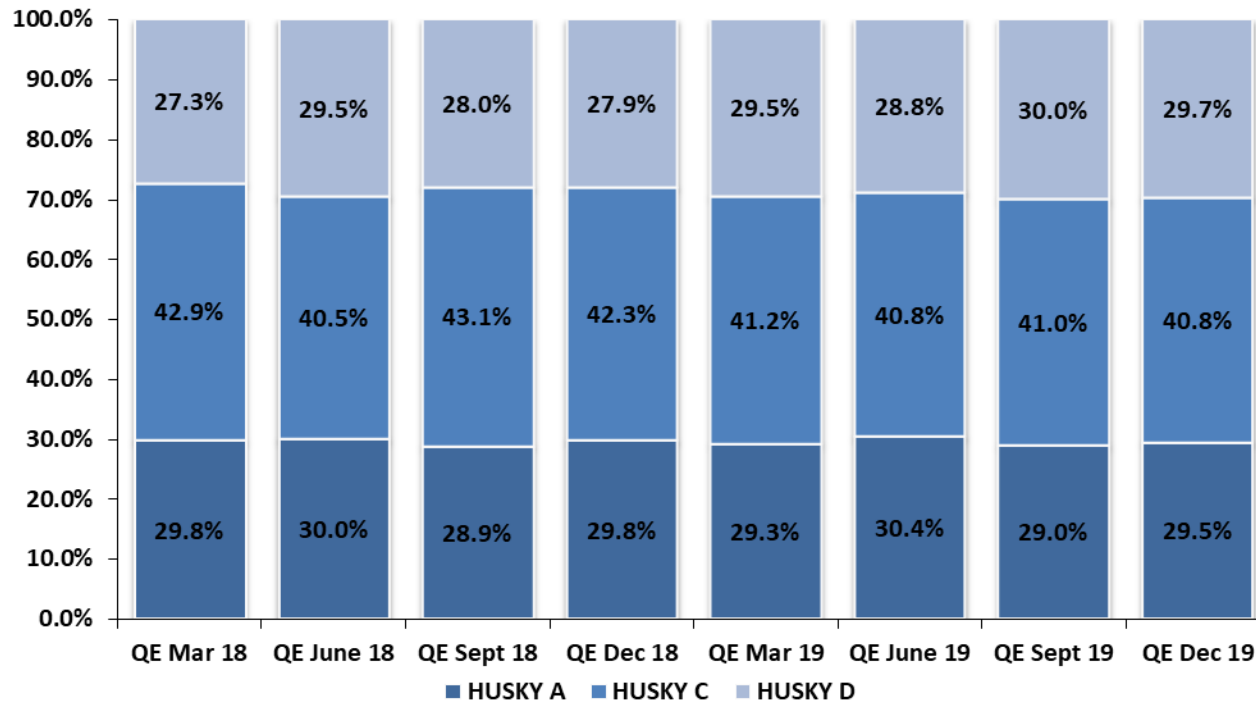
#### **By HUSKY Health Program**



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 expansion, childless adults

