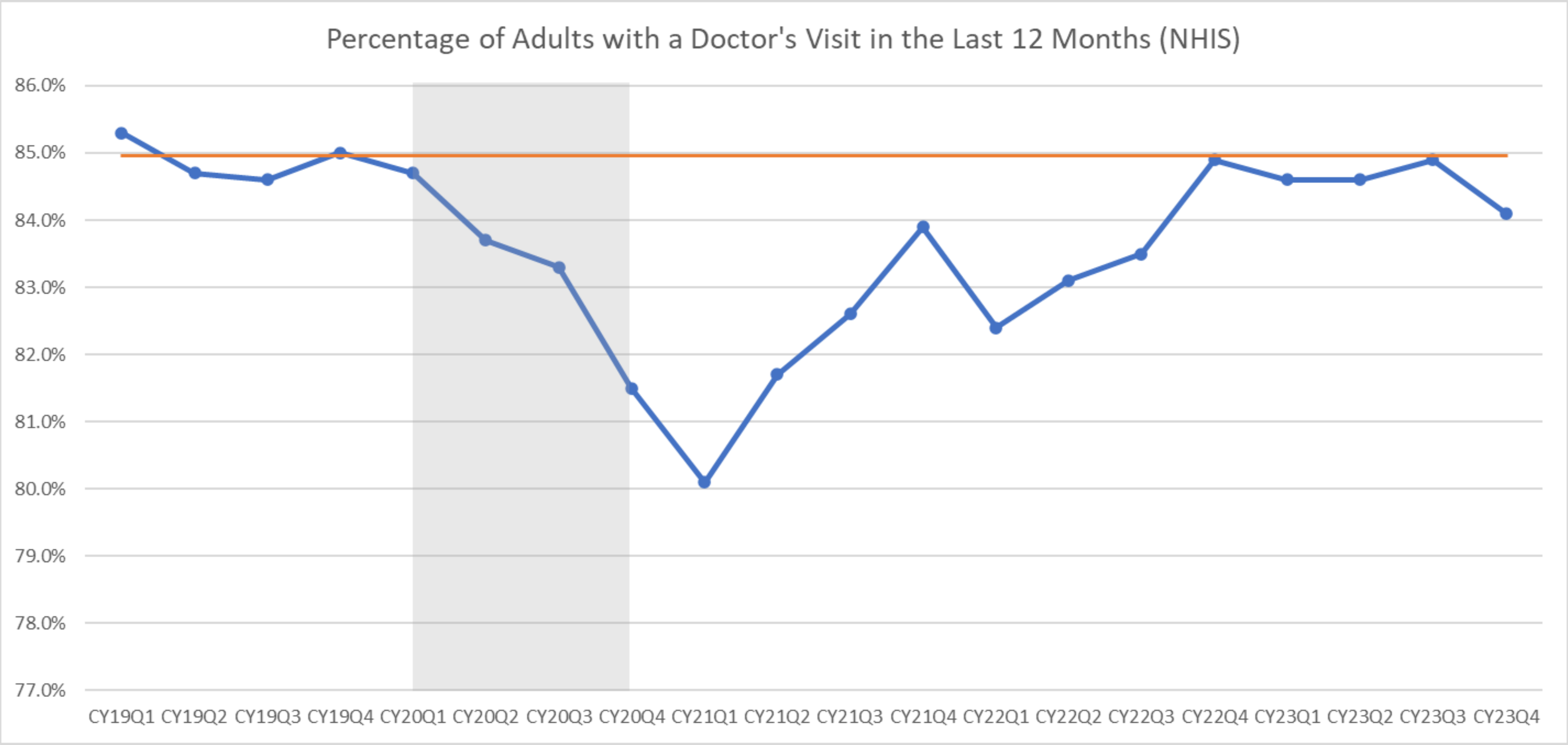
Unwinding:
Recovering from COVID

2024 HSFO Conference

Salt Lake City, Aug 6-10, 2024

Utilization of Medical Services Has Largely Rebounded Since the PHE

Doctor's Visits



