

2018 & 2019 QUALITY POOL PERCENTAGE

RECOMMENDATION BRIEF

OVERVIEW

The Oregon Health Authority (OHA) has a sustainable rate of growth target of 3.4% in its 1115 Medicaid Demonstration Waiver from the Centers for Medicare and Medicaid Services (CMS) and a state fund annual budget growth rate of 2.7%, as set by the state legislature. Over the last three Coordinated Care Organization (CCO) capitation rate development cycles, total CCO expenditures have increased by 7% or more annually, which puts pressure on our CCO capitation rate of growth.

OHA has three levers to contain costs in CCO capitation rate development:

1. **Base Data Policy:** Policy decisions to adjust the base data used in rate development.
2. **Percentile Choice:** Adjust the percentile choice within the actuarially sound rate range.
3. **Quality Pool Percentage:** Adjust the amount of quality pool, as a percentage of annual capitation payments, paid to CCOs as a bonus.

Levers #1 & #2: OHA has made decisions for #1 and #2 in separate documents for CY19 capitation rates. For base data policy (#1), OHA has set a base data policy that adjusts professional and hospital reimbursement in the CY19 depending on a variety of factors, such as trend growth and value base payment. For percentile choice (#2), OHA has decided to pay at the lower bound of the actuarial sound rate range for all regions, except Central/Eastern will be paid at the 75th percentile. Central/Eastern had a lower than 3.4% growth rate, which made them an outlier compared to the other three regions. See decision briefs for more detail on these decisions.

Lever #3: OHA's final lever is the percentage of quality pool to pay out for the 2018 CCO contract (paid June 2019) and the 2019 CCO contract (paid June 2020), which is discussed below.

The following document includes a discussion regarding the quality pool history, legislative communications and savings in the overall Medicaid budget, and the 2018 Quality Pool recommendation and some alternative options for leadership consideration.

QUALITY POOL OVER TIME

The quality pool (QP) has grown over the past CCO 1.0 contract to its current size as 4.25% added on top of the CCO capitation rates. Every year the quality pool was evaluated against the growth targets in the CCO capitation rates and additional percentage points were added. The following is the historical percentages:

2013 CCO QP	2014 CCO QP	2015 CCO QP	2016 CCO QP	2017 CCO QP
2%	3%	4%	4.25%	4.25%

10/2018

2018 & 2019 Quality Pool Percentage

OHA's intention has been to increase the quality pool when possible, but over the last two years CCO capitation rates have grown above 3.4%. In 2018, CCO rates grew at 5.3%, and in 2019 the CCO rates grew at 5.1%. Both years have made it difficult to uphold our commitment to CMS of 3.4%, as well as our 2.7% state fund growth in the 2017-2019 biennium. The quality pool has grown when the CCO rates have achieved a lower rate of growth than 3.4%; however, over the past two years the opposite situation has occurred.

CCO GROWTH OVERVIEW

OHA reviewed two options regarding the quality pool for 2018 considering the higher rate of growth in 2018 and 2019. In 2018, CCO rates grew at 5.3%, and in 2019 the CCO rates grew at 5.1%. This is based on historical membership and does not include projected caseload changes.

The CCO rate of growth has grown between 1.7% to 1.9% over our 3.4% target. This needs to be taken in account against our annual rate of growth target and also the state fund target of 2.7% for the 2017-2019 biennial budget growth rate. See the next section regarding the state fund target for the biennium.

STATE FUND BUDGET REVIEW FOR 2017-2019 BIENNIUM BUDGET

After evaluating the rate of growth in the CCO program, OHA reviewed the biennial budget across the agency when reviewing a potential cut in the quality pool for 2018 and 2019, and any offsets that may exist across the program. During this review, OHA identified that revenue projections were coming in higher than anticipated and could offset to the higher rate of growth in the CCO program. OHA recommends applying this savings towards the CCO program to support the selected option below. However, OHA will provide the trends and offsets to the Legislature to make the final decision in OHA's December 2018 Rebalance.

QUALITY POOL PROGRAM CONCLUSION

OHA expects that the revenue will not continue at the level described in the previous section and will be exploring a tiered structured program for the 2019 quality pool that evaluates efficiency and rate of growth performance. OHA anticipates the 2019 quality pool will be reduced by at least 0.75% to account for the higher trends in the CCO program for 2018 (5.3%) and 2019 (5.1%).

QUALITY POOL SELECTED OPTION

The following is OHA's selected option for the 2018 quality pool based and 2019 quality pool on the recent information regarding the savings in the biennium, as well as an alternative option that reduces the quality pool to curb the trend.

SELECTED OPTION: CONTINUE TO PAY THE 2018 QUALITY POOL AT 4.25%, AND REDUCE THE 2019 QUALITY POOL BY AT LEAST 0.75%

Description: Due to higher than projected revenues, OHA is recommending continuing to allocate 4.25% of the CCO program to a quality payment for 2018 (paid June 2019). OHA also recommends exploring a tiered structure in anticipation of the reduction in 2019 due to the high rate of growth that will impact the budget and 2% test in the 1115 waiver. The 0.75% reduction will be applied to the total pool, resulting in a 3.5% 2019 quality pool (paid out June 2020).

2019 Quality Pool: OHA will release the final percentage of the 2019 quality pool in the fall/winter of 2019 consistent with previous years. This will be finalized after a budget and growth review is completed by OHA.