

# Exceptional Challenges to Operating an MCO Primarily in Louisville Region (Region A)

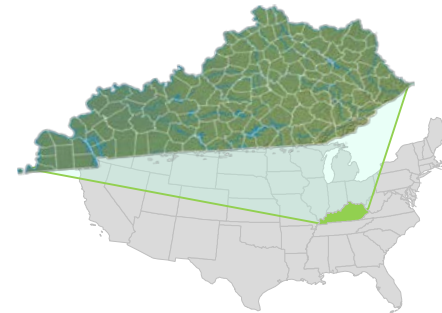
Health & Education Committee

March 13, 2019



# Passport Health Plan is a leading provider-led health Plan, serving KY Medicaid for 20+ years

- **Provider Sponsored:** Established in 1997 by several private provider sponsors to help Kentucky control the rising costs of Medicaid and to improve health outcomes
- **Nonprofit:** Responsible for stewarding taxpayer dollars by minimizing administrative costs and focusing on patient care
- **Mission Driven:** Works closely with local providers and community advocates to improve the health and quality of life of its members
- **Community Based:** Created a Partnership Council to engage local stakeholders and community leaders
- **Provider Directed:** Formed a Provider Council reporting directly to the Board of Directors, tasked with setting medical policies and other provider-related activities
- **Clinically Innovative:** Developed specific care programs that target key populations and services, such as the Opioid epidemic and children in foster care



## Founding KY Providers



## Actuarial Soundness Concerns

- Passport makes up 2/3 of the region membership and thus their experience makes up 2/3 of the baseline data for cap rates
- Other MCOs in region would need to be operating at 83% MLR for Passport to be at 95% MLR
- Outstanding questions, and need for full audit, of data sources from PHP and other MCOs into the baseline data leveraged by Actuaries
  - More transparency needed on sub-capitated expenses and rebates and TPL where wide variations appear between Region A and Region B
- Concerns with trend assumptions for SFY19 H1 rates
  - With 3 month extension to the period the cap rates were not adjusted
  - Annual trend rate assumptions were based upon MRTs through Sep 2017. Much more current trend information was available and show emerging trends are much higher
    - Pharmacy trends in particular are much higher than modeled

## Relative Cost Between Region A and B

| <i>Wakely Aggregate Base Capitation Rates (PMPM)</i> |                 |                 |                     |
|------------------------------------------------------|-----------------|-----------------|---------------------|
|                                                      | <u>Region A</u> | <u>Region B</u> | <u>% Difference</u> |
| SFY 2018 H2                                          | \$466.38        | \$440.33        | 5.9%                |
| 7/1/18 - 3/31/19                                     | \$446.56        | \$448.65        | <b>-0.5%</b>        |

| <i>Milliman 2018 ACA Rating Factors</i> |                 |                                |                     |
|-----------------------------------------|-----------------|--------------------------------|---------------------|
|                                         | <u>Region 3</u> | <u>Aggregate Other Regions</u> | <u>% difference</u> |
| Commercial                              | 0.94            | 0.90                           | 4.6%                |
| Medicare                                | 1.06            | 1.00                           | 5.9%                |

| <i>Milliman 2018 Zip Code Rating Factors</i> |                   |                       |                     |
|----------------------------------------------|-------------------|-----------------------|---------------------|
|                                              | <u>Louisville</u> | <u>Non-Louisville</u> | <u>% difference</u> |
| Commercial                                   | 0.95              | 0.90                  | 5.6%                |
| Medicare                                     | 1.06              | 1.00                  | 6.9%                |

- Region A is 4.5% - 7% higher based on SFY 2018 H2 capitation rate development as well as Milliman regional relativity factors, however Region A capitation rates are **lower** than Region B effective 7/1/18.
- Milliman Health Cost Guidelines 2018
  - Factors represent relativities to national expenditures
  - ACA Region 3 is equivalent to Region A for Medicaid
  - Louisville Zip Codes include 400, 401, 402
  - Expenditures are higher when isolating Louisville

## Public Health Challenges

- General racial disparities in health related social factors, could have a disproportionate effect on Louisville, given its concentration of the State's minorities.
- Data based on discharges suggests Louisville may have a higher than average rate of drug usage, which could lead to an increase in drug spend, drug testing related spend, and related overall costs.
- Region B rates increased by 2% while Region A rates decreased by 4%.

# Racial Disparities

- Region 3 has a higher percentage of racial minorities than the rest of the state. 15% of Jefferson County residences are Black, compared with 8% of Kentucky as a whole.<sup>1</sup>
- Racial differences in relation to multiple other risk factors for poor health including:
  - Only 14.3% of black males and 17.7% of black females over 25 years have obtained a bachelor degree, compared to 22.0% of white males and 23% of white females.<sup>2</sup>
  - 19.7% of Hispanic adults and 16.2% of Black adults versus 14.3% of white adults surveyed reported 14 or more days of being mentally unhealthy in the last 12 months.
  - In both 2017 and 2015 the highest rates of poverty were seen in Black and Hispanic populations.
  - Death rates for asthma and diabetes are higher for the Black population than other populations.
  - High rates of HIV, gonorrhea, and syphilis put the Black population at increased risk for further health complications and costs.

