



Alabama Medicaid Managed Care Options: PCCM and MCO Savings Analysis

Steve Schramm
Optumas, Managing Director

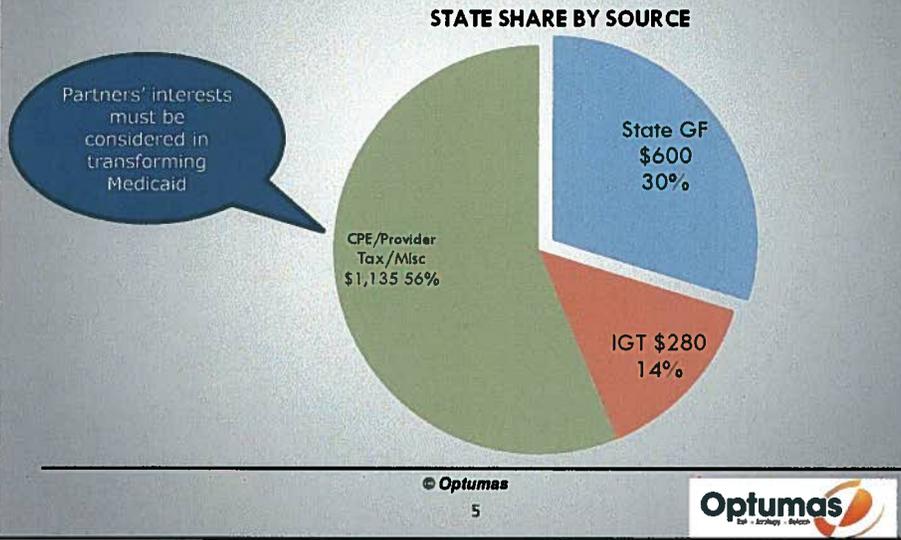
January 16, 2013

Goals of a Reformed System

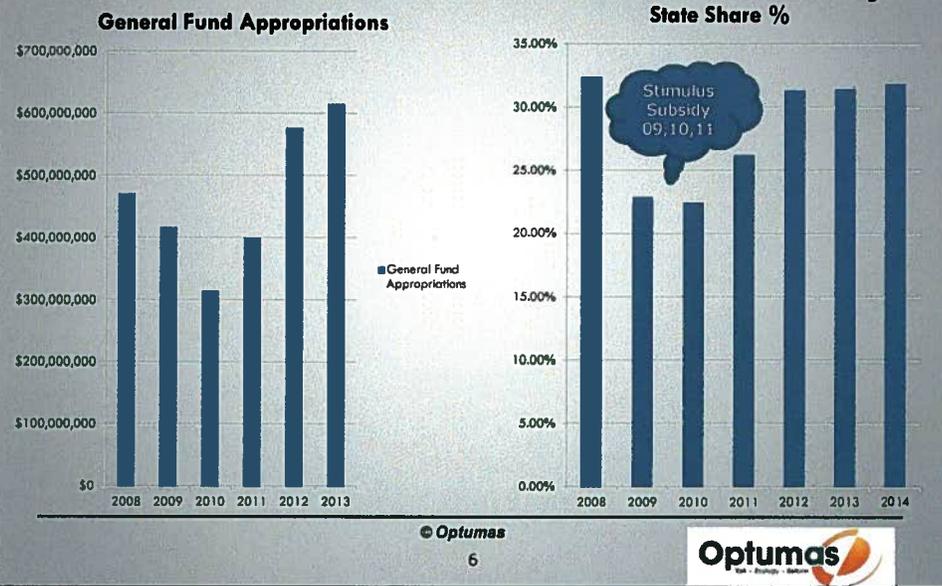
- Health Care System
 - Improve health outcomes through integrated care and better patient compliance
 - Reduce unnecessary hospital and ER visits
- Financial and Operational
 - Preserve and enhance provider contributions
 - Control and/or reduce cost
 - Reduce fraud and abuse of system
 - Shift payments from volume to accountability and outcome basis
 - Improve service and administration through improvement of data systems



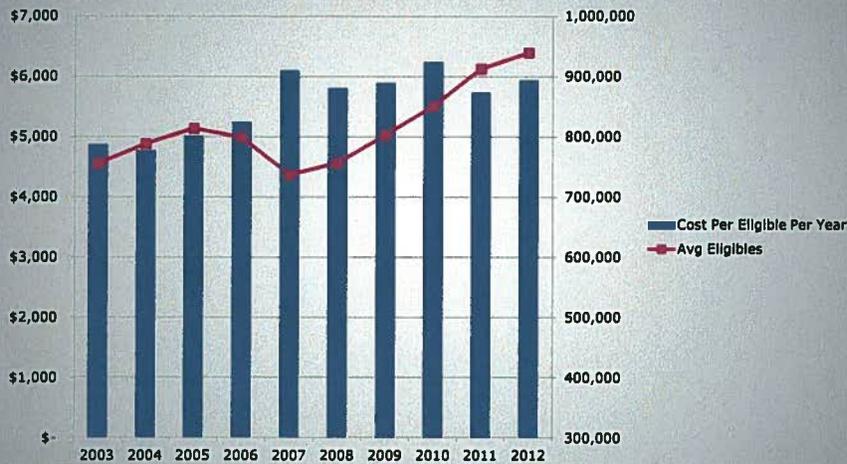
Current State-Share Funding Mechanisms (CMS Approved)