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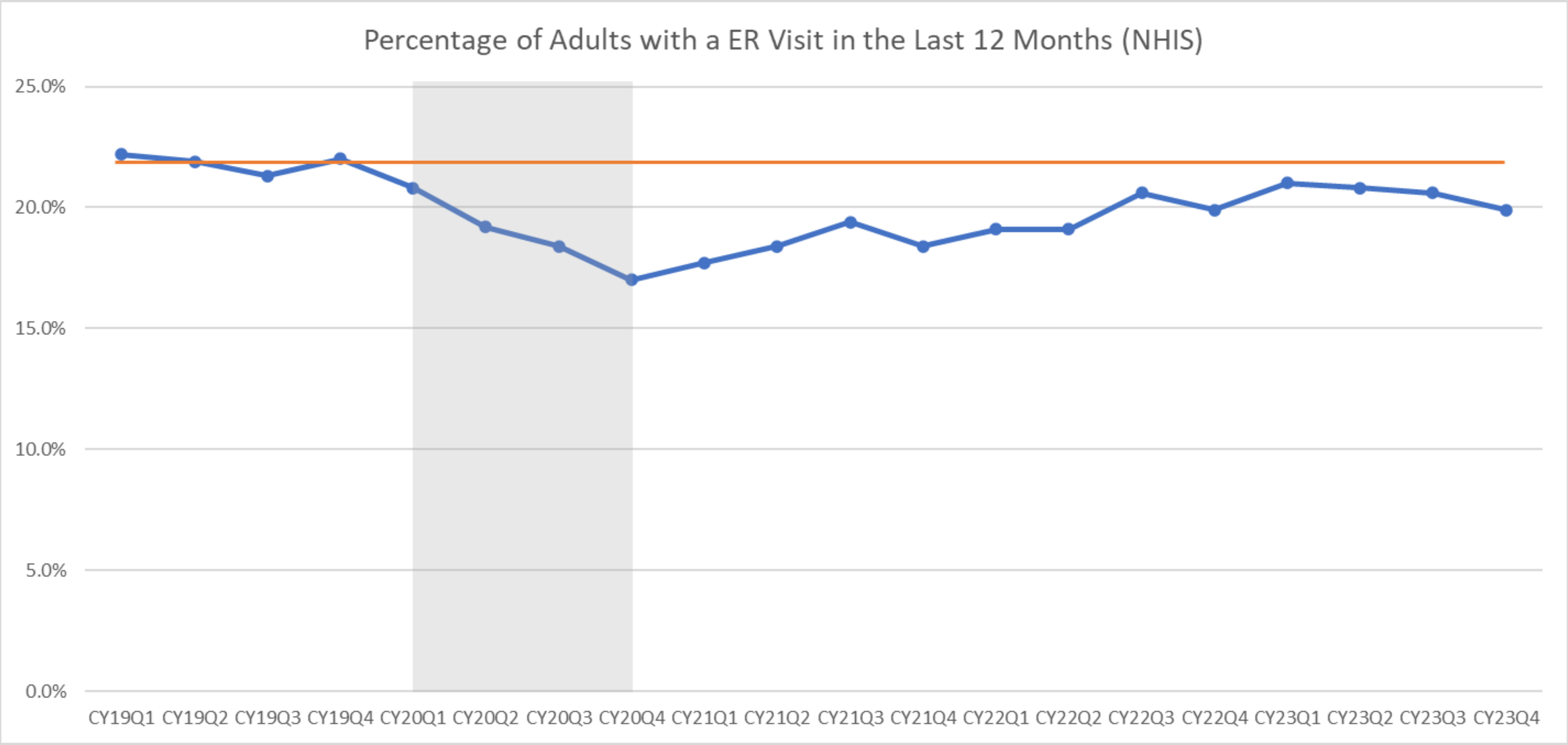
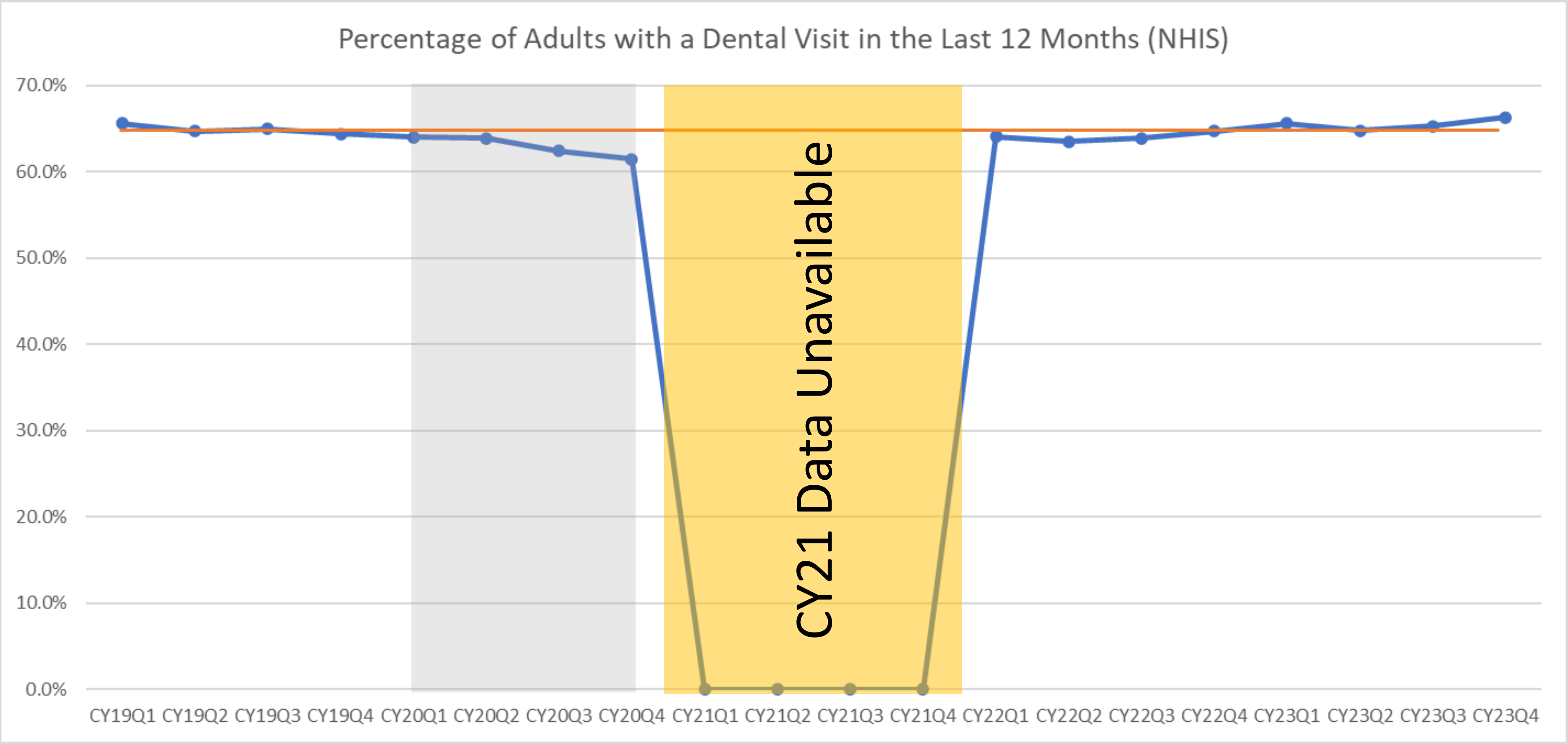
Utilization of Medical Services Has Largely Rebounded Since the PHE