Source:

1. 2015 Minority Health Report
2. 2017 Minority Health Report
3. Louisville Metro Health Equity Report 2017

# Louisville Drug Abuse

- Region A accounted for a third of all drug abuse discharges in Kentucky, but accounts for less than 15% of total population.
- Deaths from drug overdoses have continued to rise in Louisville. Rates have gone from 18.2 per 100,000 in 2011 to 43.0 per 100,000 in 2016.<sup>1</sup>
- Long term drug abuse is related to multiple negative health outcomes, including<sup>2</sup>:
  - Heart and lung disease, HIV/AIDS, Hepatitis, Death from overdose
- Region A makes up almost 1/3 of the psychoses discharges in the state (DRG 885; 31.3%; state avg. \$15,824)
- Region A makes up almost 40% of the alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC discharges in the state (DRG 897; 38.5%; state avg \$15,730)

Higher incidence for deliveries and complex newborns in Passport's population compared to KY average; Higher Average Cost per hospitalization for complex newborns compared to KY average

## 2016 ANNUAL ADMINISTRATIVE CLAIMS DATA REPORT

Table 2.00 - Inpatient Hospital Discharges - Leading 25 MS DRGs

(Source: Kentucky Inpatient Discharge Claims)

| All Kentucky Hospitals                                                    |                  |                  |             |                |             |
|---------------------------------------------------------------------------|------------------|------------------|-------------|----------------|-------------|
| MS DRG                                                                    | Hospitalizations | Percent of Total | Average LOS | Average Charge | Average Age |
| 795 - Normal newborn                                                      | 32,693           | 5.4%             | 2.09        | \$3,468.30     | 0.00        |
| 885 - Psychoses                                                           | 27,951           | 4.7%             | 7.49        | \$15,824.08    | 34.88       |
| 775 - Vaginal delivery w/o complicating diagnoses                         | 27,102           | 4.5%             | 2.33        | \$10,168.47    | 26.47       |
| 871 - Septicemia w/o MV 96+ hours w MCC                                   | 20,363           | 3.4%             | 6.61        | \$45,153.30    | 66.64       |
| 470 - Major joint replacement or reattachment of lower extremity w/o MCC  | 18,616           | 3.1%             | 2.55        | \$62,897.11    | 65.49       |
| 897 - Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC | 12,152           | 2.0%             | 7.20        | \$15,729.81    | 39.26       |
| 794 - Neonate w other significant problems                                | 10,592           | 1.8%             | 2.58        | \$5,987.96     | 0.00        |
| 766 - Cesarean section w/o CC/MCC                                         | 10,537           | 1.8%             | 2.95        | \$17,246.78    | 28.09       |

Passport Health Plan - Region A 2016 Top 10 Hospitalizations

| DRG                                                                 | Hospitalizations | % of Total | Average LOS | Average Cost | % of Total Cost |
|---------------------------------------------------------------------|------------------|------------|-------------|--------------|-----------------|
| NORMAL NEWBORN                                                      | 2,483            | 4.5%       | 2.21        | \$ 1,319     | 0.7%            |
| VAGINAL DELIVERY W/O COMPLICATING DIAGNOSES                         | 2,286            | 4.2%       | 2.47        | \$ 3,205     | 1.6%            |
| NEONATE W OTHER SIGNIFICANT PROBLEMS                                | 1,278            | 2.3%       | 2.91        | \$ 7,008     | 2.0%            |
| CESAREAN SECTION W CC/MCC                                           | 802              | 1.5%       | 4.43        | \$ 6,101     | 1.1%            |
| CESAREAN SECTION W/O CC/MCC                                         | 736              | 1.3%       | 3.23        | \$ 3,994     | 0.6%            |
| VAGINAL DELIVERY W COMPLICATING DIAGNOSES                           | 576              | 1.1%       | 3.04        | \$ 4,174     | 0.5%            |
| ESOPHAGITIS, GASTROENT & MISC DIGEST DISORDERS W/O MCC              | 554              | 1.0%       | 2.95        | \$ 4,190     | 0.5%            |
| ALCOHOL/DRUG ABUSE OR DEPENDENCE W/O REHABILITATION THERAPY W/O MCC | 536              | 1.0%       | 16.17       | \$ 2,396     | 0.3%            |
| BRONCHITIS & ASTHMA W/O CC/MCC                                      | 478              | 0.9%       | 2.38        | \$ 3,955     | 0.4%            |
| SEPTICEMIA OR SEVERE SEPSIS W/O MV >96 HOURS W MCC                  | 421              | 0.8%       | 7.51        | \$ 10,096    | 0.9%            |

# The Passport Difference: Ensuring the Most Effective Use of Taxpayer Dollars

For every Medicaid dollar sent to an MCO:

## PASSPORT

Passport has operated with less than a 1% margin over our 20-year history.



PASSPORT PUTS MORE TOWARD MEDICAL CARE

## FOR-PROFIT MCOs



FOR-PROFIT  
MCOs SPEND  
MORE ON  
ADMIN  
AND PROFIT.

FOR-PROFIT MCOs PAID NEARLY \$1 BILLION TO SHAREHOLDERS IN 2017.

**PASSPORT**  
HEALTH ★ PLAN



# The Passport Difference: Working Together for a Healthier Kentucky

## Contact Information

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# Questions

