

MEDI-CAL MANAGED CARE RATE DEVELOPMENT FOR A CHILD RATE (AGE 0-19) - CALENDAR YEAR 2013

Background:

DHCS has asked Mercer to model out sample capitation rates for children 0-19 years of age. This was requested to facilitate discussion related to the potential transition of Healthy Families Program (HFP) children coverage into Medi-Cal managed care. The purpose of this paper is to discuss the approach used in the development of the sample children's capitation rates.

Discussion of Approach:

Medi-Cal Managed Care currently serves well over 2.5 million Medi-Cal eligible children age 0-19. This provides a very robust data set to be used in developing sample capitation rates that may be applicable for the HFP children, if served through the Medi-Cal managed care program. Mercer utilized the Adult and Family category of aid (COA) group eligibility, encounter data, and related capitation rates as the bases for sample rate development, since this is the COA group that has the vast majority of Medi-Cal eligible children. In general, we calculated the proportion of utilization and costs reported via managed care encounter data attributable to the children in the COA group and applied those proportions to the full COA group capitation rates. This approach allowed us to utilize actual Medi-Cal managed care expected experience, while not being impacted by any encounter reporting issues (e.g., missing or under reported data).

The following bullets identify several adjustments that will impact the actual risk of the HFP population group and sample rate development. These issues/adjustments either have or have not yet (as indicated) been accounted for specifically. The sample rates presented below are NOT actuarially certified rates. Actual rates would likely differ based on final program design and updated data considerations, and would also differ by county:

- The Medi-Cal managed care and HFP populations' demographic mixes, for members age 0-19, were compared and significant differences were found. Therefore, an adjustment was made to the Medi-Cal data to more closely align with the demographic mix of the HFP population. To accomplish this, the following age band groupings were utilized: less than age 1, age 1-5, age 6-13, age 14-17 and age 18-20. The age 18-20 Medi-Cal data was assumed to be appropriate for the age 18-19 HFP population subset.
- Calculations utilized lower bound Contract Period (CP) 2011–12 (effective October 1, 2011 – September 30, 2012) Two-Plan rates (including maternity costs), with **no** adjustments related to AB 97 or SB 90. These estimates were trended an additional 15 months at a 3.5% annual trend rate to the midpoint of the calendar year 2013 time period to coincide more closely with the potential implementation date of any HFP member transition.
- These rates do not account for any acuity differences that may exist between the HFP and Medi-Cal age 0-19 populations outside of the aforementioned demographic adjustments. Without additional data, it is impossible to know how the acuity will compare. Some of the factors that will play into this issue include: A) in general, populations with higher income levels (i.e., HFP) tend to have lower acuity (i.e., better risk) than populations with lower income levels (i.e., Medi-Cal), B) in general, populations that have to pay a higher premium (HFP has member premiums and Medi-Cal does not) for health coverage tend to have higher acuity.

- These rates reflect an assumed savings of 4% for the impact of member cost sharing (co-payments). Member co-payments will not directly impact acuity, however, higher member cost sharing (HFP has member cost sharing and Medi-Cal does not) tends to reduce utilization, thereby reducing costs.
- These rates are reflective of current Two-Plan Medi-Cal managed care enrollment processes. That is to say, these rates do NOT reflect any retroactive eligibility or enrollment. The rates assume that newborns would be covered under the mother's ID for approximately the first 60 days, as is done in Medi-Cal currently. Therefore, the newborn costs associated with the time period covered under the mother's ID are NOT included in these rates. Note that for HFP, children less than 1 year of age account for less than 2% of all member months, so this specific difference is not anticipated to be significant, but HFP rates would be higher due to this difference.
- Current HFP rates may not be directly comparable due to eligibility processing timing differences. For example, it is our understanding that Medi-Cal's managed care processes typically take 60-90 days, whereas the HFP's eligibility process is typically closer to 30 days, which means that HFP rates would include costs that are not included in the Medi-Cal managed care rates.
- Current HFP rates also cover some mental health services and immunizations that are not covered by Medi-Cal managed care. No adjustments have been made to reflect such differences in the sample rates at this time.
- The sample capitation rates are reflective of the current Medi-Cal managed care covered services. The costs for services carved out of the managed care program (e.g., AIDS drugs, CCS services, transplants, Short-Doyle and waiver services, etc.) are NOT included in the sample rates. These costs are currently covered on a FFS basis by Medi-Cal, whereas some of these costs are in the HFP rates.
- Administrative loads were assumed to be approximately 10.5%, since this group of recipients has a lower average cost than the full Adult & Family COA group, whose administrative costs average approximately 9% at the lower bound. This was a proxy to account for the fixed and variable components of the administrative costs. The profit/risk/contingencies load is based on the Two-Plan CP 2011–2012 lower bound load of 2%.

The table below shows the resulting calendar year 2013 sample capitation rates for HFP children served through the Medi-Cal managed care program at various stages. Actual costs/rates will vary by county.

	Managed Care Covered Medical Component Only	Loaded with Administration and Profit/Risk ***
Base Rates	\$54.00	\$62.00
Add-on for PCP services*	\$ 3.00	\$ 3.00
Add-on for FQHC wrap**	\$ 3.43	\$ 3.43
Additional rate enhancement	\$ 3.42	\$ 3.42
Total Sample Rates	\$63.85	\$71.85

* In 2013, all Medi-Cal plans will have to pay for primary care services provided by certain primary care providers, to be paid at 100% of the Medicare fee schedule rates.

** It is anticipated that Medi-Cal capitation rates in the future will include the full payment for federally mandated PPS FQHC rates.

*** The rates above do NOT include the 1422 Tax of 2.35%.