Emergency Room Visits



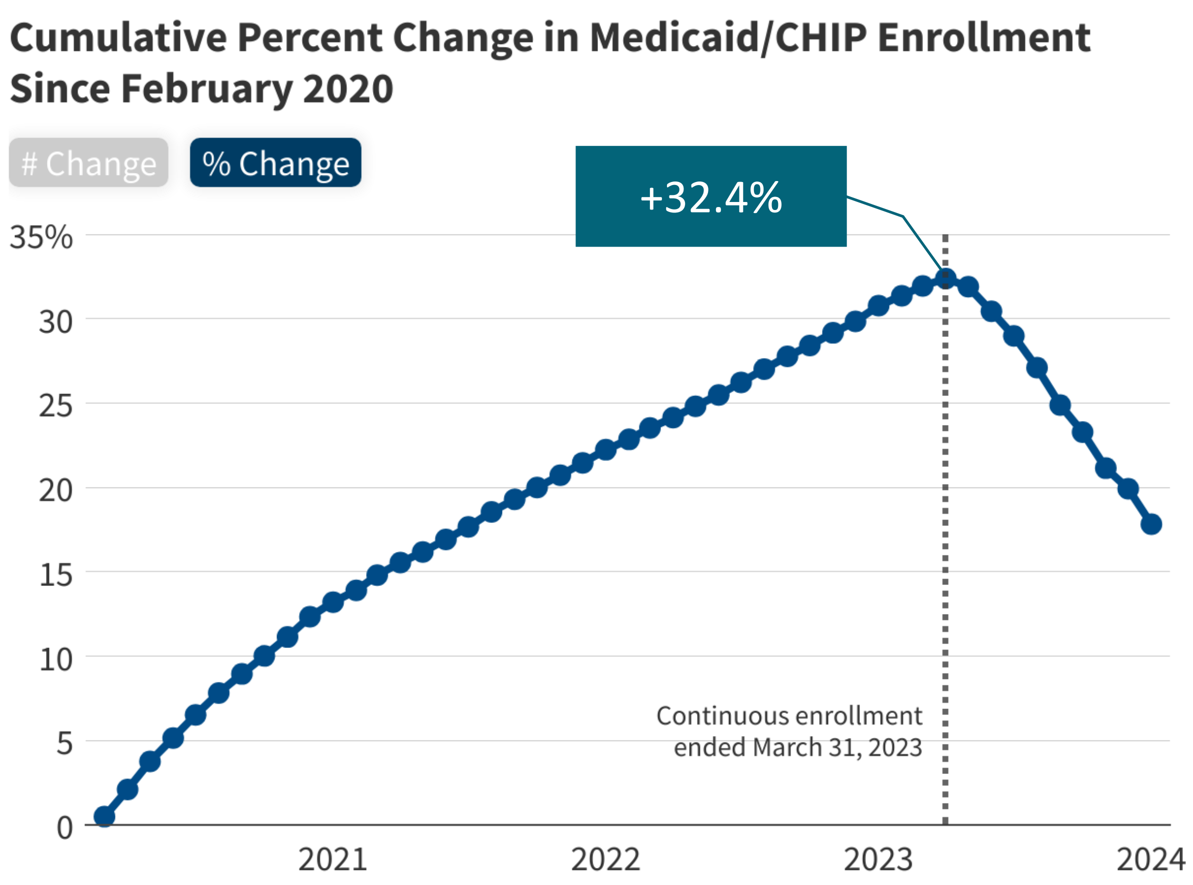
Utilization of Medical Services Has Largely Rebounded Since the PHE

Dental Visits



Membership Increased During the Public Health Emergency

- In exchange for an increase in federal Medicaid matching payments, states couldn't disenroll Medicaid beneficiaries during the pandemic
- National Medicaid / CHIP membership increased every month until April 2024
- Note that several states expanded Medicaid during this time



