

APPENDIX C

Note: The documents included in this appendix provide historical information on development of Community HealthChoices rate ranges for both the CY 2022 and CY 2023 Agreement Years. The Department's actuary will develop rate ranges specific to the agreements that will result from this procurement. These will be separate efforts that do not rely on the work or data used for development of the documents included in this appendix.

Appendix C: Financial Data

Table of Contents

Average Community HealthChoices Rates

Population - April 2023 Member Months

CY 2023 Community HealthChoices Care Management, Administrative
and Underwriting Margin

CY 2023 Community HealthChoices Rate Methodology Overview

CY 2023 Community HealthChoices Trend Summaries

Appendix C: Average Community HealthChoices Rates

CY 2022 Average Rates

The average rates are grouped by rate cell and rating region consistent with how Community HealthChoices capitation rates are paid. These rates include the Nursing Facility Access to Care payments that go to the nursing facility providers as well as the MCO Assessment, which is a head tax on contractors per enrollee per month.

Any MCO or provider P4P program amounts are excluded from this calculation.

Rating Region	NFCE Dual 21-59	NFCE Dual 60+	NFCE Non-Dual 21-59	NFCE Non-Dual 60+	NFI Dual 21-59	NFI Dual 60+
Southwest – Allegheny	\$4,973.46	\$5,797.01	\$8,561.74	\$8,347.14	\$108.40	\$150.88
Southwest – 13 Counties	\$4,989.58	\$5,814.32	\$8,196.18	\$7,516.78	\$108.55	\$134.66
Southeast – Philadelphia	\$6,551.18	\$6,138.86	\$8,959.25	\$8,648.16	\$136.67	\$168.48
Southeast – 4 Counties	\$7,158.31	\$6,479.25	\$10,027.86	\$8,959.92	\$127.29	\$155.49
Lehigh/Capital	\$6,526.65	\$6,715.93	\$8,901.30	\$9,175.00	\$102.96	\$122.80
Northeast	\$5,281.85	\$5,811.94	\$7,878.27	\$8,061.06	\$100.34	\$123.46
Northwest	\$4,748.25	\$5,510.36	\$7,656.50	\$8,242.00	\$105.94	\$121.40

Population – April 2023 Member Months

The below table summarizes April 2023 member months by rate cell and rating region based on the OLTL capitation payment files (820 files). Future enrollment can be uncertain and can be affected by changes in the economy, law and regulation, and policies, such as the unwinding of the continuous coverage requirements in the Medicaid Maintenance of Effort policy.

Rating Region	NFCE Dual 21-59	NFCE Dual 60+	NFCE Non-Dual 21-59	NFCE Non-Dual 60+	NFI Dual 21-59	NFI Dual 60+	Total
Southwest – Allegheny	1,394	7,344	1,561	917	8,620	15,662	35,497
Southwest – 13 Counties	2,329	9,908	1,696	720	16,317	24,480	55,451
Southeast – Philadelphia	7,355	31,771	13,008	6,228	13,301	36,901	108,564
Southeast – 4 Counties	2,886	15,665	2,881	1,988	9,790	18,528	51,738
Lehigh/Capital	3,076	18,521	3,640	2,332	21,468	32,975	82,012
Northeast	1,894	11,202	1,261	671	16,372	25,043	56,443
Northwest	1,399	6,616	1,310	548	9,373	11,911	31,156
Total	20,332	101,028	25,357	13,405	95,240	165,500	420,862

Note: Some numbers do not add due to rounding

CY 2023 Community HealthChoices Care Management, Administrative and Underwriting Margin

The rates include amounts to cover MCOs' care management and administrative costs as well as an underwriting margin. In development of the rate ranges, differing assumptions are developed for the NFCE Facility (NFCE FAC), NFCE Waiver (NFCE WAV), and NFI Dual populations for MCO care management and administrative expenses. Therefore, the overall percentage of the rate that covers care management, administrative costs and underwriting margin is different for each rate cell.

The percentage of the CY 2023 rates that is for care management, administrative costs and underwriting margin at the Mercer Estimate is shown in the following table, summarized by NFCE FAC, NFCE WAV, and NFI Dual rate cell grouping as well as by rating region.

Non-Benefit Expense Load Summary

Non-Benefit Expense Load Component	Southwest - Allegheny				Southwest - 13 Counties			
	NFCE - FAC	NFCE - WAV	NFI	Overall	NFCE - FAC	NFCE - WAV	NFI	Overall
Care Management	1.20%	3.30%	3.50%	2.47%	1.20%	3.30%	3.50%	2.13%
Administrative Expenses	1.30%	2.75%	9.00%	2.41%	1.30%	3.00%	9.00%	2.30%
Underwriting Gain	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Total Non-Benefit Load	4.25%	7.80%	14.25%	6.63%	4.25%	8.05%	14.25%	6.18%

Non-Benefit Expense Load Component	Southeast - Philadelphia				Southeast - 4 Counties			
	NFCE - FAC	NFCE - WAV	NFI	Overall	NFCE - FAC	NFCE - WAV	NFI	Overall
Care Management	1.20%	3.30%	3.50%	3.09%	1.20%	3.30%	3.50%	2.39%
Administrative Expenses	1.30%	2.25%	9.00%	2.28%	1.30%	2.25%	9.00%	1.98%
Underwriting Gain	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Total Non-Benefit Load	4.25%	7.30%	14.25%	7.12%	4.25%	7.30%	14.25%	6.12%

Non-Benefit Expense Load Component	Lehigh/Capital				Northeast				Northwest			
	NFCE - FAC	NFCE - WAV	NFI	Overall	NFCE - FAC	NFCE - WAV	NFI	Overall	NFCE - FAC	NFCE - WAV	NFI	Overall
Care Management	1.20%	3.30%	3.50%	2.34%	1.20%	3.30%	3.50%	2.14%	1.20%	3.30%	3.50%	2.31%
Administrative Expenses	1.30%	2.25%	9.00%	2.01%	1.40%	2.75%	9.00%	2.28%	1.30%	2.75%	9.00%	2.27%
Underwriting Gain	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Total Non-Benefit Load	4.25%	7.30%	14.25%	6.10%	4.35%	7.80%	14.25%	6.17%	4.25%	7.80%	14.25%	6.33%

CY 2023 Databook

The following link provides access to the CY 2023 Databook:

[CY23_ENC_PA_CHC_Databook.pdf](#)

CY 2023 Community HealthChoices Rate Methodology Overview

Capitation Rate Technical Assistance Session

CY 2023 CHC

Pennsylvania OLTL
September 27, 2022
Elizabeth Collins, RN-BC MSN; Tom Dahl, FSA, MAAA; Sara Drake, RPh, MPH, MBA;
Tehya Heyrman; Angela Ugstad, ASA, MAAA

A business of Marsh McLennan



1. Introductions
2. CY 2023 CHC Major Considerations
3. CHC Rate Development Process
4. CHC Risk Mitigation Techniques
5. CY 2023 Contract Meetings
6. Questions

Agenda

Introductions

1

Today's Presenters



Elizabeth Collins, RN-BC, MSN
Principal



Tom Dahl, FSA, MAAA
Principal



Sara Drake, RPh, MPH, MBA
Principal



Tehya Heyrman
Associate



Angela Ugstad, ASA, MAAA
Principal

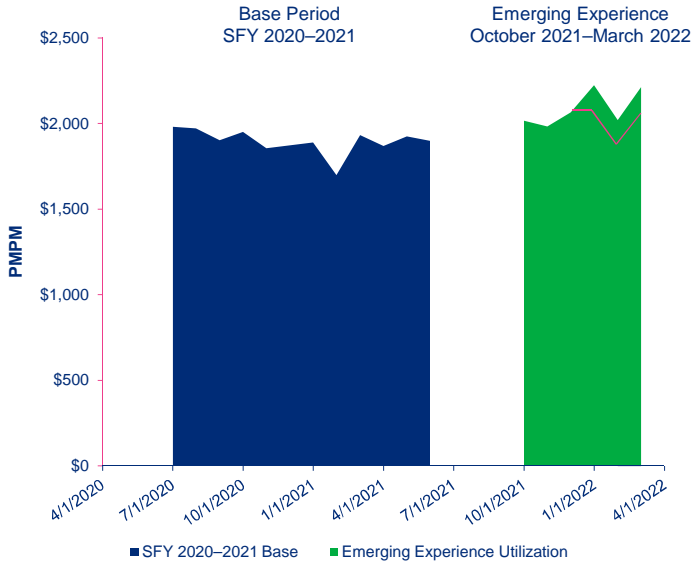
CY 2023 CHC Major Considerations



CY 2023 Major Considerations: Base Data

Base Data

- The SFY 2020-2021 base data reflects a general slowdown in utilization caused by:
 - The COVID-19 pandemic.
 - Continued utilization management by the CHC-MCOs, especially observed within PAS.
- The slowdown continues to be evident in emerging 2022 CHC program data.
- These two factors put downward pressure on the CY 2023 capitation rates compared to levels projected as part of CY 2022 rate development.
- Rate range accommodates a variety of scenarios for the pace and level of returning service utilization.

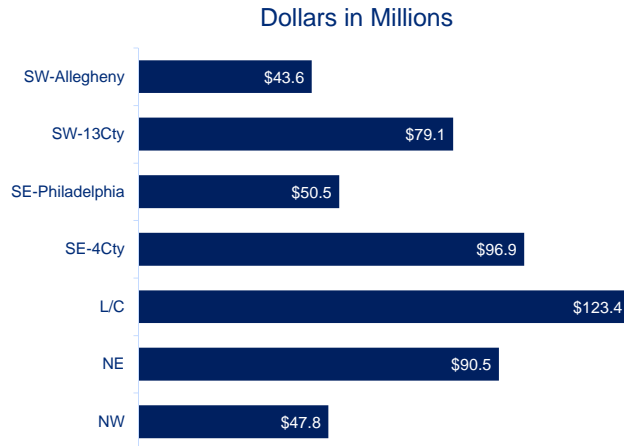


CY 2023 Major Considerations: NF Staffing Ratio Regulations

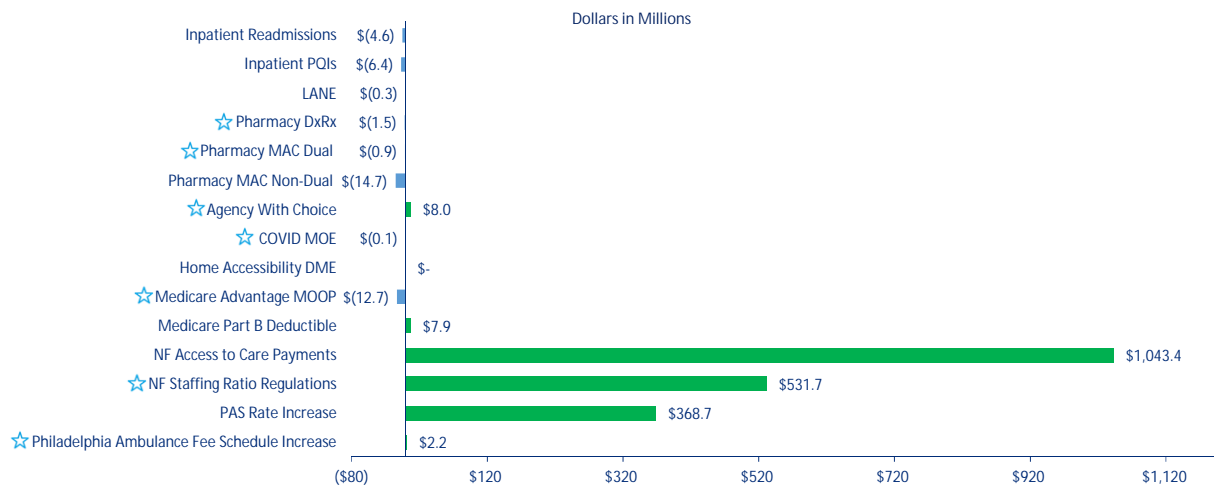


NF Staffing Ratio Regulations

- Effective July 1, 2023, skilled NFs will be required to adhere to the Pennsylvania DOH regulation to increase the number of hours of direct care that NF residents receive each day.
- Additional funding is being provided effective January 1, 2023 to support NFs as they increase staffing in advance of the regulation being implemented.
- Statewide Adjustment: **\$531.7 million.**

