Public Input Session
CCO 2.0 Rates and Risk Adjustment

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Meeting purpose

This meeting is an opportunity to provide public input on the rate methodology and approach to risk adjustment for the 2020-2024 contracts.

A final decision on this issue will be announced when the RFA is released.

Agenda

- Current rate methodology overview (2015-2019)
- CCO 2.0 rate proposals
  - Key principles for CCO 2.0
  - Statewide rates with area factors
  - Rebasing every two years
  - Removing inefficiency
  - Rate proposal alignment
- CCO 2.0 payments based on OHPB approved policies
- Procurement rate process
- Risk adjustment in 2020
- Questions?

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2015-2019 RATE METHODOLOGY OVERVIEW

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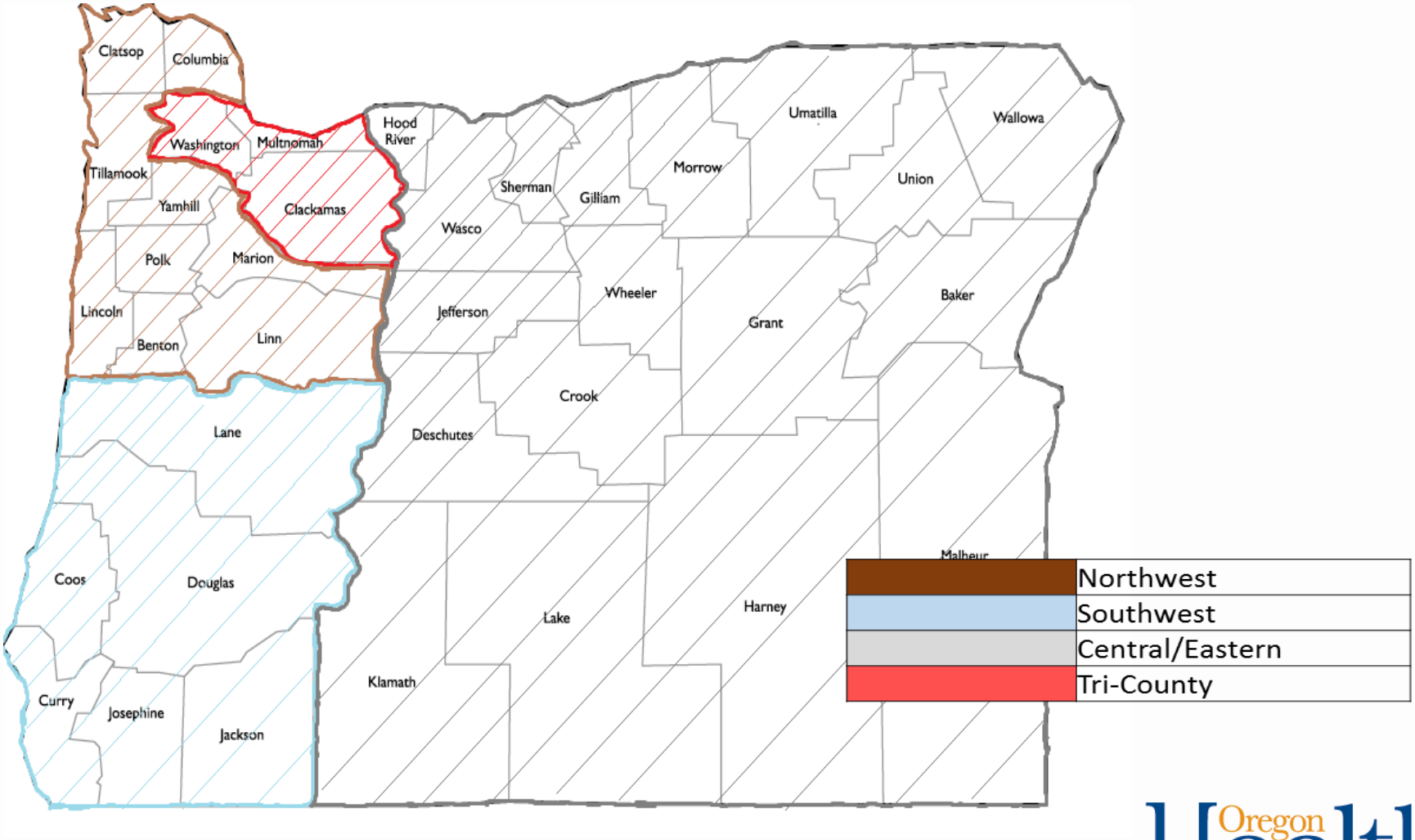
Four Rating Regions