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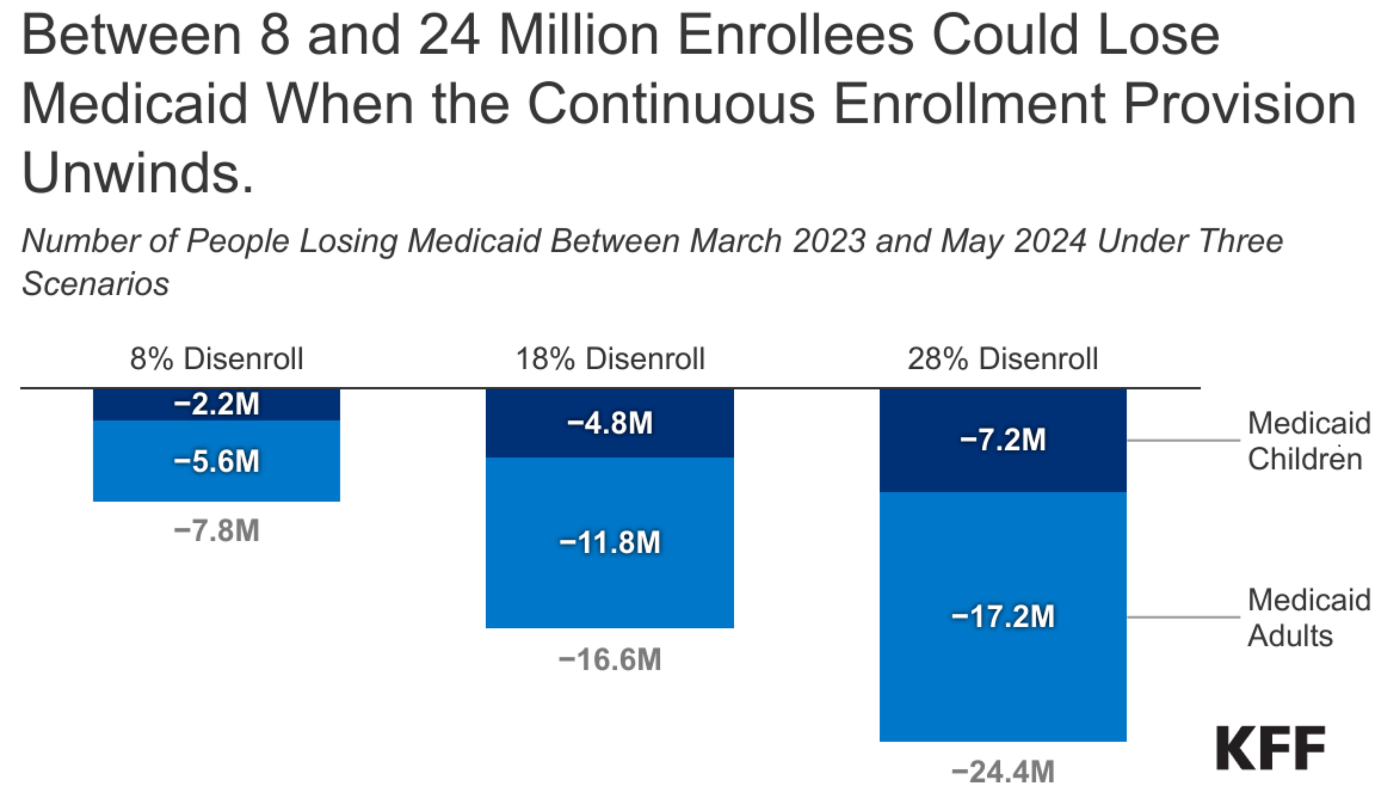
Brief Background on Medicaid and the Unwinding

- Congress enacted the Consolidated Appropriations Act in December 2022, which phased down the increased government matching payments until December 31, 2023 and ended the continuous enrollment provision on March 31, 2023.
- Beginning on April 1, 2023, states could resume Medicaid disenrollments; however, before doing so, they had to complete member renewals in compliance with federal regulations.
- States were told they had "*12 months to initiate, and 14 months to complete, a renewal for all individuals enrolled*" at the end of the PHE. Still, states had significant flexibility in how they carry out the unwinding (**therefore great variation state-to-state**).
- Less than four months into the unwinding, CMS mandated that twelve states pause redeterminations, citing procedural or operational inconsistencies, some of which have been highlighted in the news.

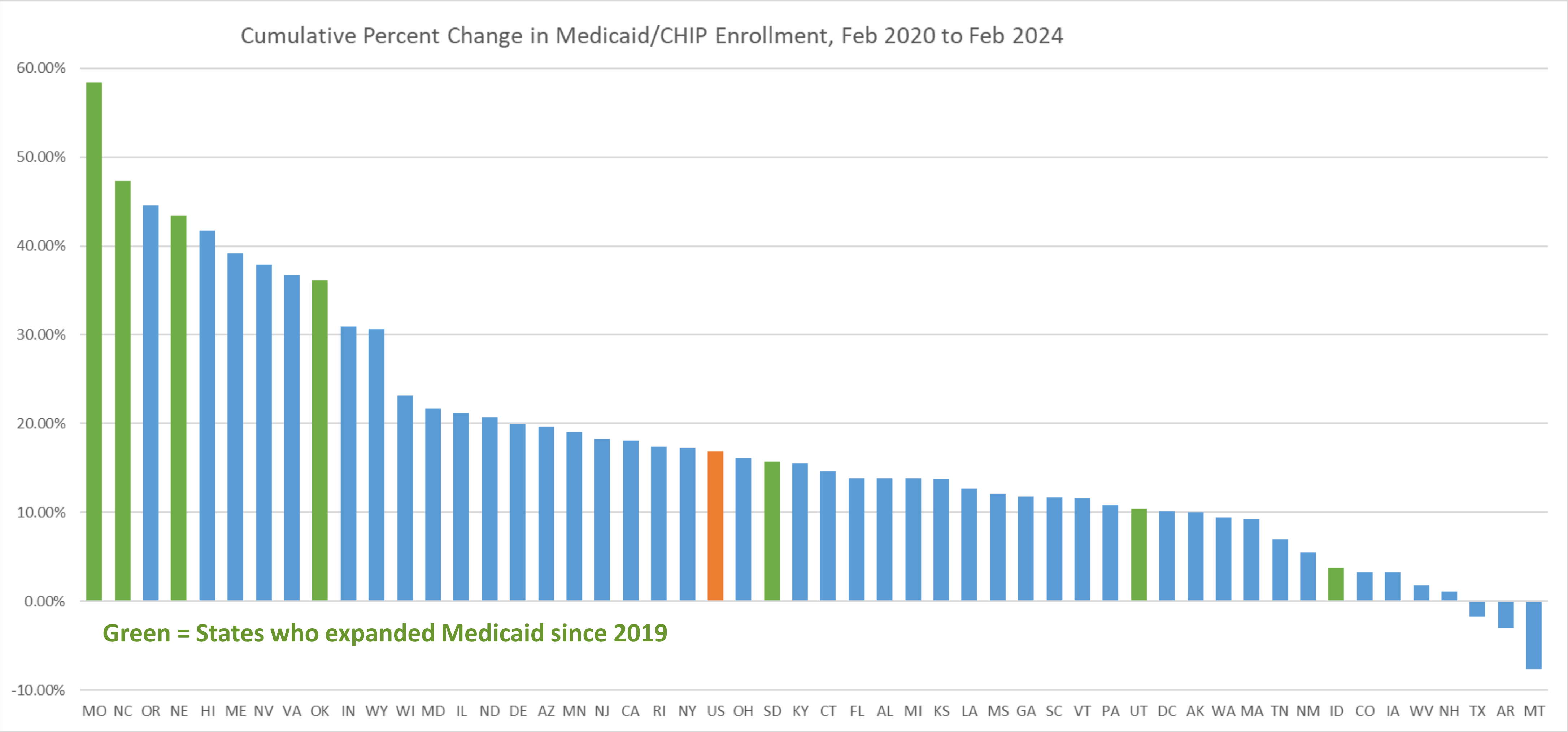
Initial Estimates of Disenrollment Varied



