Oregon Health Authority

Kate Brown, Governor

421 SW Oak Street
Portland, OR 97204

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From: David Baden, CFO

To: Senate Health Care Committee

Subject: Risk Adjusted Rates of Growth for 2020

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 2020, 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 2020

The table below shows each CCO's rate of growth, comparing calendar year 2020 to 2019. 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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[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 2019-2020	**Risk-Adjusted** Rate of Growth 2019-2020
Advanced Health, LLC	3.3%	7.1%
AllCare CCO	-3.7%	3.3%
Cascade Health Alliance, LLC	-0.6%	2.3%
Columbia Pacific CCO, LLC	-2.4%	2.7%
Eastern Oregon Coordinated Care Org., LLC	-4.2%	-0.2%
Health Share of Oregon	-0.2%	5.0%
InterCommunity Health Network, Inc.	1.0%	6.0%
Jackson County CCO, LLC	0.1%	2.5%
PacificSource Central	11.5%	13.8%
PacificSource Gorge	-3.3%	5.0%
Trillium Community Health Plan, Inc.	-13.2%	-1.2%
Umpqua Health Alliance	4.6%	7.6%
Yamhill Community Care	-1.2%	5.9%
Statewide Weighted Average	**-0.4%**	**4.8%**

The statewide weighted averages above show an unadjusted growth rate of -0.4%. After risk-adjusting the growth increases to 4.8%. This increase is unusual and stems from the 2020 public health emergency. During 2020, CCO members sought less medical care in many situations, and moreover, the CCO membership expanded due to changes in federal law. In total, average member risk *decreased* resulting in a *higher* risk-adjusted rate of growth.

The resulting 4.8% statewide average is also impacted by program changes, as discussed below. Removing the impact of significant program changes would reduce the statewide rate of spending growth to be closer to the state's 3.4% sustainable rate of 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. OHA intends to accumulate RAROGs over time to provide a fuller picture of CCO spending trends.

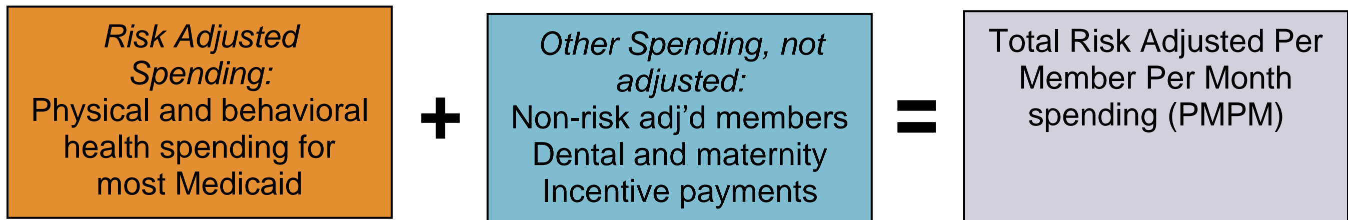
Program Changes

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 2020, OHA decided to change payments to larger, urban-based hospitals (i.e. "DRG" hospitals) to put more of the financing inside CCO global budgets. The state's 2021 actuarial certification estimates the statewide impact of this program change as an increase of 1.7% of medical spending. CCOs in rural areas tended to be less impacted by this change, and CCOs in urban areas tended to be more impacted.

In addition, in 2020 CCOs issued voluntary provider stabilization payments. These were payments to health care providers whose revenues decreased sharply due to the pandemic and related emergency orders. Provider stabilization payments varied by CCO and were included in the RAROG measurement.

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.



[3] CCOs submit financial data called *Exhibit L reports* 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.