Fiscal and Operations Division

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From: Rochelle Layton, CFO

To: Senate Health Care Committee

Subject: Risk Adjusted Rates of Growth for 2024

Senate Bill 1041 (2019) requires OHA to publish annually a **risk-adjusted rate of growth** measurement (RAROG) for each Coordinated Care Organization (CCO). The purpose of publishing RAROG is to hold CCOs accountable and to understand statewide spending. Following is a summary of the results for 2024, along with an outline of how results are calculated. In addition, OHA also posts all the detailed CCO financial reports on this website: https://www.oregon.gov/oha/FOD/Pages/CCO-Financial.aspx.

What Is risk-adjusted rate of growth?
Rate of growth measurements look at changes in *CCO spending*[1]. CCO spending is considered in setting capitation rates in future years, so a restrained rate of growth helps meet statewide goals on medical spending.

Risk adjustment means changing the rate of growth measurement to account for changes in the health risk of CCOs' membership. Health risk is measured by diagnosis and prescription drug data that indicate the presence of medical conditions. Risk adjustment can be helpful because CCO membership changes each year and adjusting for the changes in membership allows RAROG to focus on underlying cost growth.

While Oregon's Cost Growth Target program also measures CCO spending, the methodology and included expenditures are different from the risk-adjusted rate of growth methodology. The Cost Growth Target program measures total health care expenditures at the CCO level.[2]

RAROG results for 2024
The following table shows each CCO's rate of growth, comparing calendar year 2024 to 2023. The Unadjusted column shows the rate of growth without accounting for the health risk associated with that CCO's membership. The Risk-Adjusted column, however, shows the rate of growth considering the changes in health risk of that CCO's population.

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[1] CCO capitation rates also change from year to year, but those capitation rates represent *OHA spending on CCOs*, or equivalently, *CCO revenue*.
[2] The Cost Growth Target methodology and included expenditures are described in detail in the specification manual: https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/CGT-2-Data-Specification-Manual.pdf

CCO	**Unadjusted** Rate of Growth 2023-2024	**Risk-Adjusted** Rate of Growth 2023-2024	**Annualized** RAROG 2021-2024
Advanced Health, LLC	4.2%	0.9%	0.7%
AllCare CCO	2.0%	-1.7%	4.1%
Cascade Health Alliance, LLC	14.9%	12.2%	5.0%
Columbia Pacific CCO, LLC	5.5%	1.8%	7.7%
Eastern Oregon Coordinated Care Org., LLC	3.4%	0.6%	5.0%
Health Share of Oregon	13.5%	7.9%	8.1%
InterCommunity Health Network, Inc.	7.3%	0.8%	3.0%
Jackson County CCO, LLC	8.8%	3.6%	7.2%
PacificSource Community Solutions (Central)	4.1%	-0.9%	4.8%
PacificSource Community Solutions (Gorge)	-0.9%	-7.5%	3.4%
PacificSource Community Solutions (Lane)	5.5%	1.9%	4.8%
PacificSource Community Solutions (Marion Polk)	12.8%	7.8%	5.2%
Trillium Community Health Plan, Inc. (Southwest)	3.0%	-0.7%	5.6%
Trillium Community Health Plan, Inc. (Tri-County)	1.4%	-3.9%	5.5%
Umpqua Health Alliance	12.2%	7.9%	9.7%
Yamhill Community Care	6.2%	0.2%	4.1%
Statewide Weighted Average	**8.9%**	**4.0%**	**6.0%**

The statewide weighted averages above show an unadjusted growth rate of 8.9%. After risk-adjusting, the growth decreases to 4.0%, which is closer to the state's target rate of growth. The redetermination process following the Public Health Emergency (PHE) has resulted in members with lower average acuity disenrolling from Medicaid. The disenrollment of these healthier members, coupled with the retention of members with higher average acuity, resulted in a larger than typical difference between unadjusted and risk-adjusted rates of growth.

Unlike preceding years, in which rates of growth were adjusted based on *"national"* risk weights under the CDPS+MRx model, this year's adjustment uses *Oregon-specific* risk weights for non-disabled adults under the CDPS+MRx version 7.2 model. The Oregon-specific weights were calibrated to provide a more accurate assessment of the cost of care incurred by Oregon's Medicaid population, primarily for the purpose of capitation rate setting. The impact of this model change is relatively small for RAROG, and prior years' calculations were not revised.