Rate Development Overview

Regional Base Data – Annual Process

Example Region

CCO-specific Base Data Includes

Claims Expenditures

Sub-capitated expenditures

Incentive Expenditures
(excluding quality pool dollars)

Other Payments
(e.g. PCPCH)

Adjusted Regional Base Data

Aggregate data and make appropriate adjustments at the CCO level resulting in Regional Base Data for rate setting (e.g. reimbursement adjustments)

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Rate Development Overview

Trend, Risk Adjustment, and Add-ons

Rate Range Development

Project the regional base data to the contract period

Medical trend, program changes, admin load, HRA, Taxes

CCO-Specific Risk

Apply a CCO-specific risk factor to the regional rate

Accounts for differences in hospital cost and population risk

Additional Services

Final step is adding additional rate components that are developed separately

Non-emergent Medical Transportation, Dental, Alcohol & Drug Residential, etc.

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CCO 2.0 RATE METHODOLOGY PROPOSAL

RATE METHODOLOGY THAT FITS POLICY GOALS AND INTENT

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Key Principles for CCO 2.0 Rates

- OHA expects CCOs to manage within a global budget
- OHA's goal is to achieve the sustainable and fixed rate of growth at the CCO program level (1115 targets & legislative approved budget)
- OHA will reward CCOs that are delivering efficient and quality care to OHP members within the rate of growth targets
- OHA intends to distribute funds in a equitable and transparent manner
- OHA expects CCOs to continue current good work and also focus on Governor Brown's priorities in CCO 2.0:
  1. Maintain sustainable cost growth
  2. Improve the behavioral health system
  3. Focus on social determinants of health and health equity
  4. Increase value and pay for performance

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CCO 2.0: Statewide Rates with Area Factors

Proposal: Build the rates on a statewide basis (base data), and risk-adjust based on area factors and health-based risk.

Advantages

- Aligns rate development with vision
- Limits regional variance driven by larger plans year to year
- Creates more predictability from a budget perspective
- Increases transparency for how revenue is allocated across program
- Supports the move to multi-year rate methodology

Considerations

- Communicating new approach to stakeholders (moving away from current regional approach)
- Working through a significant normalization process to ensure accurate area factors (e.g. reimbursement)

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CCO 2.0: Rebasing Every Two Years

Proposal: Alternate between rebasing the rates and performing a rate update each year.

Advantages

- Aligns rate development with vision
- Provides more stability in the CCO program year to year
- Allows for additional time to conduct risk/efficiency analysis, versus the focus on base data
- Includes a robust risk analysis each year, even during the "rate update"
- Allowed by CMS managed care regulations

Considerations

- Communicating new approach to stakeholders
- Adjusts focus during the rate update year away from base data cost drivers to trend and benefit changes that impact the program statewide

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CCO 2.0: Removing Inefficiency

Proposal: Evaluate the potentially avoidable costs (Prometheus) each year and adjust the **statewide** base data to meet budget and waiver targets.