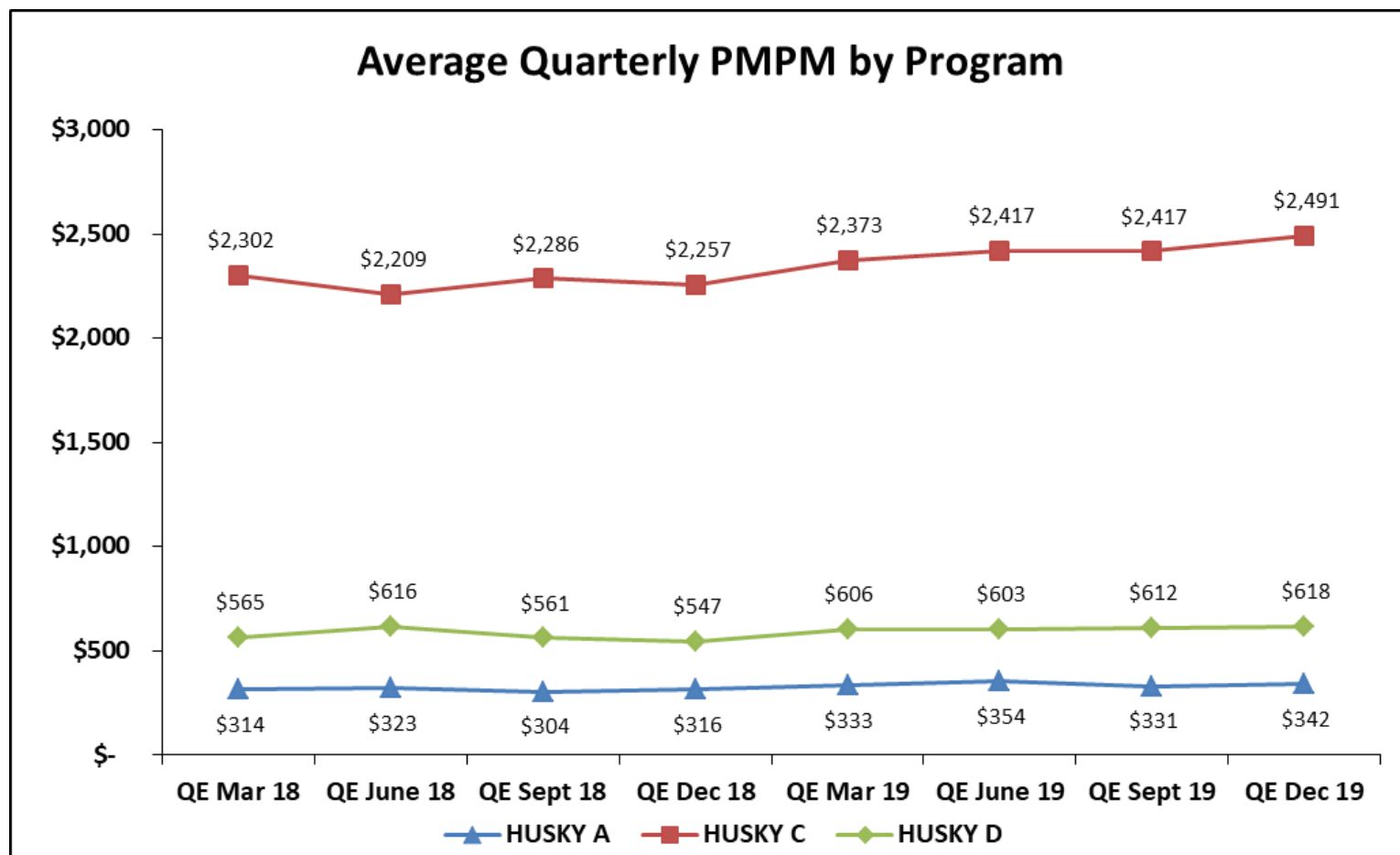
**Quarterly Percentage of Expenditures by Program**