- As of June 14, 2024 AT LEAST 23,010,000 Medicaid enrollees have been disenrolled, a 24.4% decrease since April 2023

- KFF estimates that renewals have been completed for 77% of March 2023 enrollees

Enrollment as of Feb 2024 Remains Inflated



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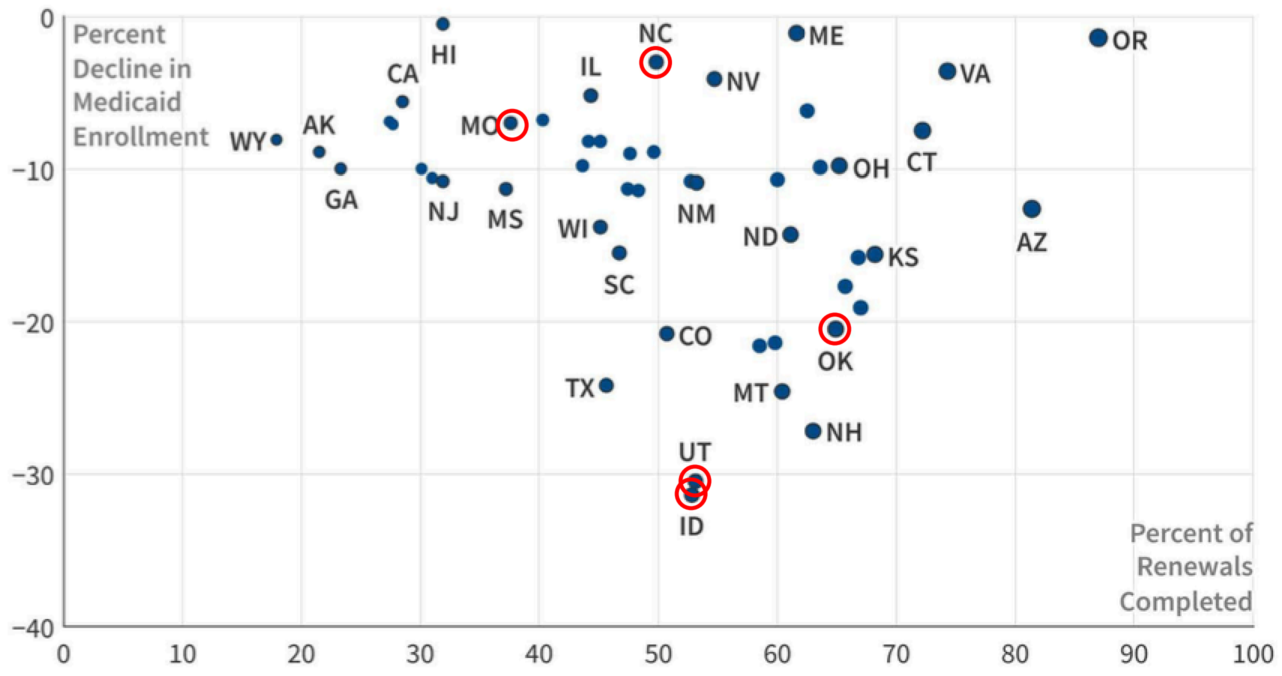
Still, Renewal Progress is Not Well Correlated with Disenrollments

- Disenrollments have not tracked along with state renewal progress, especially when newly expanded states are removed (red)