Advantages

- Aligns rate development with vision
- Moves away from only leveraging reimbursement adjustments
- Provides more actionable data to CCOs for provider contracting and improving efficiency
- Creates consistency with the reward/variable profit function of CCO 2.0 (incentivizing efficiency)

Considerations

- Communicating new approach to stakeholders

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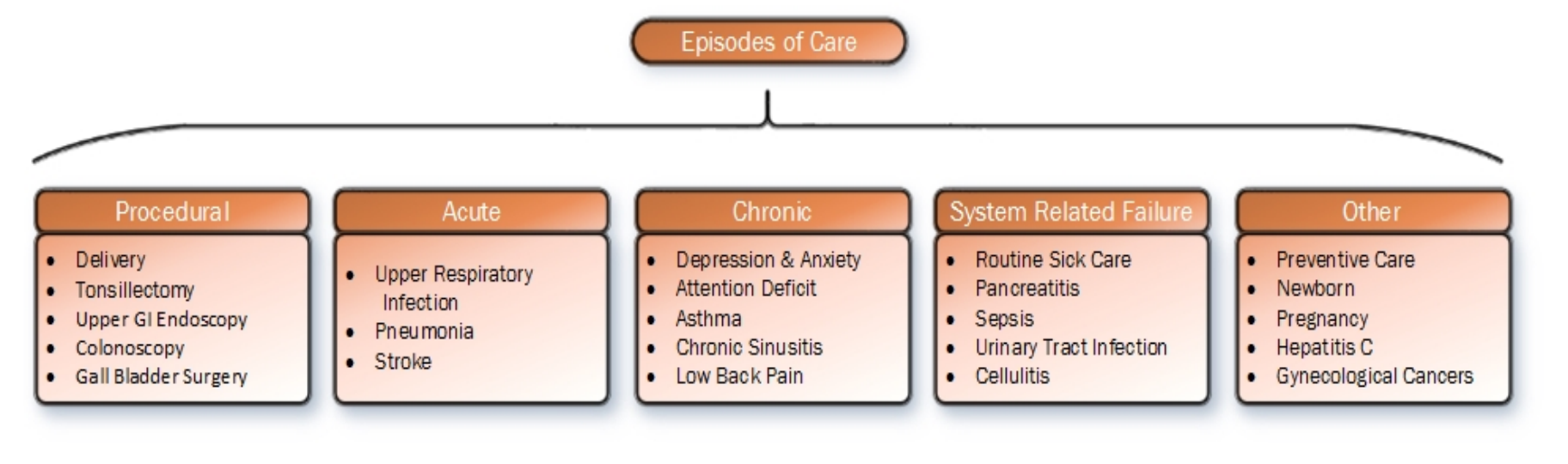
Prometheus Analytics – Episodes of Care

- Episodes of care incorporate clinical best practices and identify potentially avoidable costs
- Episodes are described in detail, and are non-proprietary[1]