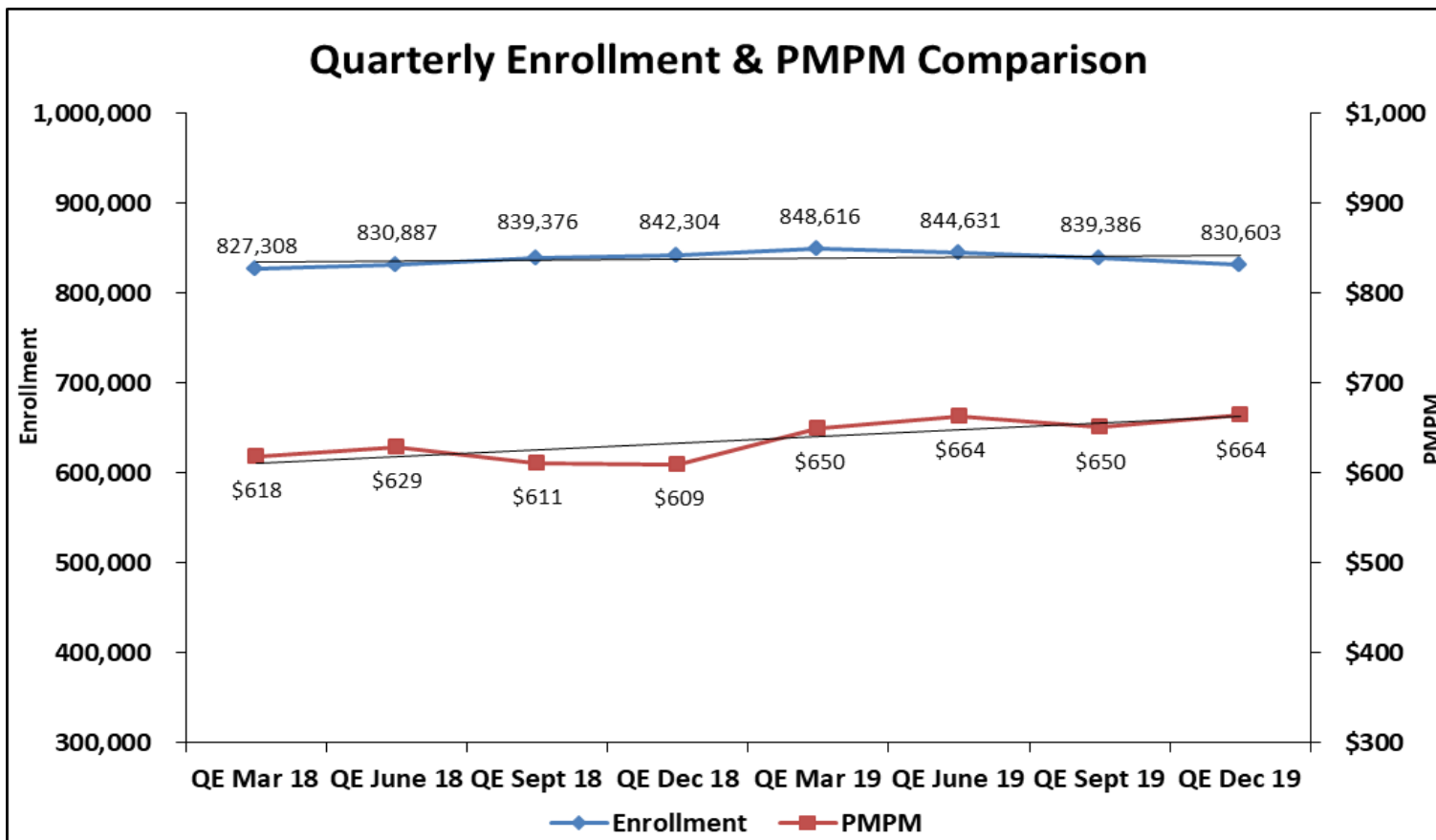
HUSKY D clients represent 32% of enrollees and just under 30% of overall expenditures

HUSKY C clients make up 11% of the enrollees but comprise 41% of expenses

HUSKY A clients comprise 57% of enrollees but account for just under 30% of program costs

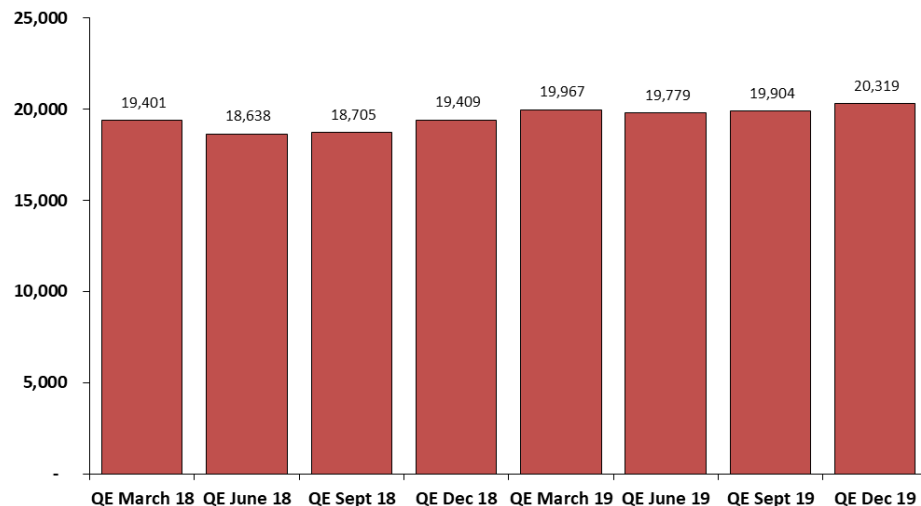


On average, PMPM trends have increased for the last four quarters after being relatively steady in the four quarters prior to the current calendar year.



Overall, quarterly PMPM trends have increased on average for the recent calendar year compared to the prior calendar year. Enrollment at the end of the two year period under review is comparable to the beginning of the two year period.

**HUSKY B Average Quarterly Enrollment**



HUSKY B average enrollment is at 20,319 in the December 2019 quarter

HUSKY B PMPM has been relatively steady with the exception of expenses in the quarter ending June 2018

**HUSKY B Average Quarterly PMPM**