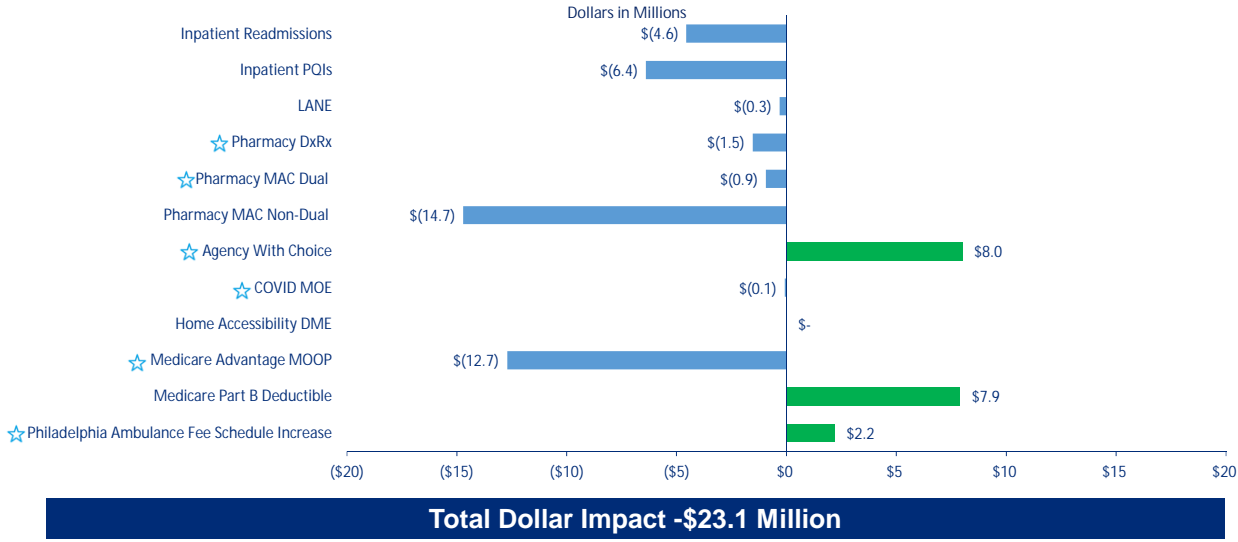


CY 2023 Managed Care Efficiencies and Program Changes



Total Dollar Impact \$1.9 Billion

CY 2023 Managed Care Efficiencies and Program Changes



CHC Rate Development Process





Actuarial Capitation Rate-Setting Goals





Federal Regulations and Guidance

Key Regulations

 <p>Medicaid Managed Care Final Rule</p>	<p>Rate development must comply with applicable laws and regulations for Medicaid managed care rate development, most notably the Medicaid Managed Care Final Rule, which had provisions starting in December 2020</p>
 <p>ARP Act of 2021</p>	<p>Aids in United States' recovery from the economic downturn and recession resulting from the COVID-19 pandemic, includes several provisions impacting Medicaid</p>

Guidance

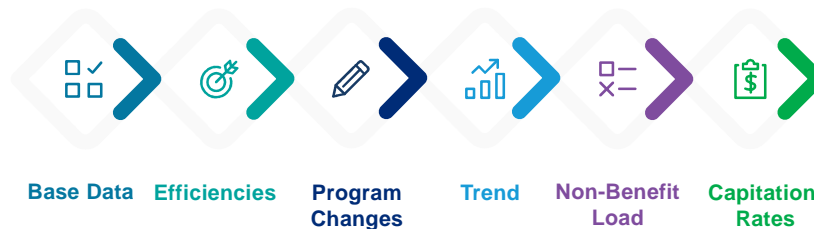
 <p>ASOP #49</p>	<p>Guidance specific to Medicaid Managed Care Rate Development and Certification submitted to CMS</p>
 <p>Medicaid Managed Care Rate Development Guide</p>	<ul style="list-style-type: none"> • Describes expectations for states and their actuaries to provide when developing actuarial rate certifications • New 2022/2023 version recently released

OLTL's Role



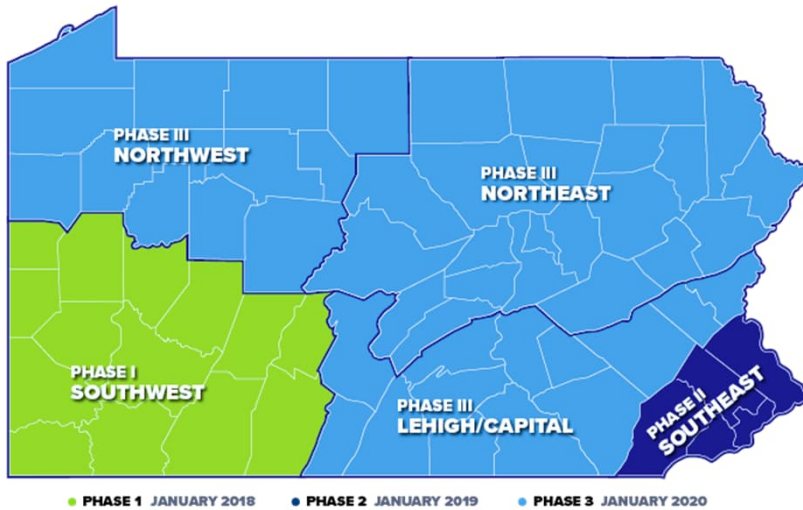
Annual Rate-Setting Process

Introduction



Commonwealth expects the CHC-MCOs to proactively and effectively manage the health care of all members. Successful management can reduce overall health care costs and improve patients' quality of medical care.

Rate Structure



Capitation Rate Development

Establish Rate Cells

- CHC capitation rates are paid based on a combination of:
 - Rating region
 - NFCE status
 - Dual eligibility status
 - Age group
- For NFCE populations, CHC uses a blended rate cell structure
 - Under the blended structure, a single capitation payment is made regardless of whether the individual resides in a NF or receives HCBS through a 1915(c) waiver



Rate Structure — Rate Cells



NFCE Dual 21–59



NFCE Non-Dual 21–59



NFI Dual 21–59



NFCE Dual — 60+



NFCE Non-Dual — 60+



NFI Dual — 60+

Encounter data eligibility verification against DHS eligibility records:

- Are all recipients Medicaid eligible?
- Do recipients fall under a covered rate cell during the contract period within the Managed Care Payment Systems Table?

Covered Services



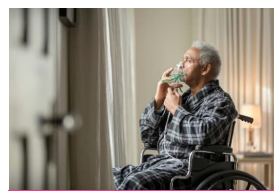
Nursing Facility

NF



Personal Assistance Service

PAS



Medical Services

- Dental
- DME/Supplies
- Inpatient
- Other Medical
- Outpatient
- Pharmacy
- Physician



Other HCBS Services

- Day Habilitation and Adult Day
- Employment
- Home Health/Therapies
- Other Waiver
- Residential Habilitation
- Respite
- Vendor Services

Annual Rate-Setting Process

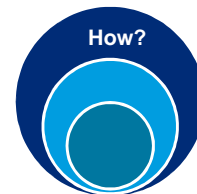


Base Data



Base Data Efficiencies Program Changes Trend Non-Benefit Load Capitation Rates

Base Data



- Starting point for rate development
- PROMISe™ encounter data is the primary data source
 - Contains detailed record of each service delivered
 - All historical program data collected
- CHC-MCO reported financials are the secondary data source

- Critical to the integrity of the capitation rates
- Captures unique experience of each CHC-MCO
- Matches the eligible populations and covered services
- CMS requires the rate-setting process establish a base data source

- Encounter data is reviewed for validity and reasonability:
 - Consistency with prior encounter submissions
 - Comparison to financial reports (Report 4 and Report 5)
- Financial data is used to support detailed analyses and monitor emerging experience

Base Data



Eligibility Data	OLTL capitation payment data
Encounter Data	<ul style="list-style-type: none"> PROMISe data Base data for most other analyses
Financial Reporting Requirements	<ul style="list-style-type: none"> Report 1 — Enrollment Report 4 — Lag reports, IBNR Report 5 — Income statement Support for detailed analyses and review of emerging CHC program data
Databook	Summary of the encounter base data before most adjustments
Ad Hoc Reporting (special requests)	Requests for additional information, including monthly/quarterly COVID-19 report

Data Validation



<p>Raw Data Sources</p> <ul style="list-style-type: none"> SFY 2020–2021 CHC-MCO Encounter data interRAI CHC Participant Assessment Data (future data source) 	<p>Data Validation Performed</p> <ul style="list-style-type: none"> Compare SFY 2020–2021 Encounter data to prior CY 2019 FFS and Encounter data Compare Encounter data to Financial Report 4 and Report 5 	<p>Base Data Finalization (pre-adjustments)</p> <ul style="list-style-type: none"> Observations and/or questions are communicated to the OLTL and CHC-MCOs for follow-up
--	---	--

Base Data



Encounter to Financial Alignment

Completion Factors for Unpaid Claims

COB Adjustment

Other Adjustments, including Provider Billing Issues and Missing Data

Fulfills CMS requirements related to comprehensive base data that is appropriate for all covered services and populations

Base Data



Encounter to Financial Alignment

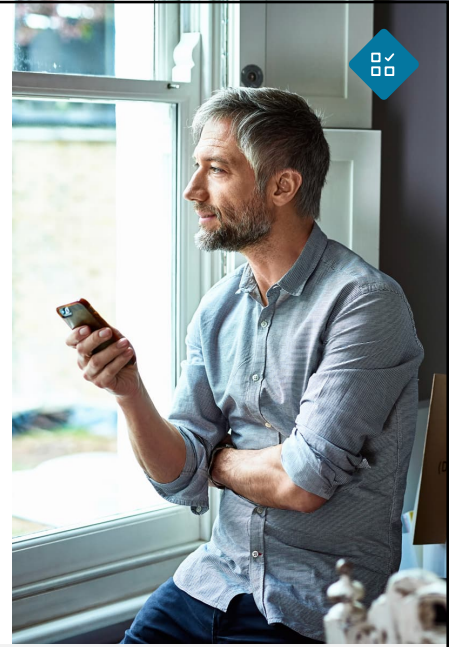
- Based on Report 4 (Q4 2021):
 - Aligning the submitted SFY 2020–2021 encounters (with Q4 2021 runout) to the SFY 2020–2021 financial incurred amounts
 - Financial incurred amounts include subcapitation, settlements, and other purchasing arrangements
- More details can be found in the encounter databook