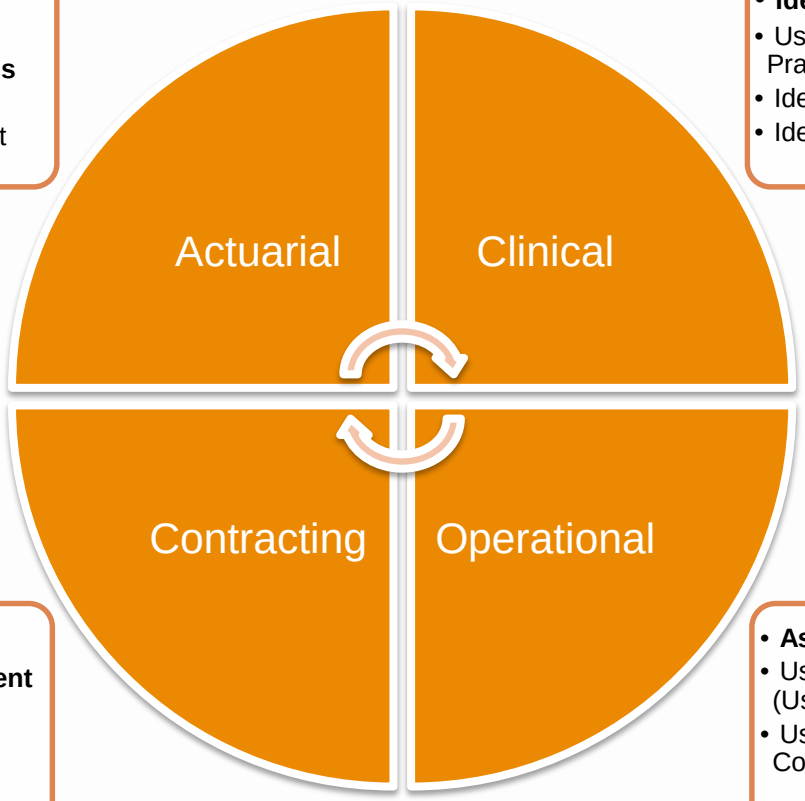


[1]http://www.prometheusanalytics.net/deeper-dive/definitions-readable

Prometheus Analytics - Application

- **Quantify Managed Care Savings**
- Assist with Secular Trend Analysis
- **Measure Efficiency/Compare CCOs**
- Shared Savings Allocation
- Use in Synergy with Risk Adjustment

- **Identify Waste**
- Use to Measure Adherence to Best Practices
- Identify Opportunities/Gaps in Care
- Identify Specific Providers



- Tiered Contracting
- **Tool to Support Alternative Payment Strategies**
- Incentive Programs

- **Assist CCOs in Monitoring Network**
- Use to Publish Public Scorecards (Using All-Payer Data)
- Use to Supplement Data Warehouse Concept

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Aligning OHA's Vision with Rates

- **Concern**: Efficiency leading to lower rates
  - **CCO 2.0**: Performance based reward to incentivize efficiency at the CCO level using analytic framework
- **Concern**: Rates not tied to budget
  - **CCO 2.0:** Traditional rate setting coupled with the efficiency tool will allow for flexibility to make adjustments to meet budget needs. OHA continues to have other tools available (e.g. QP %).
- **Concern**: Spending on non-traditional services is not encouraged in traditional rate setting
  - **CCO 2.0:** Focused funding on SDOH year 1 & 2, then move to a SDOH risk adjustment process year 3 (2022 forward), and consideration of health related spending in performance based reward.

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Aligning OHA's Vision with Rates

- **Concern**: CCOs not managing a true global budget and integrating services
  - **CCO 2.0**: Leveraging a statewide base data, aligns and encourages CCOs to move away from delegating a portion of the rate build-up to specific service categories/organizations
- **Concern**: CCO rates are based on counting widgets
  - **CCO 2.0**: The performance-based reward will account for and reward efficiency, which can be achieved through effective VBPs. In later years, CCOs will report complete encounter data with contract or FFS-equivalent amounts for VBP arrangements. This will bring additional visibility for how VBPs are considered in rates.

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CCO 2.0 POLICIES & PAYMENTS TO CCOS

APPROVED OHPB RECOMMENDATIONS

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CCO 2.0 Payment Policies

Policy Goal: Ensure rate methodology and financial incentives promote quality, efficiency, high value care and health related services (i.e. SDOH).