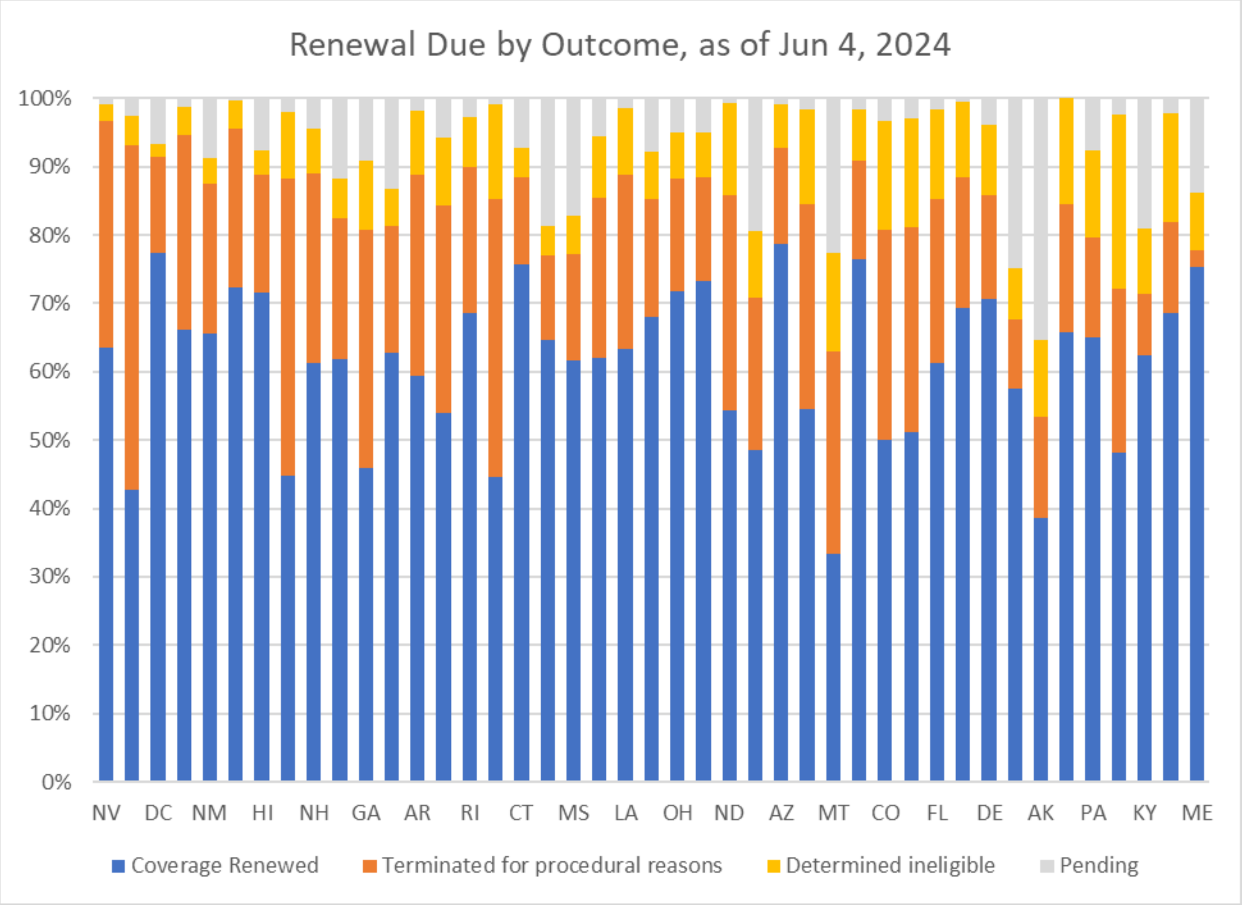


NOTE: Time periods and data sources vary by state. Baseline enrollment is enrollment in the month before a state resumed disenrollments and varies by state. Data are taken from state websites or CMS Performance Indicator Data, depending on which is most current and complete.

SOURCE: State Medicaid enrollment websites and CMS, Medicaid & CHIP: Monthly Application and Eligibility Reports

Redetermination Outcomes

- Renewed
  - Automatically via 'Ex Parte' Process (60%)
  - Renewal Form
- Determined Ineligible and Disenrolled
  - via Procedural Reasons (69%)
- However, this mix varies by State



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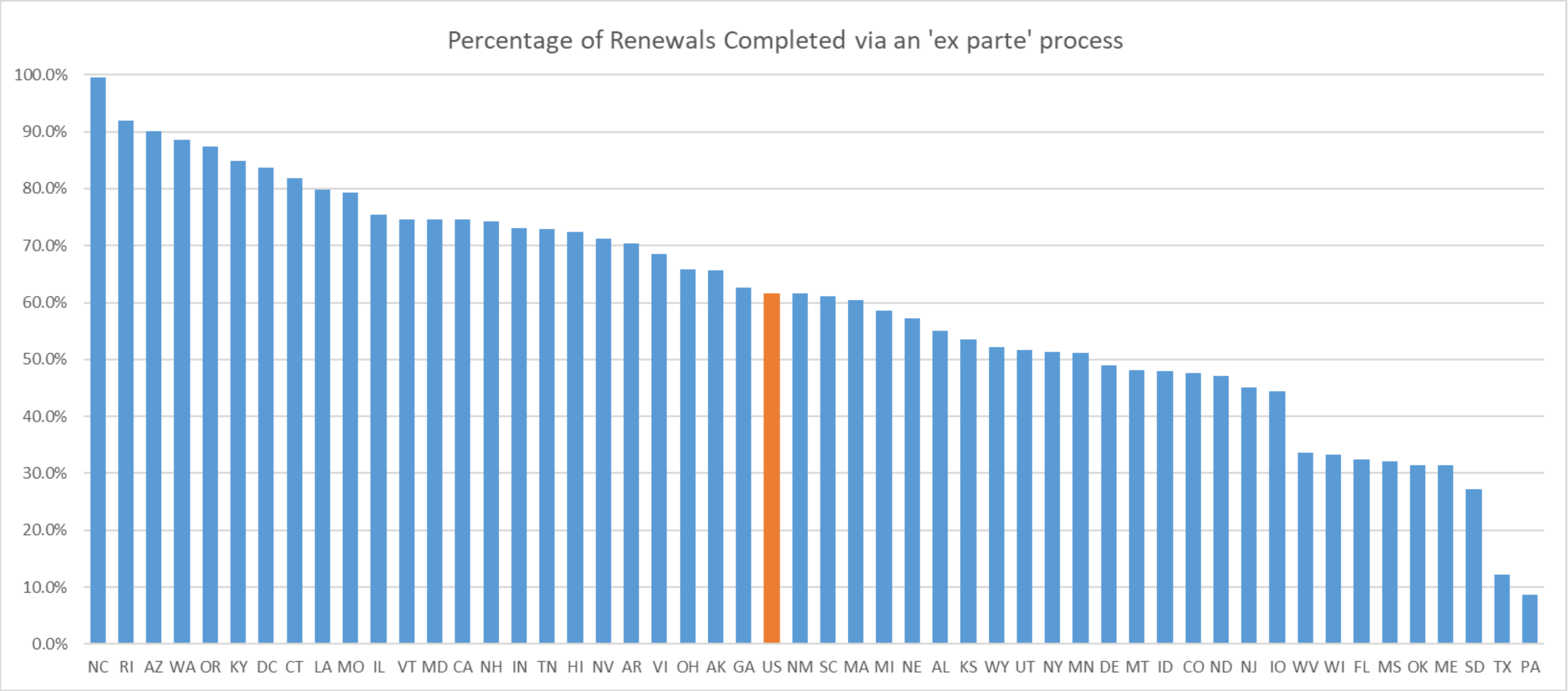
Ex Parte Renewals by State



Acuity Adjustments

How are actuaries adjusting capitation rates?