Base Data

Completion Factors for Unpaid Claims

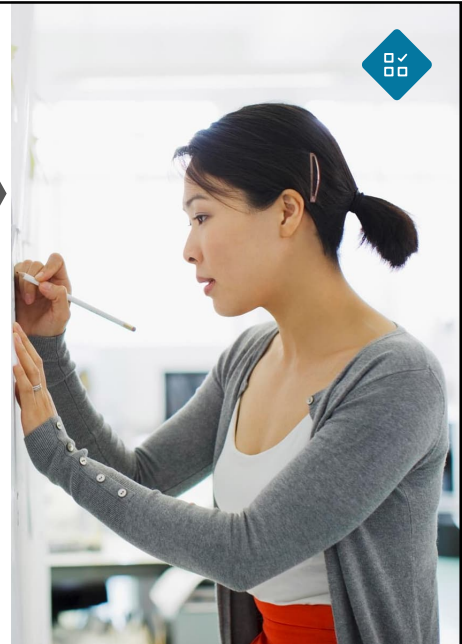
- Not all claims for services occurring during the base data period will have been paid
- Claims IBNP must be considered as they reflect a claims liability
- Actuaries evaluate claim payment triangles (such as Financial Report 4) to project and quantify the future IBNP obligation
- The projected IBNP value, also known as a claims reserve, is added to the paid claims data to estimate the total incurred claims liability
- More details can be found in the encounter databook



Base Data

COB Adjustment

- Consideration for instances where drug costs within the historical data should have been covered by Medicare Part B and/or Part D instead of being paid by Medicaid
- Mercer reviews historical pharmacy data along with Medicare Part B and Part D eligibility and drug list information
- Adjustment varies by population group and rating region due to the differing profile of Medicare-covered drug experience within each combination
- More details can be found in the encounter databook



Base Data

Other Adjustments, including Provider Billing Issues and Missing Data

- Provider billing issues can include licensing issues, claims processing issues, or other problems
- No adjustment applicable in CY 2023 rate-setting cycle

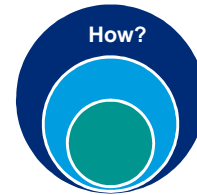


Annual Rate-Setting Process

Efficiencies



Efficiencies



- Deliver services in most appropriate, cost-effective settings
- Adjustments are applied to the historical base to reflect expected savings that could have been realized from managed care initiatives and efficiencies

- CHC-MCOs are expected to provide care in the most efficient manner possible
- CMS requires that the rate-setting process account for service utilization and cost differences that could be achieved through improved care management

- Comparison of historical data to clinical benchmarks and/or reviews
- CE analyses, including Inpatient, ED and Pharmacy services

Efficiency Adjustments Process



Analysis

Mercer Presents Analysis

DHS Considerations

Adjustments Applied to Base Data

Current Adjustments

- Inpatient hospital
 - Readmissions
 - PQIs
- ED LANE
- Pharmacy MAC
- Pharmacy DxRx

Adjustments Being Explored

- NF/waiver mix efficiency
- Other current HC PH efficiencies

Each potential adjustment goes through the efficiency adjustment process

Efficiency Adjustments

Current Adjustments



Inpatient Hospital Efficiency Analyses



OBJECTIVE

The inpatient efficiency analyses identify potentially preventable hospital admissions and costs that could have been avoided through high-quality outpatient care, and/or reflect conditions, which could be less severe and not warrant an inpatient level of care if treated early and effectively

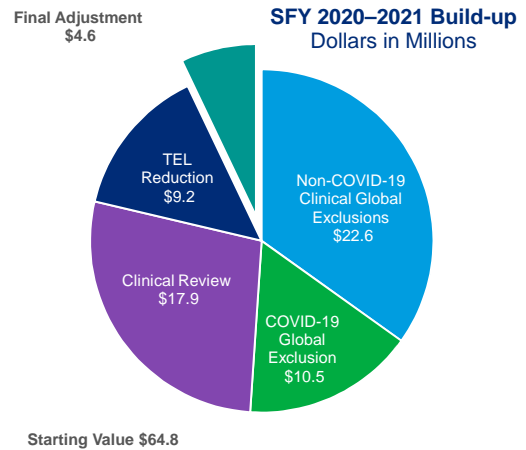
APPROACH

- Included only facility costs for the inpatient stays for Non-Dual members identified as potentially preventable in the final adjustments
- Inpatient efficiency analyses examined:
 - Readmissions within 30 days
 - Select PQIs defined by the AHRQ
- TEL of 33% was used for Readmissions and PQIs
 - The TEL is reviewed every rate cycle and may change in the future

Readmissions — Overview



Starting Value
Admissions that occurred within 30 days of a previous discharge for the same member, regardless of facility or DRG (\$64.8 million)
Non-COVID-19 Clinical Global Exclusions
Exclusions applied to all inpatient efficiencies — removes claims for members based on diagnosis criteria (\$22.6 million)
COVID-19 Clinical Global Exclusion
Exclusion applied to all inpatient efficiencies — removes claims for members based on COVID-19 diagnosis (\$10.5 million)
Clinical Review
Examples: Readmissions unrelated to previous admission, planned admissions, members leaving against medical advice, adults of age 85 and over, professional encounters identified between admissions (\$17.9 million)
Final Adjustment
33% TEL reflective of DHS' purchasing strategy (\$4.6 million)



Readmissions — Results by CHC-MCO



CHC-MCO	CY 2019 CHC Grand Total Readmission Dollars	SFY 2020–2021 CHC Grand Total Readmission Dollars	CY 2019 Readmission Dollars After All Reductions and Adjustments	SFY 2020–2021 Readmission Dollars After All Reductions and Adjustments	CY 2019 Readmission Adjustment Percentage of Hospital Inpatient Dollars	SFY 2020–2021 Readmission Adjustment Percentage of Hospital Inpatient Dollars
AHC — SW	\$672,120	\$854,882	\$42,803	\$69,372	0.8%	1.4%
PHW — SW	\$1,581,252	\$975,926	\$183,223	\$88,205	2.3%	1.2%
UPMC — SW	\$3,488,420	\$4,627,383	\$277,333	\$253,426	1.4%	1.1%
SW Total	\$5,741,792	\$6,458,191	\$503,359	\$411,003	1.5%	1.2%
KF — SE	\$31,056,374	\$36,467,843	\$1,945,820	\$2,441,143	1.6%	1.7%
PHW — SE	\$5,965,486	\$7,165,596	\$505,984	\$710,762	2.2%	2.7%
UPMC — SE	\$6,718,462	\$5,955,696	\$583,376	\$473,631	2.2%	1.9%
SE Total	\$43,740,322	\$49,589,135	\$3,035,180	\$3,625,535	1.8%	1.9%
AHC — L/C	\$0	\$2,273,498	\$0	\$80,563	0.0%	0.6%
PHW — L/C	\$0	\$959,174	\$0	\$99,220	0.0%	2.2%
UPMC — L/C	\$0	\$1,506,139	\$0	\$50,239	0.0%	0.6%
L/C Total	\$0	\$4,738,811	\$0	\$230,022	0.0%	0.9%

Readmissions — Results by CHC-MCO



CHC-MCO	CY 2019 CHC Grand Total Readmission Dollars	SFY 2020–2021 CHC Grand Total Readmission Dollars	CY 2019 Readmission Dollars After All Reductions and Adjustments	SFY 2020–2021 Readmission Dollars After All Reductions and Adjustments	CY 2019 Readmission Adjustment Percentage of Hospital Inpatient Dollars	SFY 2020–2021 Readmission Adjustment Percentage of Hospital Inpatient Dollars
AHC — NE	\$0	\$1,964,720	\$0	\$109,964	0.0%	1.3%
PHW — NE	\$0	\$536,960	\$0	\$50,659	0.0%	1.6%
UPMC — NE	\$0	\$251,709	\$0	\$20,987	0.0%	1.0%
NE Total	\$0	\$2,753,389	\$0	\$181,611	0.0%	1.3%
AHC — NW	\$0	\$345,610	\$0	\$42,038	0.0%	2.0%
PHW — NW	\$0	\$413,781	\$0	\$48,899	0.0%	3.2%
UPMC — NW	\$0	\$523,851	\$0	\$11,864	0.0%	0.2%
NW Total	\$0	\$1,283,242	\$0	\$102,801	0.0%	1.1%
CHC Program Total	\$49,482,114	\$64,822,768	\$3,538,540	\$4,550,972	1.7%	1.6%

Readmissions — Technical Notes

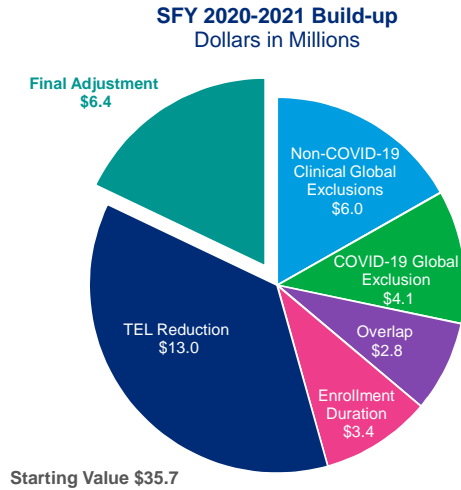


- SFY 2020–2021 Hospital Inpatient Dollars reflect encounter data with runout through 2021 Q4.
- DRG was assigned by Mercer using MS-DRG Grouper version 37 for admissions with ICD-10 diagnosis codes in 2020 Q3 and version 38 for the remainder of SFY 2020–2021.
- Claims with revenue code 0762 and no room and board code, indicating an observation stay, were excluded.
- Readmissions are defined as inpatient hospital admissions within 30 days of an admission for the same recipient with any DRG at any facility.
- Mercer clinicians performed a line by line review to identify additional exclusionary criteria.
- Excludes all claims for members with a qualifying clinical global exclusion diagnosis (examples include trauma and malignancies) or COVID-19 diagnosis.
- Excludes individuals that are 85 years of age and older.
- Excludes readmissions where a qualifying outpatient encounter was identified between admissions.
- Excludes discharges due to death or to hospice.
- Only facility costs for the inpatient stays identified as potentially preventable are included in the final adjustments.

PQIs — Overview



Starting Value
Claims identified using AHRQ version 2020 for PQI as potentially preventable (\$35.7 million)
Non-COVID-19 Clinical Global Exclusions
Exclusions applied to all inpatient efficiencies — removes claims for members based on diagnostic criteria (\$6.0 million)
COVID-19 Global Exclusions
Exclusion applied to all inpatient efficiencies — removes claims for members based on COVID-19 diagnosis (\$4.1 million)
Overlap
Claims overlapping with the readmissions efficiency are removed (\$2.8 million)
Enrollment Duration
Exclusion for continuous enrollment duration specific to each PQI (\$3.4 million)
Final Adjustment
33% TEL reflective of DHS' purchasing strategy (\$6.4 million)



PQIs — Results by PQI Category



PQI	Admission Rate Description	Total PQI Events	After Considering Enrollment Duration	Total PQI Dollars	After Considering Enrollment Duration	Minimum MCO Enrollment Duration Prior to Admission Date (in months)	After TEL (33%)	Percentage of Total PQI Dollars
1	Diabetes Short-term Complications	241	130	\$2,533,478	\$1,349,003	4	\$445,171	17.6%
3	Diabetes Long-term Complications	271	145	\$4,439,378	\$2,385,781	6	\$787,308	17.7%
5	COPD/Asthma in Older Adults	683	358	\$6,623,121	\$3,415,527	6	\$1,127,124	17.0%
7	Hypertension	153	95	\$1,559,049	\$900,914	4	\$297,302	19.1%
8	Heart Failure	1,033	614	\$12,633,189	\$7,315,393	4	\$2,414,080	19.1%
11	Bacterial Pneumonia	170	111	\$1,705,168	\$1,074,455	2	\$354,570	20.8%
12	Urinary Tract Infection	157	108	\$1,198,375	\$819,925	2	\$270,575	22.6%
14	Uncontrolled Diabetes	157	82	\$1,245,159	\$613,265	4	\$202,377	16.3%
15	Asthma In Younger Adults	12	8	\$105,075	\$61,213	4	\$20,200	19.2%
16	Rate of Lower-Extremity Amputation	119	51	\$3,707,468	\$1,425,098	12	\$470,283	12.7%
Total		2,996	1,702	\$35,749,461	\$19,360,575		\$6,388,990	17.9%

PQIs — Results by CHC-MCO



CHC-MCO	CY 2019 CHC Grand Total PQI Dollars	SFY 2020–2021 CHC Grand Total PQI Dollars	CY 2019 PQI Dollars After All Reductions and Adjustments	SFY 2020–2021 PQI Dollars After All Reductions and Adjustments	CY 2019 PQI Adjustment Percentage of Hospital Inpatient Dollars	SFY 2020–2021 PQI Adjustment Percentage of Hospital Inpatient Dollars
AHC — SW	\$294,382	\$476,664	\$49,588	\$79,974	0.9%	1.6%
PHW — SW	\$876,864	\$545,919	\$145,860	\$109,921	1.8%	1.5%
UPMC — SW	\$2,142,766	\$2,461,559	\$332,665	\$441,350	1.6%	1.9%
SW Total	\$3,314,011	\$3,484,142	\$528,114	\$631,245	1.6%	1.8%
KF — SE	\$17,291,603	\$19,155,380	\$1,317,446	\$3,419,826	1.1%	2.4%
PHW — SE	\$3,367,353	\$3,882,031	\$253,781	\$684,863	1.1%	2.6%
UPMC — SE	\$3,627,158	\$4,025,814	\$318,348	\$908,573	1.2%	3.6%
SE Total	\$24,286,113	\$27,063,225	\$1,889,575	\$5,013,262	1.1%	2.6%
AHC — L/C	\$0	\$1,471,304	\$0	\$180,260	0.0%	1.4%
PHW — L/C	\$0	\$541,735	\$0	\$97,202	0.0%	2.1%
UPMC — L/C	\$0	\$885,214	\$0	\$88,036	0.0%	1.1%
L/C Total	\$0	\$2,898,253	\$0	\$365,499	0.0%	1.4%

PQIs — Results by CHC-MCO



CHC-MCO	CY 2019 CHC Grand Total PQI Dollars	SFY 2020–2021 CHC Grand Total PQI Dollars	CY 2019 PQI Dollars After All Reductions and Adjustments	SFY 2020–2021 PQI Dollars After All Reductions and Adjustments	CY 2019 PQI Adjustment Percentage of Hospital Inpatient Dollars	SFY 2020–2021 PQI Adjustment Percentage of Hospital Inpatient Dollars
AHC — NE	\$0	\$780,054	\$0	\$141,845	0.0%	1.6%
PHW — NE	\$0	\$565,707	\$0	\$79,494	0.0%	2.5%
UPMC — NE	\$0	\$101,390	\$0	\$20,578	0.0%	1.0%
NE Total	\$0	\$1,447,150	\$0	\$241,918	0.0%	1.7%
KF — NW	\$0	\$284,350	\$0	\$38,436	0.0%	1.8%
PHW — NW	\$0	\$154,351	\$0	\$32,039	0.0%	2.1%
UPMC — NW	\$0	\$417,990	\$0	\$66,591	0.0%	1.2%
NW Total	\$0	\$856,691	\$0	\$137,066	0.0%	1.5%
CHC Program Total	\$27,600,125	\$35,749,461	\$2,417,689	\$6,388,990	1.2%	2.3%

PQIs — Technical Notes



- SFY 2020–2021 Hospital Inpatient Dollars reflect encounter data with runout through 2021 Q4.
- Version 2020 AHRQ logic was used for PQIs.
- DRG was assigned by Mercer using MS-DRG Grouper version 37 for admissions with ICD-10 diagnosis codes in 2020 Q3 and version 38 for the remainder of SFY 2020–2021.
- Claims with revenue code 0762 and no room and board code, indicating an observation stay, were excluded.
- Excludes all claims for members with a qualifying clinical global exclusion diagnosis (examples include trauma and malignancies) or COVID-19 diagnosis.
- Additional clinical exclusions applied on top of those specific to AHRQ’s PQIs exclusionary criteria (examples include MDC 14 and transfers from other facilities).
- Only facility costs for the inpatient stays identified as potentially preventable are included in the final adjustments.

Inpatient Hospital Efficiency Adjustment

Encounter Data



Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Non-Dual 21–59 — FAC	-0.4%	-0.2%	-0.5%	-0.4%	-0.2%	-0.3%	-0.1%	-0.3%
NFCE Non-Dual 21–59 — WAV	-0.3%	-0.3%	-0.5%	-0.4%	-0.2%	-0.3%	-0.2%	-0.4%
NFCE Non-Dual 60+ — FAC	-0.2%	-0.3%	-0.3%	-0.4%	-0.3%	-0.2%	-0.6%	-0.3%
NFCE Non-Dual 60+ — WAV	-0.2%	-0.5%	-0.6%	-0.4%	-0.1%	-0.4%	-0.3%	-0.4%
Total Program Impact	-0.1%	-0.1%	-0.2%	-0.1%	-0.0%	-0.1%	-0.1%	-0.1%

ED LANE — Overview

BACKGROUND

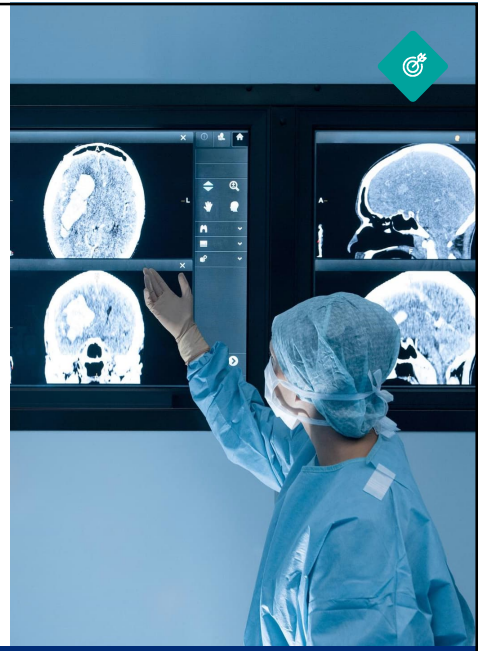
- ED and related physician costs represented approximately 0.6% of the expenditures for the Non-Dual population in the CHC program in SFY 2020–2021
- The rates incorporate an adjustment for potentially preventable LANE visits, identified using low-acuity procedure and diagnosis codes

OBJECTIVE

Identify opportunities for improved efficiencies

APPROACH

- Appropriate and cost-effective use of ED services should be an objective of every managed care program
- Data-driven; based on public and proprietary research
- A TEL of 75% was used for CY 2023 rates



ED LANE — Methodology

1	2	3	4	OUTCOME: Applied TEL of 75%
Define ED-Related Encounters and Group into Visits <ul style="list-style-type: none"> • Procedure codes • Revenue codes • Professional fees • Facility fees • 32,000 ED visits • \$15.8 million 	Identify LANE Visits <ul style="list-style-type: none"> • Using list of low-acuity diagnosis codes • Research-supported • 10,000 LANE visits • \$3.6 million • Low-cost LANE visits excluded <ul style="list-style-type: none"> – Threshold for low-cost is \$61.96 	Identify Potentially Preventable LANE Visits <ul style="list-style-type: none"> • Apply targeted utilization levels • Utilization levels reviewed for appropriateness • 2,000 visits • \$553,000 	Determine LANE Visit Replacement Cost <ul style="list-style-type: none"> • Replaced up to four ED visits per year, per member • Replacement cost: <ul style="list-style-type: none"> – Physician – Laboratory – Radiology • Positive adjustment of approximately \$144,000 	<ul style="list-style-type: none"> • Adjustment prior to TEL: <ul style="list-style-type: none"> – Approximately \$408,000 • Arrive at final adjustment value: <ul style="list-style-type: none"> – Approximately \$306,000

ED LANE — Results by CHC-MCO



CHC-MCO	CY 2022 LANE Adjustment (After TEL)	Percentage of CY 2019 Total ED Dollars	CY 2023 LANE Adjustment (After TEL)	Percentage of SFY 2020–2021 Total ED Dollars
AHC — SW	\$313	0.1%	\$299	0.1%
PHW — SW	\$7,957	1.4%	\$2,344	0.6%
UPMC — SW	\$5,691	0.3%	\$7,299	0.3%
SW Total	\$13,961	0.5%	\$9,941	0.3%
KF — SE	\$278,921	4.2%	\$239,001	3.8%
PHW — SE	\$30,567	2.5%	\$26,461	2.7%
UPMC — SE	\$23,253	1.3%	\$15,720	1.0%
SE Total	\$332,742	3.5%	\$281,182	3.2%
AHC — L/C	\$0	0.0%	\$4,126	0.4%
PHW — L/C	\$0	0.0%	\$2,549	1.2%
UPMC — L/C	\$0	0.0%	\$1,533	0.2%
L/C Total	\$0	0.0%	\$8,208	0.5%

Dollars above are net replacement costs.

ED LANE — Results by CHC-MCO



CHC-MCO	CY 2022 LANE Adjustment (After TEL)	Percentage of CY 2019 Total ED Dollars	CY 2023 LANE Adjustment (After TEL)	Percentage of SFY 2020–2021 Total ED Dollars
AHC — NE	\$0	0.0%	\$1,613	0.4%
PHW — NE	\$0	0.0%	\$1,769	1.3%
UPMC — NE	\$0	0.0%	\$85	0.1%
NE Total	\$0	0.0%	\$3,467	0.5%
AHC — NW	\$0	0.0%	\$432	0.2%
PHW — NW	\$0	0.0%	\$875	0.6%
UPMC — NW	\$0	0.0%	\$2,154	0.3%
NW Total	\$0	0.0%	\$3,461	0.3%
CHC Program Total	\$346,703	2.7%	\$306,259	1.9%

Dollars above are net replacement costs.

ED Efficiency Adjustment



Encounter Data

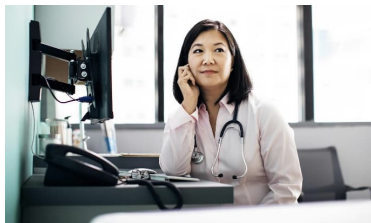
Population Group (All COS)	SW-AL	SW-13 Cty	SE-PH	SE-4 Cty	L/C	NE	NW	Statewide
NFCE Non-Dual 21-59 — FAC	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Non-Dual 21-59 — WAV	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Non-Dual 60+ — FAC	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Non-Dual 60+ — WAV	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Total Program Impact	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%

Appropriate Drug Use Based on Diagnosis



Goal

- Identify prescriptions without a supporting diagnosis code for one of the prescribed drug's FDA approved indications:
 - Safety concerns
 - High potential for abuse or misuse
 - High cost



Update

- New for CHC this year



Result

CHC (Non-Dual) \$1.5 million avoidable dollars

Appropriate Drug Use Based on Diagnosis



Non-Dual Adjustment

Drug Pairing	SFY 2021–2022 CHC-MCO Avoidable Pharmacy Dollars
Bowel Conditions	\$364,748
Cannabinoids	\$122,129
Dermatologicals	\$3,783
Diabetes	\$20,092
Growth Hormone	\$0
HIV	\$79,559
Inflammatory Conditions	\$336,433
Movement Disorders	\$455,250
Multiple Sclerosis	\$0
Narcolepsy	\$14,202
Opiate Dependence	\$54,338
Opiates/Drugs of Abuse	\$55,639
Oral Fentanyl	\$0
Pulmonary Hypertension	\$2,551
Stimulants <18	\$0
Stimulants >18	\$20,649
Total	\$1,529,373

Appropriate Drug Use Based on Diagnosis



Non-Dual Adjustment

CHC – MCO Zones	SFY 2021–2022 CHC-MCO Avoidable Pharmacy Dollars (Paid Amount)	SFY 2021–2022 CHC-MCO Avoidable Pharmacy Dollars (Percentage of Drug Spend)
All Zones		
AHC – SW	\$52,670	0.8%
PHW – SW	\$36,495	0.3%
UPMC - SW	\$95,392	0.2%
AHC – SE	\$768,575	0.5%
PHW – SE	\$60,778	0.2%
UPMC – SE	\$95,126	0.5%
AHC – L/C	\$27,604	0.1%
PHW – L/C	\$41,634	0.4%
UPMC – L/C	\$31,466	0.3%
AHC – NE	\$121,907	0.7%
PHW – NE	\$83,585	2.0%
UPMC – NE	\$20,401	0.5%
AHC – NW	\$26,941	0.8%
PHW – NW	\$23,985	0.7%
UPMC – NW	\$42,815	0.4%
All Zones Total	\$1,529,373	0.4%

Appropriate Drug Use Based on Diagnosis



Non-Dual Adjustment

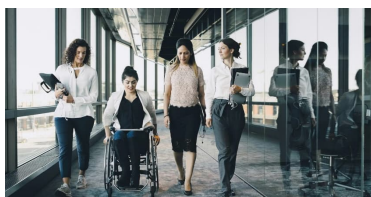
Population Group (All COS)	SW-AL	SW-13 Cty	SE-PH	SE-4 Cty	L/C	NE	NW	Statewide
NFCE Non-Dual 21-59 — FAC	-0.1%	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.1%	0.0%
NFCE Non-Dual 21-59 — WAV	-0.0%	-0.1%	-0.1%	-0.1%	-0.0%	-0.1%	-0.1%	-0.1%
NFCE Non-Dual 60+ — FAC	-0.0%	-0.1%	-0.0%	-0.0%	-0.0%	-0.1%	-0.0%	-0.0%
NFCE Non-Dual 60+ — WAV	-0.0%	-0.0%	-0.0%	-0.2%	-0.0%	-0.3%	-0.0%	-0.1%
Total Program Impact	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%

MAC Reimbursement



Goal

- Evaluate reimbursement efficiency for drugs available as generic
- Benchmark to a Medicaid-specific benchmark MAC list
- Included 3,770 unique GCNs



Update

- Excluded unit outlier at MCO or GCN level, dialysis bundle claims, claims with a \$0.00 dispensing fee
- Excluded brand claims where the brand is preferred on the PDL



Result

- **CHC (Dual)** \$0.9 million avoidable dollars
- **CHC (Non-Dual)** \$14.7 million avoidable dollars

MAC Reimbursement

Non-Dual Adjustment



Name	Strength	Form	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars
dimethyl fumarate*	240 mg	capsule, delayed release (enteric coated)	\$925,931
glatiramer acetate	40 mg/ml	solution	\$311,050
dalfampridine	10 mg	tablet, extended release	\$289,578
tetrabenazine	25 mg	tablet	\$280,073
imatinib mesylate	400 mg	tablet	\$267,300
gabapentin	600 mg	tablet	\$263,876
abiraterone acetate	250 mg	tablet	\$237,281
trientine HCl	250 mg	capsule	\$200,046
gabapentin	300 mg	capsule	\$182,513
pantoprazole sodium	40 mg	tablet, delayed release (enteric coated)	\$171,725
TOP 10 TOTAL			\$3,129,372

- Due to figures being shown to the nearest dollar, the total figure may not exactly match the manual summation of the avoidable dollars by plan.
- *New generic.

MAC Reimbursement

Non-Dual Adjustment



CHC-MCO Zones All Zones	CY 2019 CHC-MCO Avoidable Pharmacy Dollars (Paid Amount)	CY 2019 CHC-MCO Avoidable Pharmacy Dollars (Percentage of Drug Spend)	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars (Paid Amount)	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars (Percentage of Drug Spend)
AHC — SW	\$93,322	2.4%	\$219,461	4.5%
PHW — SW	\$375,610	4.3%	\$844,150	10.3%
UPMC — SW	\$1,370,050	5.4%	\$2,168,150	6.6%
AHC — SE	\$1,617,354	1.2%	\$5,071,193	3.2%
PHW — SE	\$486,028	2.8%	\$1,340,213	6.1%
UPMC — SE	\$902,756	6.1%	\$890,565	5.8%
AHC — L/C	N/A	N/A	\$926,320	4.4%
PHW — L/C	N/A	N/A	\$469,624	6.0%
UPMC — L/C	N/A	N/A	\$622,514	6.6%
AHC — NE	N/A	N/A	\$447,904	3.2%
PHW — NE	N/A	N/A	\$231,311	8.4%
UPMC — NE	N/A	N/A	\$159,926	5.0%
AHC — NW	N/A	N/A	\$133,753	4.9%
PHW — NW	N/A	N/A	\$418,487	16.6%
UPMC — NW	N/A	N/A	\$754,894	7.7%
All Zones Total	\$4,845,122	2.4%	\$14,698,464	4.7%

Due to figures being shown to the nearest dollar, the total figure may not exactly match the manual summation of the avoidable dollars by plan.

MAC Reimbursement

Dual Adjustment



Name	Strength	Form	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars
cetirizine hcl	10 mg	tablet	\$98,877
magnesium oxide	400 mg	caplet	\$90,217
aspirin	80 mg	tablet, delayed release (enteric coated)	\$88,007
loratadine	10 mg	tablet	\$78,657
polyethylene glycol		powder	\$75,390
docusate sodium	100 mg	capsule	\$65,412
aspirin	80 mg	caplet	\$49,690
cholecalciferol (vitamin d3)	2000 Unit	capsule	\$34,921
sennosides a&b, calcium	8.6 mg	tablet	\$28,870
ammonium lactate	12%	lotion	\$26,933
TOP 10 TOTAL			\$636,979

- Due to figures being shown to the nearest dollar, the total figure may not exactly match the manual summation of the avoidable dollars by plan.
- *New generic.

MAC Reimbursement

Dual Adjustment



CHC-MCO Zones All Zones	CY 2019 CHC-MCO Avoidable Pharmacy Dollars (Paid Amount)	CY 2019 CHC-MCO Avoidable Pharmacy Dollars (Percentage of Drug Spend)	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars (Paid Amount)	SFY 2020–2021 CHC-MCO Avoidable Pharmacy Dollars (Percentage of Drug Spend)
AHC — SW	\$13,557	1.1%	\$29,090	1.5%
PHW — SW	\$0	0.0%	\$115,708	4.4%
UPMC — SW	\$237,242	2.2%	\$49,161	0.8%
AHC — SE	\$172,932	1.5%	\$276,881	2.3%
PHW — SE	\$0	0.0%	\$102,365	3.2%
UPMC — SE	\$37,419	1.2%	\$16,179	0.5%
AHC — L/C	N/A	N/A	\$74,607	1.7%
PHW — L/C	N/A	N/A	\$92,581	4.0%
UPMC — L/C	N/A	N/A	\$18,580	0.6%
AHC — NE	N/A	N/A	\$34,665	1.3%
PHW — NE	N/A	N/A	\$44,145	3.3%
UPMC — NE	N/A	N/A	\$8,791	0.7%
AHC — NW	N/A	N/A	\$12,557	2.0%
PHW — NW	N/A	N/A	\$33,551	4.4%
UPMC — NW	N/A	N/A	\$21,220	1.0%
All Zones Total	\$461,150	1.4%	\$930,084	1.9%

Due to figures being shown to the nearest dollar, the total figure may not exactly match the manual summation of the avoidable dollars by plan.

MAC Reimbursement



Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21-59 — FAC	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Dual 21-59 — WAV	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Dual 60+ — FAC	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Dual 60+ — WAV	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Non-Dual 21-59 — FAC	-1.4%	-1.3%	-0.7%	-0.5%	-0.7%	-0.7%	-0.7%	-0.8%
NFCE Non-Dual 21-59 — WAV	-0.8%	-1.1%	-0.4%	-0.6%	-0.6%	-0.7%	-1.2%	-0.6%
NFCE Non-Dual 60+ — FAC	-0.7%	-0.7%	-0.6%	-0.5%	-0.7%	-0.6%	-0.7%	-0.6%
NFCE Non-Dual 60+ — WAV	-0.7%	-1.0%	-0.4%	-0.5%	-0.5%	-0.5%	-1.0%	-0.5%
NFI Dual 21-59	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
NFI Dual 60+	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Total Program Impact	-0.3%	-0.3%	-0.2%	-0.2%	-0.2%	-0.1%	-0.3%	-0.2%

Efficiency Adjustments

Adjustments Being Explored





NF/Waiver Mix Efficiency



OBJECTIVE

The NF/waiver mix efficiency analysis identifies opportunities to delay entrance into a NF, avoiding NF admissions entirely, or encourage NF to HCBS transitions

APPROACH

- Analysis requires the use of interRAI CHC participant assessment data coming through the Pennsylvania Individualized Assessments system
- Evaluate the appropriate risk level of CHC participants based on interRAI assessment data and encounter data
- Measure the enrollment mix adjustment and potential change in acuity levels within the targeted population
- Methodology is still evolving

Current HC PH Efficiency

OBJECTIVES

- Potential savings could be achieved by diverting high-cost services to more appropriate levels of care
- HC PH program capitation rates include a robust array of efficiency adjustments
- Mercer will continue to evaluate which of the remaining adjustments could be incorporated into the CHC rate development process

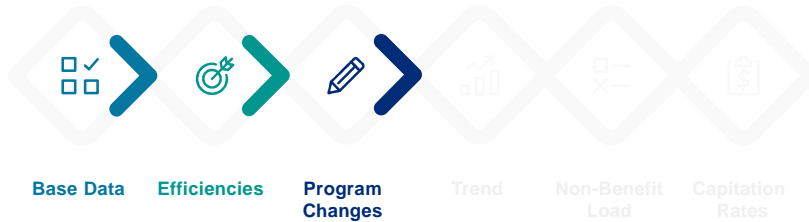
APPROACH

- Concerns exist about materiality of potential savings
 - Reductions in utilization of higher-cost services are likely to realize savings on Medicare expenditures instead of Medicaid as most of the CHC population are dually eligible
 - Significant utilization of some services may not be present within the CHC population



Annual Rate-Setting Process

Program Changes



Program Changes



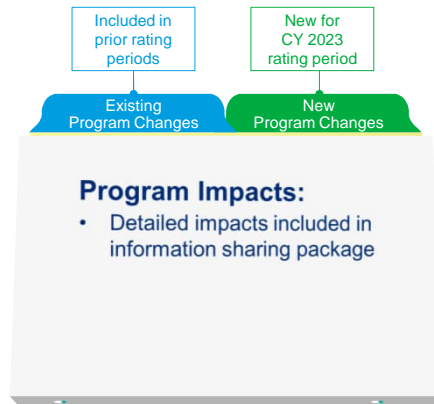
Reflect known initiatives anticipated to impact costs (or savings) for the CHC program that have occurred or are expected to occur between the base period and contract period

