



SOCIETY OF ACTUARIES

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**Session 52 PD, Actuarial Soundness, the CMS  
Checklist and Rate Certification Letters as they  
relate to Medicaid Managed Care Rate-Setting**

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# Medicaid Managed Care Strategic Plan

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## Current Landscape

### **Managed care is the predominant delivery system for Medicaid beneficiaries**

- 66% of all Medicaid beneficiaries in 2011 enrolled in a health plan (for some or all services)
- 38 States in 2011 delivered some or all Medicaid benefits through health plans (comprehensive or limited)
- Capitated health plan payments represented 25% of all Medicaid expenditures in 2011



## What's Coming

- By 2014, 16 States will be transitioning long-term services to managed care delivery systems
- Anywhere from 11 to 16 million beneficiaries will enroll in Medicaid over next 5 years – virtually all in health plans
- As much as 40% of all Medicaid expenditures will be for capitated plan payments



## CMS' Response

### **The managed care system must work better for beneficiaries, States and CMS**

- It is imperative that CMS modernize and improve its oversight and management of Medicaid managed care (MMC) delivery systems
- CMCS has developed strategic plan to include all facets of MMC including program oversight, rate-setting, quality, and program integrity



## CMS' Response

- Staff up
  - Staffing for managed care operations and policy commensurate with scope of delivery system
- Clear expectations
  - Publish policy guidance on different aspects of managed care delivery systems, including
    - Enrollment/disenrollment
    - Marketing
    - Access/network adequacy standards
    - Rate-setting



## CMS' Response

- Review tools and program guides that standardize oversight across country
  - Share best practices
- Multi-dimensional technical assistance to States
  - New MMC technical assistance center for States on Medicaid.gov – a 'one-stop shop' for toolkits, best practices and requests for managed care TA
  - State training webinars and conference calls
  - State learning collaborative on managed care innovations



## Capitated Rate Policy Perspective

- Past practice of accepting actuarial certification is changing
- CMS intends to 'look under the hood' of rate-setting documentation
- CMS intends to proactively set rate-setting policy and drive practice in a way that balances both State and Federal interests
- 100% FFP for newly eligible group  
key consideration



## Capitated Rate Policy Activities

- Assess current rate-setting practices
- Develop 'terminology' guide
- Create database of rate-setting information
- Identify 'high-risk' payment practices
- Develop new/revised review tools and protocols
- Use actuarial resources (e.g. OACT) to help support policy and tool development





# Actuarial Perspectives on Medicaid Managed Care

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## Medicaid

- Expenditures<sup>1</sup>
  - \$432 billion (2012)
  - \$795 billion (2021)
- Enrollment<sup>1</sup>
  - 56.7 million (2012)
  - 77.9 million (2021)
- 2021 Statistics
  - 3.2% GDP<sup>1</sup>
  - Medicaid would be 20<sup>th</sup> largest country (Germany 19<sup>th</sup>)<sup>2</sup>
  - Medicaid would be 22<sup>nd</sup> largest economy (Sweden 21<sup>st</sup>, Norway 22<sup>nd</sup>)<sup>3</sup>

## Medicaid Managed Care

- 42 million Medicaid managed care plan enrollees (2011)<sup>1</sup>
  - 12 million Medicare private plan enrollees (2011)<sup>2</sup>
  - 187 million private insurance enrollees (2011)<sup>3</sup>
- \$120 billion Medicaid managed care plans and other non-Medicare premiums (2012)<sup>4</sup>

Sources: <sup>1</sup> CMS, *2011 Medicaid Managed Care Enrollment Report*; <sup>2</sup> 2012 Medicare Trustees Report; <sup>3</sup> CMS, National Health Expenditure Accounts; <sup>4</sup> CMS, CMS-64 Forms.

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## Medicaid Managed Care

- Medicaid Expansion
  - Adults with incomes up to 138% FPL
  - Estimated impacts (2021)<sup>1</sup>
    - Baseline
      - 18 million new enrollees
      - \$78 billion new spending
    - All States expanding eligibility
      - 25 million new enrollees
      - \$117 billion new spending
  - Increased use of managed care

Sources: <sup>1</sup> CMS, *2012 Actuarial Report on the Financial Outlook for Medicaid*.

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## Challenges in Medicaid Managed Care

- Complexity
- Standards and regulations
- Rigor
- Federal/State roles

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## Current Actuarial Role

- *Ad hoc* assistance
  - Medicaid managed care rate reviews
  - Primary care physician rate increase adjustments
- No formal role or authority

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## Actuarial Role in Strategic Plan

- Larger role in rate review process
- Advice and input into rate setting and review process

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## Future Actuarial Role

- Unknown
- Questions
  - Will actuaries be part of the formal review process?
  - Will actuaries have any authority in review process?
  - Which actuarial resources will be used in review process?

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# Opportunities

- Actuarial well-suited to address challenges
  - Complexity
  - Standards and regulations
  - Rigor
- Increase in use of Medicaid managed care
- Health care reform