- Several options to approximate change in acuity:
  - Durational analysis
  - Risk Scores
  - Stayer / Leaver / Joiner
- Factors:
  - Availability of credible data in time for rate development (prospective)
  - State unwinding timeframe / process / intensity
  - Eligibility Criteria
  - Prior Adjustments

Acuity Adjustments

How long will rate impacts from unwinding last?

- Until base data stabilizes with respect to churn and regular renewals
  - Data will take a while to stabilize given that new members continue to enroll
  - States will need to resume renewal processes for members enrolled AFTER March 2023.

- Lower impact expected as states approach ‘steady state’ renewal processes and membership levels.

Impact of Disenrollees on State Budgets

- Large enrollment shifts between the pre-PHE, PHE, unwinding, and post-unwinding periods result in changing mix of Medicaid enrollees with varying utilizations patterns
- Average risk profile is notably different between the PHE and post-unwinding periods
  - Non-utilizers who may already have other health insurance coverage dilute the risk profile during PHE
  - Eligibility redeterminations that lead to disenrollment of non-utilizers will remove the dilution, resulting in an increase to expected per capita costs
  - States will need to account for acuity differences in order to pay plans appropriately
- State budgets see fiscal relief through lower enrollment but fiscal pressure through higher average cost and phase-down to FMAP

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Medicaid Provider Rate Setting After PHE Unwinding

HSFO 2024

August 2024
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Agenda

1. Provider Perspective During the Public Health Emergency
2. Provider Rate Setting After the Public Health Emergency
3. Questions/Discussion

Provider Perspective During the Public Health Emergency

1

Public Health Emergency (PHE) Unwind

Provider Perspective During the PHE

Provider Revenue Pressures

- Reduced utilization and acuity cause lower fee-for-service (FFS) revenue
- Increased Medicaid enrollment and market share mean less commercial revenue

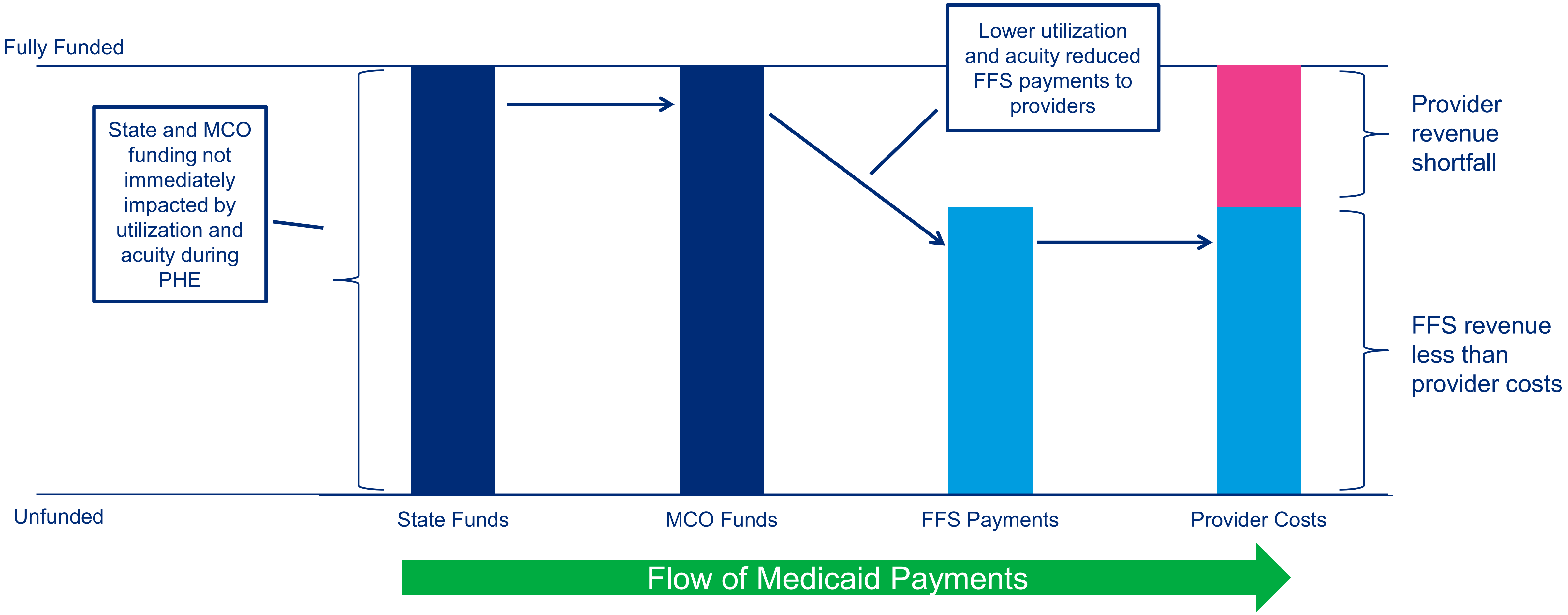
Provider Cost Pressure

- Fixed costs
- Social distancing and other COVID prevention measures
- Reduced elective procedures
- Telehealth and IT costs
- Increased prevalence of behavioral health needs
- Increased HCBS needs
- Great Resignation and staffing shortages

PHE Unwind

Provider FFS Revenue Bottleneck Early in the PHE

FFS payment construct caused bottleneck in providing state and managed care organization (MCO) funds to providers due to reduced utilization and acuity early in the PHE



