MERCER

Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

October 27, 2009

MO HealthNet Chronic Care Improvement Program (CCIP) Financial Evaluation

State of Missouri

Angela WasDyke, ASA, MAAA

Michael Cook, FSA, MAAA

CCIP Financial Evaluation
Overview

- Introduction
- Evaluation Principles
- Baseline Measurement
- Performance Period Measurement
- Results
- Calculation
- Questions

CCIP Financial Evaluation
Introduction

- Mercer was asked to evaluate the financial performance of the Chronic Care Improvement Program (CCIP)
- Mercer has developed ROI methodologies and/or evaluated other Medicaid disease management programs in the following states:
  - Georgia
  - North Carolina
  - Ohio
  - Pennsylvania
  - Texas

CCIP Financial Evaluation
Evaluation Principles

- Evaluate the effectiveness of care management interventions in terms of financial impact
- Examine a comparable population to assess trends outside of CCIP, limiting reliance on historical trends prior to program implementation, when possible
- Remove influences occurring outside of CCIP
  - Eliminate or minimize impact of MO HealthNet programmatic changes to eligibility, services and reimbursement
  - Account for natural occurrence of “regression to the mean” in a chronic population
- Evaluate on a per member per month (PMPM) basis
- Consider the net cost of the program (medical savings offset by program fees)

CCIP Financial Evaluation

Baseline Measurement

- Goal:

  Identify individuals who would have been enrolled in CCIP if program had existed in Baseline Period and extract their claims data.

- January 1, 2006 to December 31, 2006 (prior to CCIP implementation)
- Applied CCIP eligibility criteria and identified individuals with conditions based on agreed upon criteria between State and APS
- Claims and eligibility included at point of condition identification during baseline if identified with a condition in CY 2005 or CY 2006
- Developed for CCIP regions and non-CCIP regions (comparable population)
- Calculated for managed care like and non-managed care populations

CCIP Financial Evaluation
Performance Period Measurement

- Goal:

  Identify individuals who should be enrolled in CCIP and should be receiving care management and extract their claims data.

- July 1, 2007 to June 30, 2008 (SFY 2008)
- Applied CCIP eligibility criteria and identified individuals with conditions based on agreed upon criteria between State and APS
- Claims and eligibility included at point of condition identification during performance period if identified with a condition in SFY 2007 or SFY 2008
- Developed for CCIP regions and non-CCIP regions (comparable population)
- Calculated for managed care like and non-managed care populations

CCIP Financial Evaluation
Results

- Medical Expenditures
  - Reduced medical expenditures by $15.7M or 1.4% of expected medical costs
  - Reflects CCIP provider payments totaling approximately $14,000 during Performance Period
- Overall Net Expenditures
  - Accounting for CCIP vendor fees, medical savings nearly covered these program costs
  - Overall net cost to the State of $940,000 or 0.1% of expected medical costs

CCIP Financial Evaluation
Results

- Year 1 Observations
  - Reasonable results for first full year of CCIP
  - Still significant ramping up of enrollment in first six months of Performance Period
    - Paying higher vendor fee in Year 1 based on enrollment level
    - Reflecting current, lower vendor fee in SFY 2008 results in fees being reduced by $2.3M (overall net program savings of $1.4M)
  - Reduction in medical trend from expected 10.8% annually to 9.8%
  - Emergency Room Services: annual trend rate of 25.5% is significantly lower than comparable population
  - Inpatient Services: annual trend rate of 8.8% not measurably different from comparable population
  - Evaluation includes impact of dually eligible population

CCIP Financial Evaluation
Results

- Future Outlook/Expectations
  - Year 2 and beyond
    - Expect medical savings (prior to vendor fee) of approximately 2.5% in Year 2: improving trends, time to impact participants and providers, CareConnections tool, provider incentives
    - Reduction in PMPM level of vendor fees
    - Other established programs seeing savings in medical costs (prior to vendor fees) between 2% and 5%
  - Future program evaluation considerations
    - Evaluate CCIP progress with an additional 6 months of experience or with regression analysis
    - Evaluate removing the impact of dually eligible population
    - Evaluate by disease condition to identify conditions contributing to savings for potential refocus of targeted conditions
    - Implement risk corridor associated with vendor fees

CCIP Financial Evaluation
Calculation

			Total Population	
			Non-CCIP Regions[1]	CCIP Regions[2]
Base Year - CY 2006		Formulas		
Member Months	A		153,350	1,025,754
Total Claim Costs	B		$122,483,965	$940,555,327
Base Year PMPM	C	= B / A	$798.72	$916.94
Performance Period - Actual Experience SFY 2008				
Member Months	D		155,744	1,035,699
Total Claim Costs[3]	E		$140,614,282	$1,092,301,563
Performance Period PMPM	F	= E / D	$902.86	$1,054.65
Trend in Non - CCIP Region Eligible Population	G	= (F / C) - 1	13.04%	
Relative Trend Factor	H			1.03
Adjusted Trend	I	= [(1 + G) * H] - 1		16.67%
Performance Period - Expected Cost				
Base Period PMPM	J	= C		$916.94
Expected Trend	K	= I		16.67%
Expected PMPM w/o CCIP Program	L	= J * (1 + K)		$1,069.79
Actual PMPM in Performance Period	M	= F		$1,054.65
Gross PMPM Program Savings / (Cost)	N	= L - M		$15.14
Gross Program Savings / (Cost)	O	= D * N		$15,682,928
Vendor Fees[4]	P			$16,622,953
Net Program Savings / (Cost)	Q	= O - P		($940,025)
Net PMPM Program Savings / (Cost)	R	= Q / D		($0.91)
Net Program Savings / (Cost) as Percent of Expected PMPM	S	= R / L		(0.08%)

1. Population with identified conditions residing in the Northwest and Southwest regions of the State.
2. Population with identified conditions residing outside of the Northwest and Southwest regions of the State.
3. CCIP Regions includes State payments to providers of approximately $14,000.
4. Reflects monthly fees paid to the vendor during SFY 2008. Does not reflect initial program implementation payments made to the vendor by the State of $975,000 in SFY 2006 and an additional $975,000 in SFY 2007.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN