

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

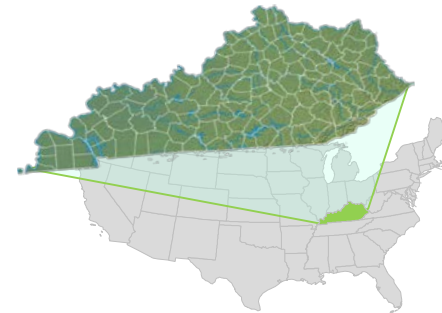
Health & Education Committee

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:

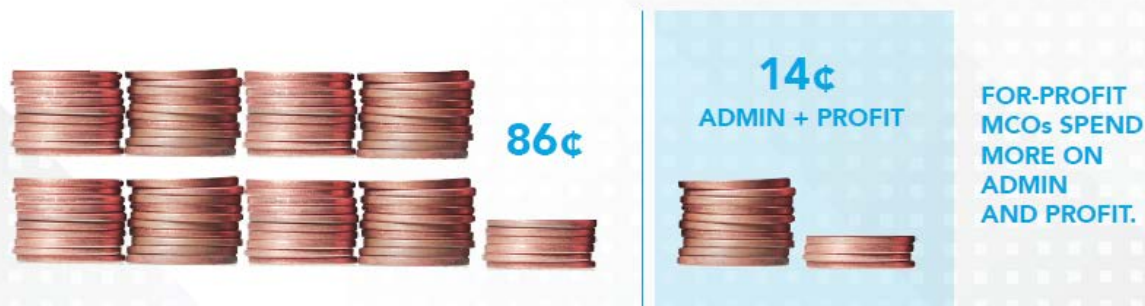
## PASSPORT

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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- Learn more at: <http://passporthealthplan.com/members/health-and-wellness-programs/>

# Questions