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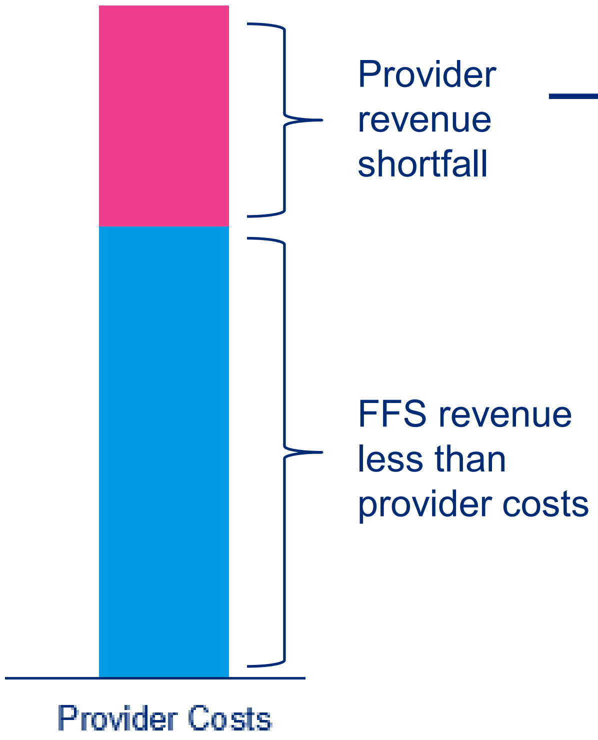
PHE Unwind

Provider Revenue Shortfall Solutions During the PHE

States and MCOs used a variety of mechanisms to ameliorate provider revenue shortfalls during the PHE



Address shortfall through:
- FFS rate increases
- State Directed Payments
- Increased use of provider capitation and advanced payment models (APMs)
- Provider stabilization payments
- ARPA funding

Provider Rate Setting After the PHE

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Provider Rate Interaction with Economy

Recession

- States face shortfalls and turn to provider rates to make-up shortfall
- Federal government steps in with enhanced FMAP to typically keep provider rates steady

Economic Upturn

- States tend to have more revenue and will look at increasing rates more favorably
- Federal government will eliminate enhanced FMAP rates that can put pause on necessary increases

PHE Unwind

Provider Payment Considerations — Post PHE

Shifting market dynamics as the PHE unwinds

- Medicaid enrollment and market share
- Alternative Payment Models (APMs)
- ? FFS rate increases
- Medicaid utilization and acuity
- Continued ARPA funding impacts
- ? Workforce challenges

Factors Causing Rise in Provider Rates During PHE Unwind

COVID-19 PHE

- States endure economic hardship due to loss of revenue from PHE
- Providers see economic burden to elimination of elective services and face work shortages
- Federal government and state governments use all available resources to pour money into providers through rate increases and supplemental payments
- Legislatures began requesting rate studies on various provider types to ensure payments were sufficient

Post-PHE

- Legislatures continue to seek rate studies on various provider types
- Providers continue to endure work shortages and increases in labor cost due to legislative (minimum wage rates) and society changes
- Societal issues have caused a shift in examining services that were previously not high on Medicaid agencies list for rate increases
- Managed Care Rule’s impact on use of fee schedules and benchmarking to Medicare is continuing to cause rate increases
- Medicaid Access rule ensuring provider rates are sufficient for proper access of Medicaid services

Additional Impact on Nursing Facilities and HCBS Providers Post-PHE

- Per Kaiser Family Foundation (KFF) survey of States for FY 2023 and FY 2024, 43 states implemented rate increases in FY 2023 and adopted in FY 2024 for nursing facilities compared to 41 for HCBS providers.
- Rate increases can be contributed to many issues including:
  - Workforce shortages
  - ARPA Funding for HCBS Providers
- According to the KFF State Survey, 33 states plan to make their HCBS payment increases permanent.
- Reinstating policies related to eligibility, utilization, reducing slots, and reinstating prior authorization that were suspended during the PHE could cause loss of revenue to HCBS providers despite the increase in provider rates.
- The Medicaid Final Rule to ensure access to Medicaid services may cause continued increase in HCBS rates as the ongoing workforce shortage and policy changes result in a reduction in access under for HCBS recipients.
- CMS issuance of minimum staffing requirements for Nursing Facilities may cause pressure on states to increase funding to facilities to enable compliance with the requirements.

Examples of State Changes To FFS Rates

- Example State One — Increase payments for Substance Abuse Disorders
  - Update of rates for Substance Abuse Disorder (SUD) and Medication Assisted Treatment (MAT) Services
  - Based on public notice, the rate increases were "mandated by the Legislature and will allow Medicaid recipients' continued access to necessary healthcare services as well as provide further incentives for providers to remain in the Medicaid program."
  - Federal impact of approved SPA: FFY 2024 – $102.673 and FFY 2025 – 136,898
- Example State Two — Increase in payments to support workforce
  - Creation of a supplemental payment program to increase payments to direct support professionals including:
    - 1905(a) Home Health Agency — Personal Care Aides; Home Health Aides
    - 1915(i) Adult Day Health Providers — Personal Care Aides employed as Direct Care Support staff
    - 1915(i) Supported Employment Providers — Certified Peer Specialists
  - Federal impact of approved SPA: FFY 2024 – $28,302,031 and FFY 2025 – $30,096,822
- Example State Three — Increase payments for Pediatric Behavioral Health
  - Increase payment rates for Pediatric Behavioral Therapy (PBT)
  - The public notice states that "the rate increase is critical for the Department to establish a reimbursement that supports this specialized workforce and expedites member access to treatment as early as possible, given the existing waitlist for services."
  - Federal Impact of approved SPA: FFY 2024 – $9,497,863 and FFY 2025 – $17,140,766

Questions?

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