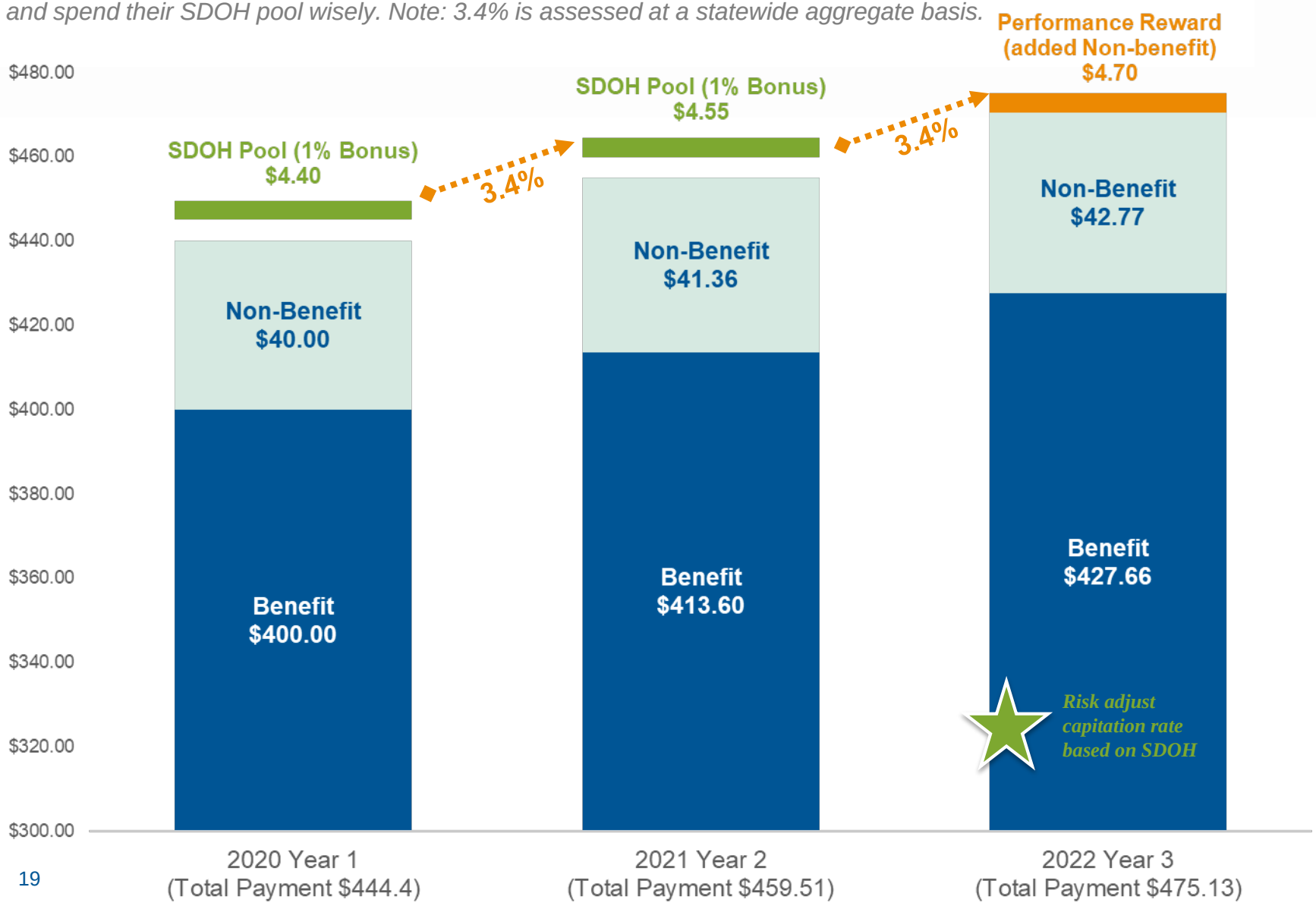
1. Implement a performance based reward within CCOs rates for efficiency and quality care

2. Build a financial system that encourages capacity building and spending on Social Determinants of Health (two year fund)