- Align historical data with the program design envisioned for the prospective time period
- CMS requires these types of adjustments be considered

- Targeted services or populations are identified in historical data
- Expected impacts are quantified and costs (or savings) are applied to appropriate services and populations in the historical data

Policy and Programmatic Changes

Between the Base Data and Rating Period



Program change adjustments recognize impact of benefit or eligibility changes occurring after the start of the base period and before the end of the contract period

Program Impacts:

- Detailed impacts included in information sharing package

Existing Program Changes



Home Accessibility DME

Adjustment to reflect expanded service definition of DME to include home accessibility equipment such as stair lifts/glides and accessibility ramps

Medicare Part B Deductible

Adjustment to account for increase in Medicaid liability due to change in the Medicare Part B deductible, since Medicaid pays for these amounts for Duals

NF Access to Care Payments

Adjustment to include funding in capitation rates for the NF Access to Care Payments, as reflected in the new minimum fee schedule

PAS Fee Schedule Increase

Adjustment to reflect 8% PAS fee schedule increase, effective January 1, 2022

Home Accessibility DME



Adjustment to reflect expanded service definition of DME to include home accessibility equipment effective April 1, 2020

APPROACH

- For HCBS Waiver population groups, these services were already a covered benefit under the CHC HCBS Waiver
 - Thus, the adjustment reflects moving the utilization from the Vendor Services COS to the DME/Supplies COS. No additional utilization is expected.
- For the NFI Dual population groups, this is a new covered benefit.
 - No utilization was identified for these types of equipment based on review of the SFY 2020–2021 encounter data.
 - Based on more recent information and discussions with DHS, Mercer does not anticipate a significant level of utilization.
 - The impact was determined to be immaterial for the NFI Dual population groups and no adjustment was applied.



Medicare Part B Deductible



Adjustment to account for increase in Medicaid liability due to change in the Medicare Part B deductible

APPROACH

- The Medicare Part B deductible increased each year, as illustrated below. A projected 2023 deductible of \$243 is assumed
- Accounts for increased Medicaid liability since Medicaid pays these amounts for dual eligible



Year	Deductible Amount
2018	\$183
2019	\$185
2020	\$198
2021	\$203
2022	\$233
2023 Projected	\$243

Medicare Part B Deductible



Population Group (All COS)	SW-AL	SW-13 Cty	SE-PH	SE-4 Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
NFCE Dual 21–59 — WAV	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
NFCE Dual 60+ — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Dual 60+ — WAV	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
NFI Dual 21–59	2.1%	2.4%	1.7%	2.3%	2.8%	3.3%	2.8%	2.5%
NFI Dual 60+	1.4%	1.9%	1.3%	1.5%	2.0%	2.1%	2.0%	1.7%
Total Program Impact	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%

NF Access to Care Payments



Effective January 1, 2023, the NF Access to Care funding will be included as part of the new directed payment, establishing a minimum fee schedule for NF providers.

- As this directed payment replaces what was formerly described in Appendix 4 of the CY 2022 CHC Agreement, the CY 2023 capitation rates are limited to consideration for the directed payment.

APPROACH

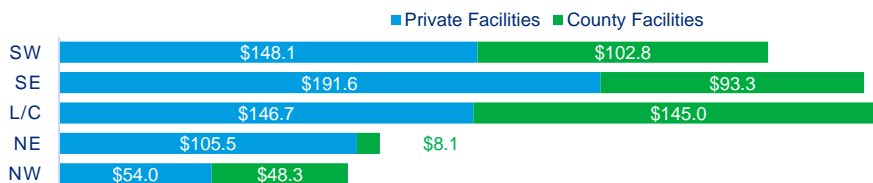
- Funding impact based on projected provider utilization and the new minimum fee schedule, as provided by OLTL



NF Access to Care Payments



Zone	Amounts Provided by OLTL (in millions)		
	Private Facilities	County Facilities	Zone-Wide Total
SW	\$148.1	\$102.8	\$251.0
SE	\$191.6	\$93.3	\$284.9
L/C	\$146.7	\$145.0	\$291.7
NE	\$105.5	\$8.1	\$113.6
NW	\$54.0	\$48.3	\$102.3
Statewide	\$646.0	\$397.5	\$1,043.4



NF Access to Care Payments



Population Group (All COS)	Private Facility PMPMs							
	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21-59 — FAC	\$1,281.78	\$1,366.06	\$1,627.44	\$1,429.56	\$1,605.25	\$1,296.46	\$1,309.00	\$1,447.26
NFCE Dual 60+ — FAC	\$1,338.01	\$1,332.49	\$1,297.19	\$1,270.42	\$1,255.75	\$1,258.60	\$1,278.77	\$1,282.15
NFCE Non-Dual 21-59 — FAC	\$1,521.25	\$1,585.64	\$1,601.56	\$1,623.18	\$1,691.63	\$1,463.46	\$1,570.22	\$1,600.10
NFCE Non-Dual 60+ — FAC	\$1,576.27	\$1,543.90	\$1,505.84	\$1,522.06	\$1,393.50	\$1,431.31	\$1,483.24	\$1,497.22
Total Program Impact	\$129.75	\$151.16	\$53.57	\$220.10	\$160.39	\$165.66	\$150.43	\$135.93

NF Access to Care Payments



County Facility PMPMs								
Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	\$889.61	\$948.10	\$792.81	\$696.41	\$1,586.36	\$99.53	\$1,169.55	\$933.78
NFCE Dual 60+ — FAC	\$928.63	\$924.80	\$631.93	\$618.89	\$1,240.97	\$96.62	\$1,142.55	\$789.71
NFCE Non-Dual 21–59 — FAC	\$1,055.81	\$1,100.50	\$780.20	\$790.73	\$1,671.72	\$112.35	\$1,402.95	\$973.10
NFCE Non-Dual 60+ — FAC	\$1,093.99	\$1,071.53	\$733.57	\$741.47	\$1,377.10	\$109.88	\$1,325.24	\$864.15
Total Program Impact	\$90.05	\$104.91	\$26.10	\$107.22	\$158.50	\$12.72	\$134.41	\$83.64

PAS Fee Schedule Increase



Adjustment to reflect the January 1, 2022 increase in fee schedule rates for PAS.

APPROACH

- OLTL increased the OBRA Waiver Fee Schedule rates for personal assistance consumer-directed and agency services by 8.0%
- The CY 2023 CHC Agreement requires that the CHC-MCOs pay for PAS at no less than this approved OBRA Waiver Fee Schedule
- Mercer applied an 8.0% increase to the SFY 2020–2021 PAS costs



PAS Fee Schedule Increase



Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Dual 21–59 — WAV	6.8%	6.3%	7.4%	5.5%	6.2%	6.4%	6.3%	6.6%
NFCE Dual 60+ — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Dual 60+ — WAV	7.2%	6.8%	7.3%	7.1%	7.3%	7.1%	7.1%	7.2%
NFCE Non-Dual 21–59 — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Non-Dual 21–59 — WAV	5.0%	3.6%	5.0%	4.3%	5.0%	4.1%	5.2%	4.8%
NFCE Non-Dual 60+ — FAC	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Non-Dual 60+ — WAV	5.5%	3.7%	5.2%	5.0%	6.1%	4.5%	5.5%	5.3%
NFI Dual 21–59	0.1%	0.1%	1.7%	0.5%	0.2%	0.0%	0.1%	0.5%
NFI Dual 60+	0.7%	0.1%	1.0%	1.0%	0.7%	0.2%	0.3%	0.7%
Total Program Impact	4.1%	2.8%	5.7%	3.7%	3.9%	2.9%	3.7%	4.4%



COVID-19 Assumptions



- Mercer considered an explicit COVID-19 testing and treatment costs program change adjustment to account for the projected decrease of COVID-19 testing and treatment costs between the base period, SFY 2020–2021, and rating period, CY 2023.
- COVID-19 over-the-counter tests are excluded from the adjustment.
- Key rationale for decrease in CY 2023 compared to SFY 2020–2021:
 - PHE is assumed to end in January 2023 and correspond to reduced COVID-19 infection rates and treatment costs.
 - Decreased likelihood/impact of a COVID-19 surge in CY 2023.
 - Continued availability of COVID-19 testing will help mitigate severe cases requiring treatment.
 - Widespread vaccination and boosters for high risk populations, such as older adults and those with complex conditions.

COVID-19 Testing Cost Adjustment



All Community HealthChoices Zones	COVID-19 Testing Cost (Millions)			Assumed Percentage Decrease to Base Period Costs
	Rate Cells	Actual Base Period Cost	Adjustment	
NFCE Dual 21-59	\$0.1	\$0.0	\$0.1	0.0%
NFCE Dual 60+	\$0.4	\$0.0	\$0.4	0.0%
NFCE Non-Dual 21-59	\$2.3	\$0.0	\$2.3	0.0%
NFCE Non-Dual 60+	\$1.6	\$0.0	\$1.6	0.0%
NFI Dual 21-59	\$0.1	\$0.0	\$0.1	0.0%
NFI Dual 60+	\$0.1	\$0.0	\$0.1	0.0%
Total	\$4.5	\$0.0	\$4.5	0.0%

COVID-19 Treatment Cost Adjustment



All Community HealthChoices Zones	COVID-19 Treatment Cost (Millions)			Assumed Percentage Decrease to Base Period Costs
	Rate Cells	Actual Base Period Cost	Adjustment	
NFCE Dual 21-59	\$0.7	\$0.0	\$0.7	0.0%
NFCE Dual 60+	\$4.7	\$0.0	\$4.7	0.0%
NFCE Non-Dual 21-59	\$19.7	\$0.0	\$19.7	0.0%
NFCE Non-Dual 60+	\$12.9	\$0.0	\$12.9	0.0%
NFI Dual 21-59	\$0.8	\$0.0	\$0.8	0.0%
NFI Dual 60+	\$4.5	\$0.0	\$4.5	0.0%
Total	\$43.2	\$0.0	\$43.2	0.0%

COVID-19 Testing and Treatment Cost Adjustment



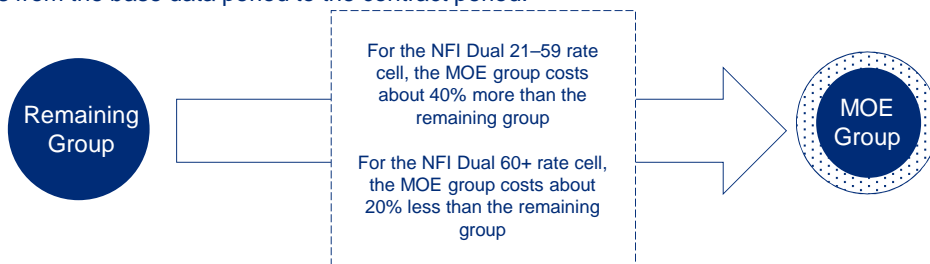
All Community HealthChoices Zones	Total Cost (Millions)		
	Rate Cells	Actual Base Period Cost	Adjustment
NFCE Dual 21-59	\$0.7	\$0.0	\$0.7
NFCE Dual 60+	\$5.1	\$0.0	\$5.1
NFCE Non-Dual 21-59	\$22.0	\$0.0	\$22.0
NFCE Non-Dual 60+	\$14.4	\$0.0	\$14.4
NFI Dual 21-59	\$0.9	\$0.0	\$0.9
NFI Dual 60+	\$4.6	\$0.0	\$4.6
Total	\$47.7	\$0.0	\$47.7

