

MO HealthNet Managed Care Efficiency Adjustments

Over the last several years, the MO HealthNet Division (MHD) has been exploring various options for moving toward a value-based purchasing approach for its Managed Care Program in an effort to better link payment to performance and hold Managed Care health plans accountable for controlling the growth of health care costs.

Effective July 1, 2010, three new efficiency adjustments were added to the Managed Care rate-development process consistent with MHD's goal for value-based purchasing. These efficiency adjustments were:

Low Acuity Non-Emergency (LANE) - identifies instances when Medicaid enrollees would not have needed to make a trip to the emergency room if they had received effective outreach, care coordination and access to preventive care.

Potentially Preventable Admissions (PPA) - identifies inpatient admissions that could have been avoided through high-quality outpatient care and/or reflects conditions that could be less severe and not warrant an inpatient level of care if treated early and appropriately.

Risk Adjusted Efficiency (RAE) - identifies health plans whose regional financials reflect higher costs, after considering the risk burden of their enrollees, than other health plans in the region.

These efficiency adjustments are attainable levels of improvements in cost containment that would reduce health care inefficiencies in the emergency room setting, inpatient hospital, and other aspects related to the delivery of health care. In addition, these efficiency adjustments support MHD's desire for a more value-based purchasing strategy. The LANE and PPA adjustments reflect standard expectations for health plans to focus on preventive care and maintenance to keep participants out of the emergency rooms and hospitals and provide the necessary care in a more clinically appropriate environment. The RAE adjustment, which recognizes the difference in enrollee risk among health plans, reflects the expectation that health plans can better manage a variety of aspects within their business model to close the gap in per member per month (PMPMs) among the health plans. Some examples include:

- Inpatient hospital concurrent reviews and discharge planning
- Transitional care initiatives to help prevent readmissions
- Comprehensive chronic care/disease management programs
- Effective outreach, care coordination and access to preventive care
- Provider contracting
- Health information technology including electronic health records, telehealth and remote monitoring in order to enhance collection of data on a real-time basis and communication with providers
- Fraud, waste and abuse identification, recovery collection and monitoring programs
- Robust third-party liability recovery programs

The rate efficiency adjustments applied in the rate-development process reflect the expectation that the health plans explore and implement a variety of efficiencies (including LANE and PPA initiatives) to manage a portion of the costs and/or visits identified through these efficiency adjustments. These expectations have been reflected in downward adjustments to the health plans' capitation rates and were effective July 1, 2010.