

**Date:** July 28, 2022  
**From:** David Baden, CFO  
**To:** Oregon State Legislature  
**Subject:** Risk Adjusted Rates of Growth for 2021

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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 2021, 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*<sup>1</sup>. 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.<sup>2</sup>

### RAROG results for 2021

The table below shows each CCO's rate of growth, comparing calendar year 2021 to 2020. 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 health risk of that CCO's population.

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<sup>1</sup> CCO capitation rates also change from year to year, but those capitation rates represent *OHA spending on CCOs*, or equivalently, *CCO revenue*.

<sup>2</sup> 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 2020-2021	Risk-Adjusted Rate of Growth 2020-2021	Annualized RAROG 2019-2021
Advanced Health, LLC	3.4%	8.0%	7.5%
AllCare CCO	2.4%	5.0%	4.2%
Cascade Health Alliance, LLC	-2.4%	-1.3%	0.4%
Columbia Pacific CCO, LLC	-3.7%	-2.0%	0.3%
Eastern Oregon Coordinated Care Org., LLC	3.6%	5.2%	2.5%
Health Share of Oregon	-1.4%	1.6%	3.3%
InterCommunity Health Network, Inc.	2.8%	3.5%	4.7%
Jackson County CCO, LLC	-2.2%	1.5%	2.0%
PacificSource Community Solutions (Central)	-5.5%	-2.7%	5.2%
PacificSource Community Solutions (Gorge)	0.6%	2.2%	3.6%
PacificSource Community Solutions (Lane)	-1.0%	1.3%	1.3%*
PacificSource Community Solutions (Marion Polk)	1.9%	4.2%	4.2%*
Trillium Community Health Plan, Inc.	-5.8%	-3.1%	-2.1%
Umpqua Health Alliance	-4.5%	-0.7%	3.4%
Yamhill Community Care	6.3%	9.4%	7.6%
<b>Statewide Weighted Average</b>	<b>-0.5%</b>	<b>2.1%</b>	<b>3.4%</b>

\* Only one year of data available

The statewide weighted averages above show an unadjusted growth rate of -0.5%. After risk-adjusting the growth increases to 2.1%. This increase is unusual and stems from the 2020 public health emergency. During 2021, CCO membership continued to expand due to changes in federal law that prevent members from disenrolling during the public health emergency. Members who would typically have disenrolled tend to be healthier. In total, average member risk *decreased* resulting in a *higher* risk-adjusted rate of growth.

The resulting 2.1% statewide average is also impacted by program changes, as discussed below. Removing the impact of significant program changes would reduce the statewide risk-adjusted rate of spending growth.

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 two years.

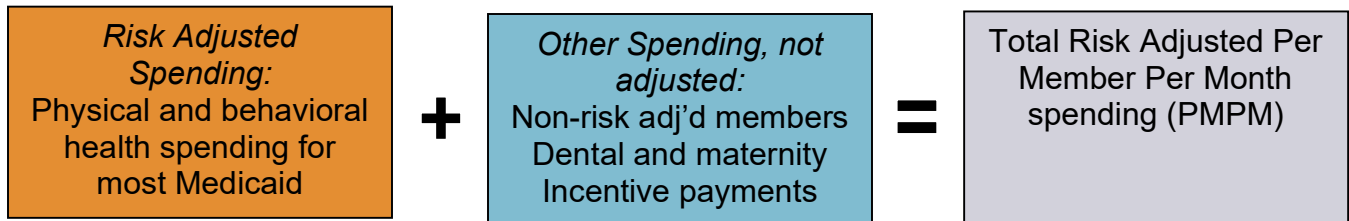
### Program changes

Some of the increase in spending growth shown above is due to changes in the Medicaid program. These policy changes are decided by OHA or the state legislature but impact the CCOs.

In 2021, program changes had a limited impact on CCO rate of spending growth. The largest expected change was for the addition of in-home behavioral health treatment, which OHA estimated at 0.3% of total CCO spending. Actual CCO expenditures were lower.

## Methodology

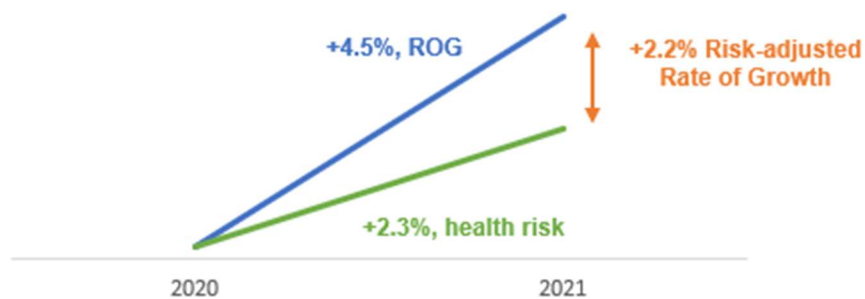
To calculate risk-adjusted rates of growth, OHA analyzes CCOs' spending reports<sup>3</sup>, and applies a risk adjustment methodology to physical and behavioral health spending for members in **specific eligibility categories**<sup>4</sup>. Secondly, OHA adds non-risk adjusted **spending categories 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.



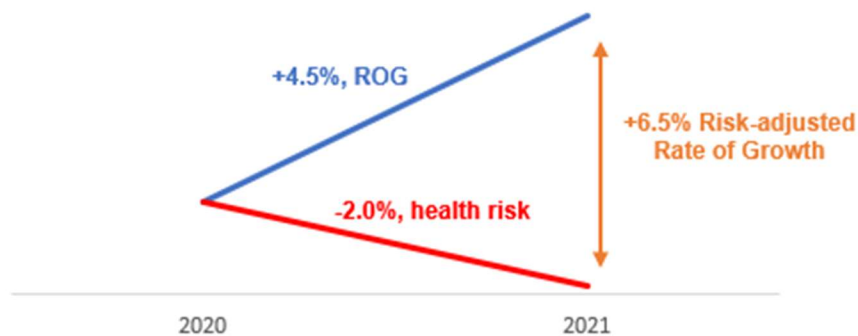
## Relation between rates of growth and risk scores

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 in the risk-adjusted rate of growth if the health risk increased or decreased.

*CCO with **increasing** health risk have lower risk-adjusted rate of growth after risk change is included*



*CCO with **decreasing** health risk have higher risk-adjusted rate of growth after risk change is included*



<sup>3</sup> CCOs submit financial data called *Exhibit L reports* to OHA on a quarterly basis. These reports contain CCO spending patterns.

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