COVID-19 Enrollment: MOE Adjustment



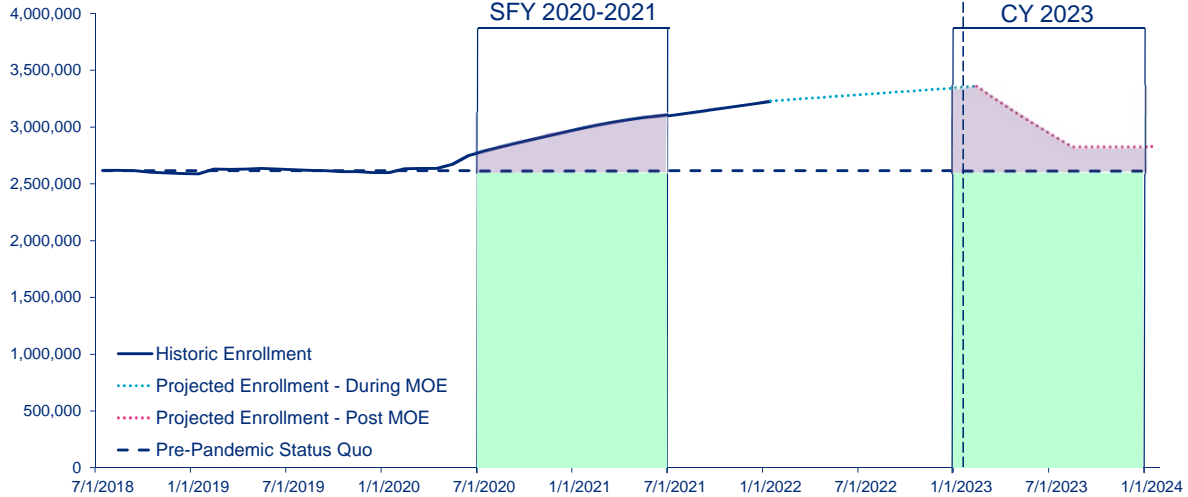
Overview

- End of the MOE policy following the end of the PHE will trigger reevaluation of members currently enrolled but may no longer be eligible for the CHC program.
- Cost profile of these potentially ineligible members was compared to cost profile of remaining population.
- An array of potential scenarios were modeled related to the beginning and duration of the PHE unwinding.
- The adjustment impact was then calculated by applying that relativity to the change in proportion of the two groups from the base data period to the contract period.



COVID-19 Enrollment

Projected Enrollment



COVID-19 Enrollment: MOE Adjustment

Methodology

Data Sources

- OIM list of members expected to disenroll following the end of the PHE
- SFY 2020–2021 encounter and capitation payment data



- NFI Dual 21–59 and NFI Dual 60+ cost relativity profiles based on SFY 2020–2021 encounter data for the following groups:
 - MOE Group — expected to disenroll
 - Remaining group — expected to remain in the program



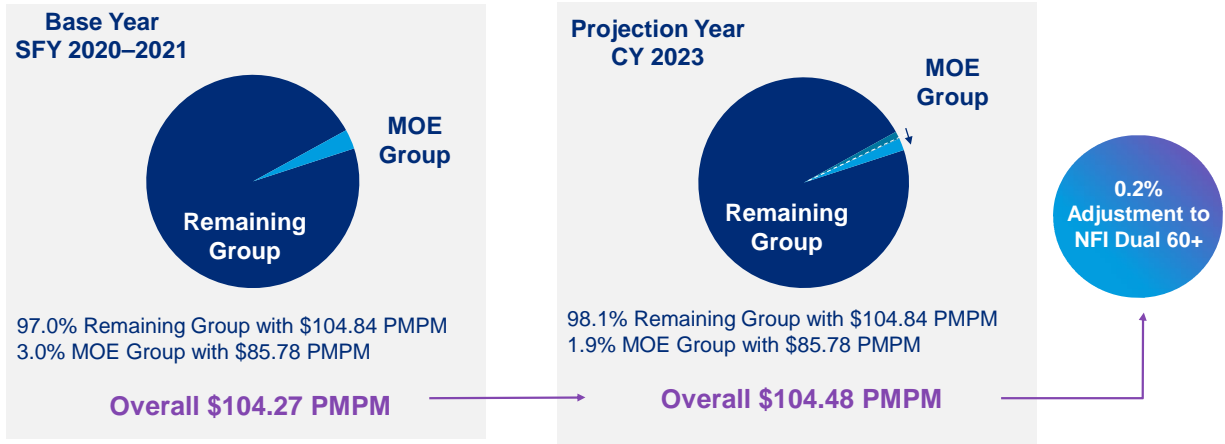
- Projected enrollment mix of remaining population during CY 2023
- Selection based on a composite view of an array of scenarios for PHE end date and disenrollment timing



TOTAL ADJUSTMENT is the expected change in overall acuity mix due to end of PHE and MOE unwinding

COVID-19 Enrollment: MOE Adjustment

Sample Calculation — NFI Dual 60+



COVID-19 Enrollment: MOE Adjustment



Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFI Dual 21-59	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
NFI Dual 60+	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total Program Impact	0.0%	-0.0%	0.0%	0.0%	-0.0%	-0.0%	-0.0%	-0.0%

New Program Changes



AWC

Adjustment to account for the addition of the new AWC PAS service delivery model

Medicare Advantage MOOP

Adjustment to reflect the impact of the January 1, 2023 effective Medicare MOOP guidance that decreases the Medicaid responsibility

NF Staffing Ratio Regulations

Adjustment to increase funding for NF services to support an increase to the NF staffing ratios

Philadelphia Ambulance Fee Schedule Increase

Adjustment to reflect the January 1, 2023 requirement that the Philadelphia Ambulance provider be reimbursed at 105% of the Medicare Urban Fee for select ground ambulance procedure codes

AWC



Adjustment to reflect the addition of the AWC service delivery model to the CHC Waiver as a consumer-directed option to receive PAS and respite services, effective July 1, 2023

APPROACH

- Review new member take-up rates for each mode of PAS and existing member transition rates between consumer-directed vendor/fiscal service model and agency model
- Assume individuals who prioritize choice in the current environment will continue to prioritize choice
- Assume individuals content with agency model are unlikely to change
- Project ~50% of consumer-directed vendor/fiscal service model will transition to AWC
- Project <1% of agency PAS units will transition to AWC

AWC



APPROACH, continued

- Using projected volume of PAS utilization that will transition to AWC, reprice consumer-directed and agency units at the projected AWC fee schedule
- Using projected volume of PAS consumers that will transition to AWC, reprice current consumer-directed administrative fee to projected AWC administrative fee and include administrative fee for all agency PAS consumers
- Consideration for these components results in an upward adjustment to the PAS COS
- The impact to the Respite COS was analyzed but determined to be immaterial.

AWC



Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21-59 — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Dual 21-59 — WAV	0.3%	0.5%	0.2%	0.1%	0.4%	0.4%	0.4%	0.3%
NFCE Dual 60+ — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Dual 60+ — WAV	0.2%	0.3%	0.1%	0.1%	0.2%	0.3%	0.3%	0.1%
NFCE Non-Dual 21-59 — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Non-Dual 21-59 — WAV	0.1%	0.2%	0.1%	0.1%	0.1%	0.3%	0.2%	0.1%
NFCE Non-Dual 60+ — FAC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFCE Non-Dual 60+ — WAV	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
NFI Dual 21-59	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFI Dual 60+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Program Impact	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%

Medicare Advantage MOOP



Adjustment to reflect CMS updates to MOOP guidance in the CY 2023 Medicare Advantage and Part D Final Rule, effective January 1, 2023.

- Medicare Advantage plans must include all cost-sharing dollars, including those paid by the beneficiary, Medicaid, or other secondary insurance

APPROACH

- Change in MOOP calculation guidance will shift some payments for Part A and Part B services to Medicare Advantage responsibility
- Utilizing the CY 2023 Medicare Advantage MOOP limit of \$8,300 and historical claims per consumer, calculated a downward adjustment to the rates as a result of the decrease in Medicaid responsibility



Medicare Advantage MOOP



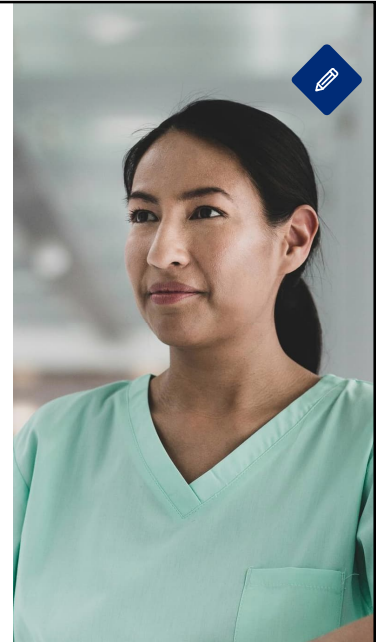
Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	-0.1%	-0.1%	-0.3%	-0.2%	-0.1%	-0.0%	-0.0%	-0.1%
NFCE Dual 21–59 — WAV	-0.6%	-0.4%	-0.2%	-0.1%	-0.3%	-0.1%	-0.2%	-0.2%
NFCE Dual 60+ — FAC	-0.1%	-0.0%	-0.1%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
NFCE Dual 60+ — WAV	-0.3%	-0.4%	-0.2%	-0.1%	-0.2%	-0.1%	-0.2%	-0.2%
NFI Dual 21–59	-3.5%	-4.1%	-2.3%	-1.7%	-2.9%	-1.1%	-3.0%	-2.7%
NFI Dual 60+	-2.7%	-3.4%	-1.7%	-0.9%	-1.6%	-1.2%	-1.8%	-1.8%
Total Program Impact	-0.3%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.1%

NF Staffing Ratio Regulations

- Effective July 1, 2023, skilled NFs will be required to adhere to the Pennsylvania DOH regulation to increase the number of hours of direct care that NF residents receive each day, from 2.7 hours to 4.1 hours per day.
- Additional funding is being provided effective January 1, 2023 to support NFs as they increase staffing in advance of the regulation being implemented July 1, 2023.
 - This NF Staffing Ratio Regulation funding will be included as part of the new directed payment establishing a minimum fee schedule for NF providers, along with the NF Access to Care Funding.

APPROACH

DHS provided the projected annual funding amount for consideration of this staffing increase for the CHC program, and Mercer developed an upward adjustment of \$531.7 million to the NF services.