3. Continue holding CCOs accountable for quality outcomes with a financial incentive

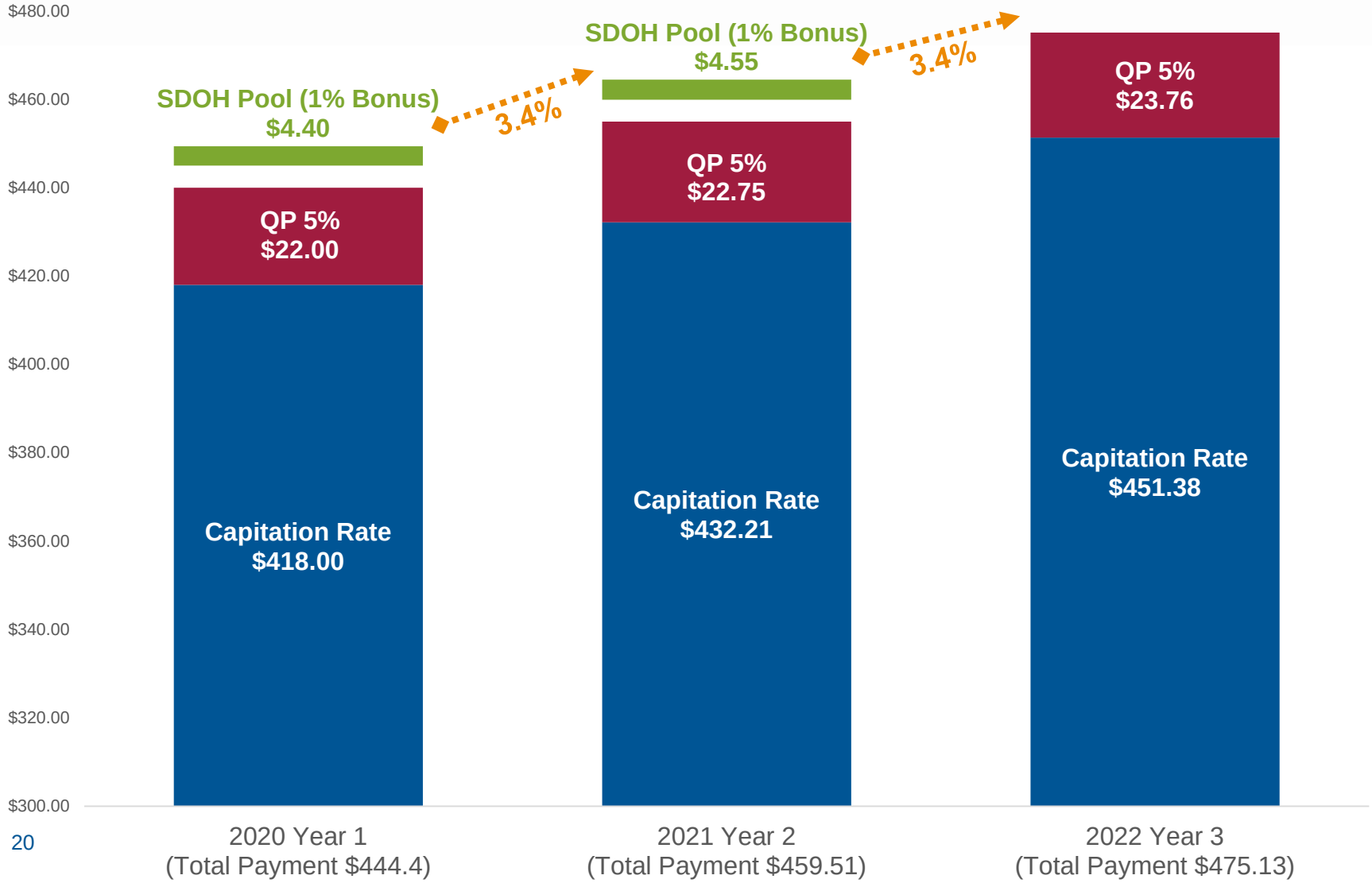
CCO Aggregate Payment Example - First three years

Social Determinants of Health Capacity-Building Fund will be paid on top of capitation for first two years. By year 2022, CCOs will be rewarded for their efficiency in CY2020, which is dependent on administering effective VBPs and spend their SDOH pool wisely. Note: 3.4% is assessed at a statewide aggregate basis.



CCO Aggregate Payment Example - First three years

Using the same figures, the following display shows how the Quality Pool will be calculated within the capitation rates.



PROCUREMENT RATES

WHAT PROPOSERS WILL SEE IN THE RFA

Procurement Rates Process

- **What will be included in RFA? (due: Dec. 31, 2018)**
  - 2020 capitation rate methodology and process
  - 2020 statewide rates and proposed area factors
- **What will be updated post-award? (due: Oct. 1, 2019)**
  - Policy changes & area factors (e.g. legislative, OHA, CMS, etc.)
  - Emerging data and trends (e.g. emerging therapies, etc.)
  - Legislatively approved budget impacts
- **What will be updated post-effective? (due: April 30, 2020)**
  - Health-based risk adjustment once enrollment has leveled
  - Risk corridor strategy in place; and Legislative concept moving forward to allow retroactive adjustments for 1st year

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RISK ADJUSTMENT IN 2020

ADDRESSING MEMBERSHIP SHIFTS

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How does OHA address membership risk differences between CCOs?