General Fund Appropriations Have Grown With Loss of Stimulus Subsidy



Growth Driven by More Eligibles and Less Federal Match Subsidies



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7



Outline

- Scenario 1 – Fee-For-Service (FFS) is current Delivery System (Baseline)
- Scenario 2 – Primary Care Case Management (PCCM) Statewide
- Scenario 3 – Managed Care Organization (MCO) Statewide
- Savings Comparison between Baseline and Scenarios

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8



Scenario 1 – Current Delivery System

- Maintains current delivery system and represents baseline scenario
 - PCCM in regions 1-4
 - FFS in regions 5-12
- Identified members eligible for PCCM program
 - \$0.50 PMPM for Non-Chronic members
 - \$8.50 PMPM to physicians for Chronic members and \$9.50 PMPM to network
- Base data was CY10 and CY11
- Accounted for enhancement payments and provider taxes

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9



Scenario 1 – Current Delivery System

- Incorporated adjustments for Incurred but not Reported (IBNR), maternity program change, trend and PCCM savings
- Includes State Administration of 1.7% of premium so that scenario can be directly compared to PCCM and MCO scenarios
 - Previously State Administration was 3.4% however a portion will remain regardless of the direction the State goes with the program
- Pharmacy rebates accounted for once savings are modeled

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10



Scenario 2 – PCCM Statewide

- Assumes PCCM expanded to regions 5-12 and to all Medicaid members Statewide
- Used same base data as Scenario 1
 - CY10 and CY11
 - Data adjusted for enhancement payments and provider taxes
 - Incorporated adjustments for IBNR, maternity program change, and trend
 - Pharmacy rebates accounted for once savings are modeled

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11



Scenario 2 – PCCM Statewide

- Incorporated impacts due to a PBM
- Incorporated impacts due to Statewide PCCM savings
- Includes State Administration of 1.7% of premium so that scenario can be directly compared to Current and MCO scenarios
 - Previously State Administration was 3.4% however a portion will remain regardless of the direction the State goes with the program

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12



Scenario 3 – MCO Statewide

- Assumes MCO established Statewide
- Used same base data as Scenario 1
 - CY10 and CY11
 - Data adjusted for enhancement payments and provider taxes
 - Incorporated adjustments for IBNR, maternity program change and trend
 - Pharmacy rebates accounted for once savings are modeled

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13



Scenario 3 – MCO Statewide

- Incorporated impacts due to a PBM
- Incorporated impacts due to Statewide MCO savings
- Includes MCO administration and profit so that scenario can be directly compared to Current and PCCM scenarios

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14



Total Baseline and State Costs (Excluding LTC and Waiver Populations)

	Total Baseline Costs	Total Baseline State Share
SFY14	\$2,796m	\$906m
SFY15	\$2,887m	\$935m
SFY16	\$3,004m	\$973m
SFY17	\$3,130m	\$1,014m
SFY18	\$3,261m	\$1,057m
TOTAL	\$15,078m	\$4,885m

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15



Savings Comparison between Baseline and Optumas PCCM and MCO Scenarios

	PCCM Total Savings (FFS)	PCCM State Share Savings (FFS)	MCO Total Savings	MCO State Share Savings
SFY14	\$83m - \$151m	\$27m - \$49m	\$142m - \$165m	\$46m - \$53m
SFY15	\$88m - \$180m	\$28m - \$58m	\$143m - \$181m	\$46m - \$59m
SFY16	\$88m - \$207m	\$29m - \$67m	\$174m - \$220m	\$56m - \$71m
SFY17	\$95m - \$218m	\$31m - \$71m	\$182m - \$259m	\$59m - \$84m
SFY18	\$102m - \$230m	\$33m - \$75m	\$189m - \$299m	\$61m - \$97m
State Savings with Current Funding		\$148m - \$320m		\$268m - \$364m

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16



PCCM and MCO Savings Drivers

■ PCCM Savings

- Mostly through incorporation of a PBM
- Also PCCM Savings from chronic populations
- Offset by increased non-medical load for PCCM fees

■ MCO Savings

- MCO Savings (Hospital, Pharmacy, and Lab/Rad)
- Offset by increased non-medical load
- Also offset by slightly higher trends

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17



Savings Comparison between Baseline and Optumas PCCM and MCO Scenarios

■ PCCM(+) and MCO(++)

- Inpatient – reduction in admits due to more integrated care management
- ER – lower intensity visits avoided due to more efficient patient management by physicians
- Outpatient – shift in utilization due to reduction in inpatient utilization
- PCP/FQHC/RHC – increase in utilization due to care management and shift in ER utilization; promotion of preventive services
- Rx – savings achieved through PBM

■ MCO(++)(in addition to above)

- Lab/Vision – savings achieved through aggressively managing specialty vendor
- Payment integrity program – to remove fraud/abuse

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18



Potential Funding Issues

	PCCM State Share Savings (FFS)	MCO State Share Savings
Total Savings	\$148m - \$320m	\$268m - \$364m
Impact of Pharmacy Assessment	\$(49)m	\$(49)m
Impact of Hospital Assessment		\$(1,343)m
Adjustment for Hospital Savings	\$(15)m - \$(84)m	
One Time IBNP Cash Flow Impact*		\$(78)m
45 Day Capitation Delay**		\$107m
MCO Premium Tax		\$563m
1115 Waiver	??	??
Expenditure Cap	??	??

* Per Mercer's Analysis
 ** Will be a savings in SFY14-SFY15 but a cost in SFY16

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 19