Individual CCO rates of growth can be influenced by many factors. Even after risk adjustment, individual CCO RAROGs can be unusually high or low in a single year and may reflect factors such as changes to local hospital pricing or large individual claims. The final column in the table above shows an average RAROG over the past three years.

Program notes

The preceding rates of growth reflect CCOs' Medicaid spending funded by capitation rates. They do not include separately-funded programs such as Healthier Oregon (HOP) and Basic Health Program (BHP). Among other considerations, HOP and BHP 2024 experience cannot be compared to the prior year, as the 2023 experience was incomplete or non-existent. Certain expenditures funded by non-capitation sources such as quality pool and Health Related Social Needs (HRSN) benefits were also excluded from this measurement.

The resulting 4.0% statewide average is also impacted by Medicaid program changes. These policy changes are decided by OHA or the state legislature but impact the CCOs. In July 2024, a Temporary Medicaid Expansion group moved from Medicaid to BHP. However, in total, program changes newly applied in 2024 were limited in impact and likely did not have substantial impact on RAROG.

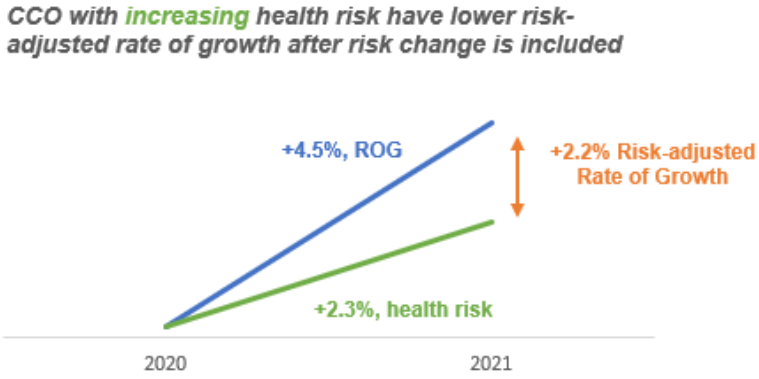
Methodology

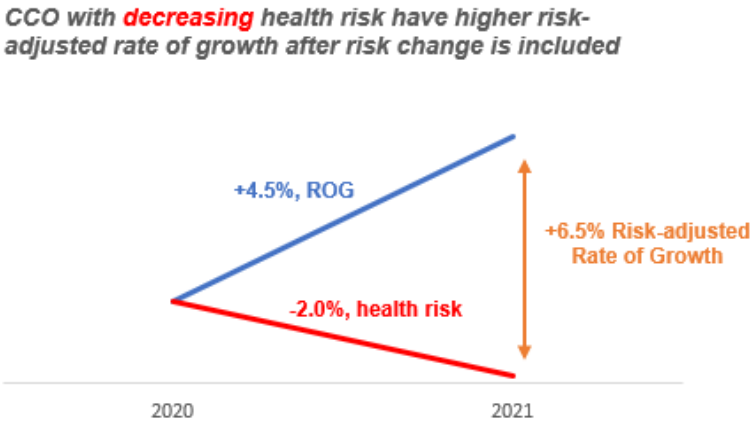
To calculate risk-adjusted rates of growth, OHA analyzes CCOs' spending reports[3], and applies a risk adjustment methodology to physical and behavioral health spending for members in specific eligibility categories[4]. Secondly, OHA adds non-risk adjusted spending categories and other components. The result of these calculations is the total risk adjusted per member per month cost in a base year. After calculating PMPMs for consecutive calendar years, the results are compared to determine the RAROG.

Risk Adjusted Spending: Physical and behavioral health spending for most Medicaid	+	*Other Spending, not adjusted:* Non-risk adj'd members Dental and maternity Incentive payments	=	Total Risk Adjusted Per Member Per Month spending (PMPM)

Relation between rates of growth and risk scores

A CCO's rate of growth may be impacted and explained by growth in acuity, or health risk, in their population, such as more members with chronic disease in one year than the other. Following are two examples of the same growth (unadjusted) and the resulting impact to the risk-adjusted rate of growth if the health risk increased or decreased.





[3] CCOs submit financial data to OHA on a quarterly basis. These reports contain CCO spending patterns.

[4] Some eligibility categories are not risk adjusted: pregnant women, infants, foster children, breast and cervical cancer patients, and Medicare-eligible members.