1. **Rate groups**: OHA and OHA's actuarial contractors build capitation rates by grouping "like" eligibility categories together to account for differences in cost for different members. (e.g. Child 1-5, ACA 45-54, etc.)
2. **Health-based risk adjustment**: Within most rate groups, OHA uses a health-based risk score to address differences in health-based acuity between CCOs. Acuity is identified by a combination of a demographic score (i.e. age, sex, etc.) and a disease score (i.e. diabetic, cancer, etc.) that is created by evaluating diagnosis and prescription drug codes. If a CCO has more acute members based on the risk adjustment score than the average, the CCO will get a higher capitation rate.

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What happens if capitation rates are not adjusted for health-based acuity?

- Across the state, CCOs have different member profiles with different acuity levels. Without risk adjustment, OHA runs the risk of over- and under-paying a CCO for their given population and not matching payment to risk.

Why can't OHA risk adjust before January 2020? How does it work now?

- **Current state:** OHA utilizes the CCO's past membership and identifies an aggregate risk score based on the individual member's demographics and diseases.
- **CCO 2.0:** OHA will analyze the individual member's risk score, but cannot create an aggregate risk score for each CCO until after membership has settled in early 2020.
- For CCO 2.0 there are two main options:
  1. Establish a strict risk corridor for the first six months and prospectively risk adjust capitation rates July 1, 2020 forward
  2. Retroactively adjust capitation rates based on risk adjustment back to January 1, 2020 (against current statute)

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Option #1: Encounter Data Risk Corridor

- How would the risk corridor work?
  1. From January – June 2020, CCOs would receive a non-risk-adjusted capitation rate as revenue
  2. OHA would review **encounter data expenses only** for that same time period against the benefit-related revenue received and settle with the CCO in the following manner:
     - **OHA Pays CCO**: If a CCO expended any amount over 102% of the revenue received, OHA would pay a percentage of the CCO's expenses over that threshold
     - **CCO Pays OHA**: If a CCO expended less than 98% of the revenue received, the CCO would pay a percentage of the revenue back to OHA between what they spent and the 98% threshold
  3. Starting July 1, 2020, CCOs would receive a risk adjusted capitation rate that would not be subject to the risk corridor

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Option #2: Retroactive Adjustment

- How would a retroactive adjustment work?
  1. CCOs would initially receive a non-risk-adjusted capitation January-June 2020
  2. In March/April 2020, OHA would analyze the risk score for each CCO and amend the CCO contract retroactively to January 2020 with the updated rates
  3. In June/July 2020, OHA would reprocess capitation claims to match the risk adjusted capitation rates
  4. CCOs would receive a risk adjusted capitation rate for the full year that may be more or less* than the rate initially received January 1, 2020

**OHA has statutory limitations (ORS 414.652) on making retroactive contract amendments that recover money from CCOs. This option would require legislative action.*

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Public & Proposer Input Process

- **Before RFA (TODAY)**: Presentation on CCO 2.0 procurement rates and post-award/post-effective date adjustments for policy, budget and health-based acuity.
  - Public Comment taken until November 28, 2018
- **During RFA**: Planned rate conference for proposers to ask questions about the procurement rates released with RFA (date TBD)
- **Post-award**: Rate meetings with new CCOs on post-award update items for 2020 rates (dates TBD)

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QUESTIONS?

PUBLIC COMMENT

Stay informed about the CCO 2.0 procurement process

We will continue to use the CCO 2.0 website to share information about the process:

www.health.oregon.gov

Potential applicants should register with ORPIN to stay updated on RFA announcements:

http://orpin.oregon.gov

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