NF Staffing Ratio Regulations

Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	20.6%	19.7%	13.5%	17.6%	16.2%	21.0%	22.4%	17.7%
NFCE Dual 21–59 — WAV	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%
NFCE Dual 60+ — FAC	21.4%	21.9%	19.3%	21.3%	22.0%	23.1%	24.2%	21.9%
NFCE Dual 60+ — WAV	0.4%	0.7%	0.1%	0.3%	0.3%	0.7%	0.6%	0.3%
NFCE Non-Dual 21–59 — FAC	11.2%	12.4%	10.4%	10.9%	11.7%	13.1%	13.6%	11.4%
NFCE Non-Dual 21–59 — WAV	0.1%	0.3%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
NFCE Non-Dual 60+ — FAC	14.0%	14.3%	13.1%	13.7%	14.8%	15.1%	15.5%	14.0%
NFCE Non-Dual 60+ — WAV	0.1%	0.5%	0.1%	0.2%	0.1%	0.4%	0.2%	0.2%
NFI Dual 21–59	1.8%	1.0%	1.1%	1.6%	1.3%	1.3%	1.1%	1.3%
NFI Dual 60+	5.9%	5.2%	3.9%	4.9%	5.6%	6.6%	5.6%	5.1%
Total Program Impact	6.4%	9.6%	1.5%	6.9%	7.4%	10.9%	8.5%	5.5%

Philadelphia Ambulance Fee Schedule Increase



Adjustment to reflect that the Philadelphia Ambulance provider will be required to be paid 105% of the Medicare Urban Fee for select ground ambulance procedure codes, effective January 1, 2023

APPROACH

Mercer utilized the required fee schedule to reprice SFY 2020–2021 encounter base data for the SE-PH rating region and calculate the impact of the increase to the Ambulance COS

Population Group (All COS)	SE-PH
NFCE Dual 21–59 — FAC	0.0%
NFCE Dual 21–59 — WAV	0.0%
NFCE Dual 60+ — FAC	0.0%
NFCE Dual 60+ — WAV	0.0%
NFCE Non-Dual 21–59 — FAC	0.1%
NFCE Non-Dual 21–59 — WAV	0.1%
NFCE Non-Dual 60+ — FAC	0.1%
NFCE Non-Dual 60+ — WAV	0.1%
NFI Dual 21–59	0.4%
NFI Dual 60+	0.2%
Total Program Impact	0.1%



Program Changes



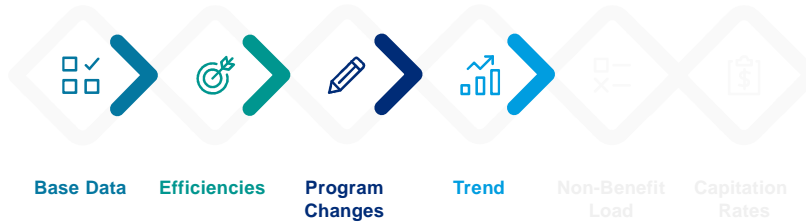
Overall Impact to Base Data

Population Group (All COS)	SW-AL	SW-13Cty	SE-PH	SE-4Cty	L/C	NE	NW	Statewide
NFCE Dual 21–59 — FAC	20.6%	19.6%	13.2%	17.4%	16.1%	21.1%	22.4%	17.6%
NFCE Dual 21–59 — WAV	6.9%	6.7%	7.5%	5.7%	6.5%	7.0%	6.8%	6.9%
NFCE Dual 60+ — FAC	21.4%	21.9%	19.3%	21.4%	22.1%	23.2%	24.2%	21.9%
NFCE Dual 60+ — WAV	7.6%	7.5%	7.4%	7.5%	7.8%	8.1%	7.9%	7.6%
NFCE Non-Dual 21–59 — FAC	11.2%	12.4%	10.6%	10.9%	11.7%	13.1%	13.6%	11.5%
NFCE Non-Dual 21–59 — WAV	5.3%	4.1%	5.3%	4.5%	5.2%	4.5%	5.5%	5.1%
NFCE Non-Dual 60+ — FAC	14.0%	14.3%	13.3%	13.7%	14.8%	15.1%	15.6%	14.0%
NFCE Non-Dual 60+ — WAV	5.7%	4.5%	5.5%	5.3%	6.3%	5.1%	5.7%	5.6%
NFI Dual 21–59	-0.1%	-1.1%	2.1%	2.2%	0.8%	2.9%	0.4%	1.1%
NFI Dual 60+	5.4%	3.9%	4.9%	6.8%	6.8%	7.9%	6.3%	5.9%
Total Program Impact	10.7%	12.7%	7.4%	11.0%	11.7%	14.3%	12.7%	10.2%

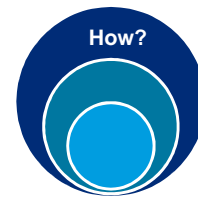
Program change percentage impacts do not include NF Access to Care Payments; see the Access to Care PMPM impacts slides

Annual Rate-Setting Process

Trend



Trend Assumptions



- Trend is the projection of changes to utilization, unit cost, and mix of services over time
- Adjusts the SFY 2020–2021 base to the CY 2023 contract period

Ensures capitation rates include consideration for changes in costs and utilization that are expected to occur between the historical base data period and the prospective contract period

- Developed based on a review of historical cost and utilization within CHC program data, emerging financial data (Report 4 and Report 5), and national trend information (Consumer Price Index, other State programs)
- Developed by rating region and COS

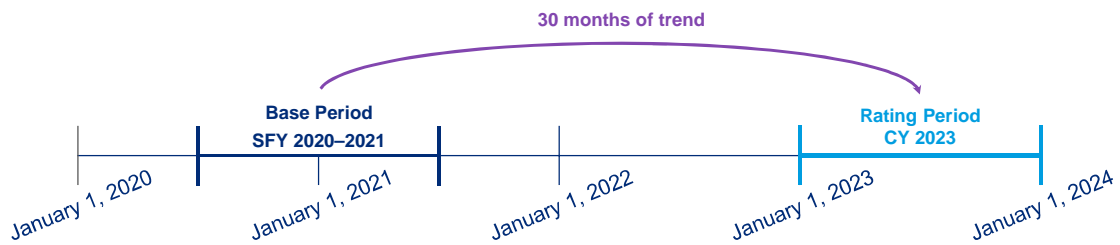
Trend Development



Trend Development



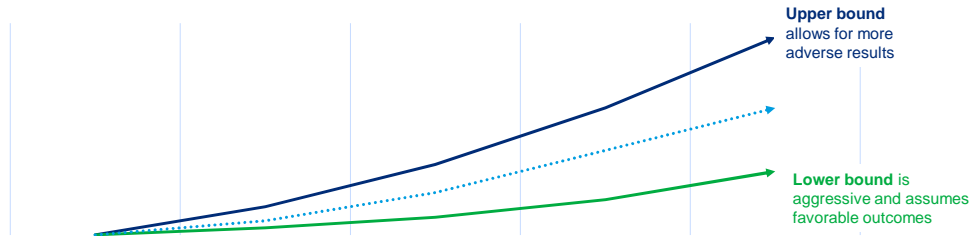
Trends are expressed as an annualized average rate (X%) and applied for 2.5 years



Development of Trend Ranges



Develop a “Best Estimate” trend and vary it to establish a lower bound and upper bound.

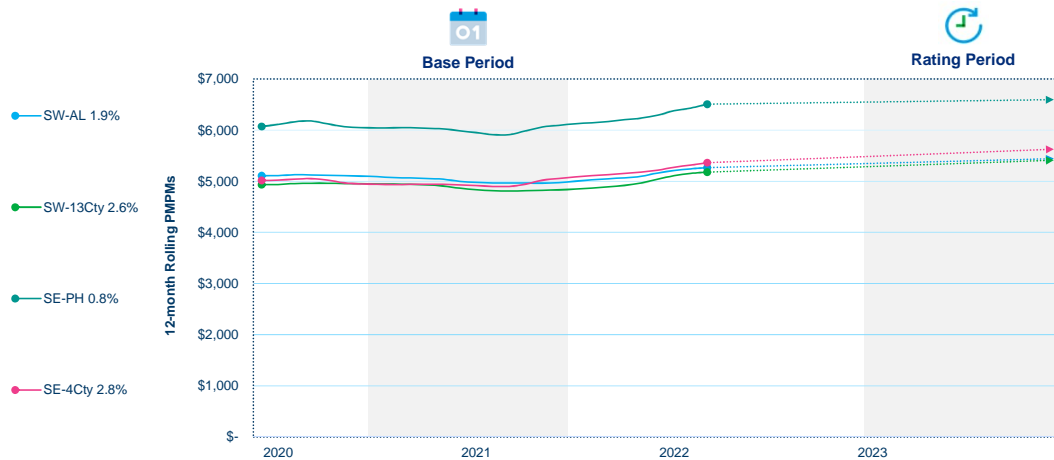


Some factors affecting realized trend:

- Penetration rates
- Utilization of services
- Provider payment rates
- Demographic or benefit levels
- Clinical/management practices
- Provider expansions

All trend values are considered actuarially sound

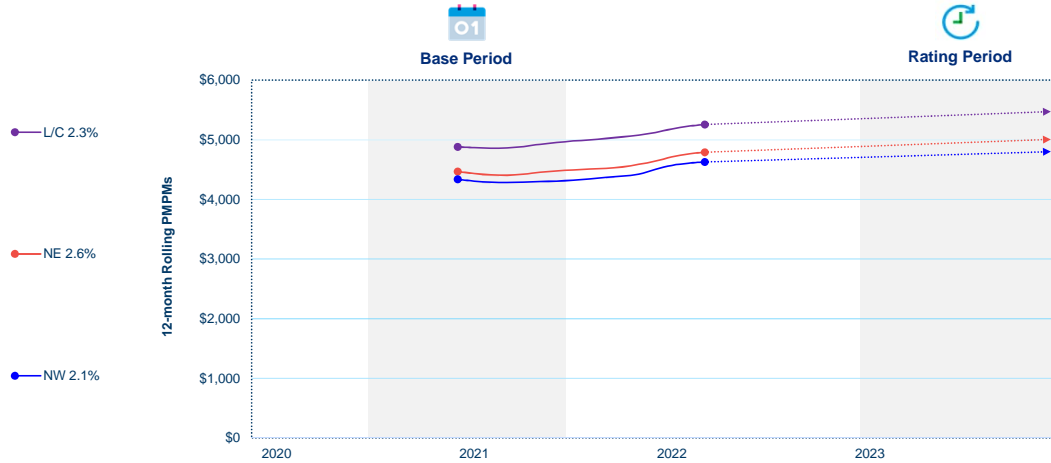
NF Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

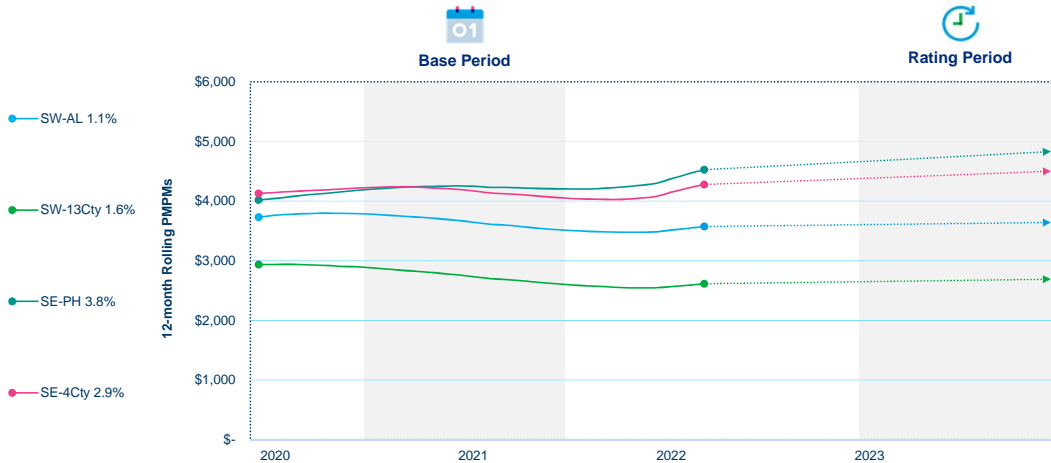
NF Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

PAS Trend

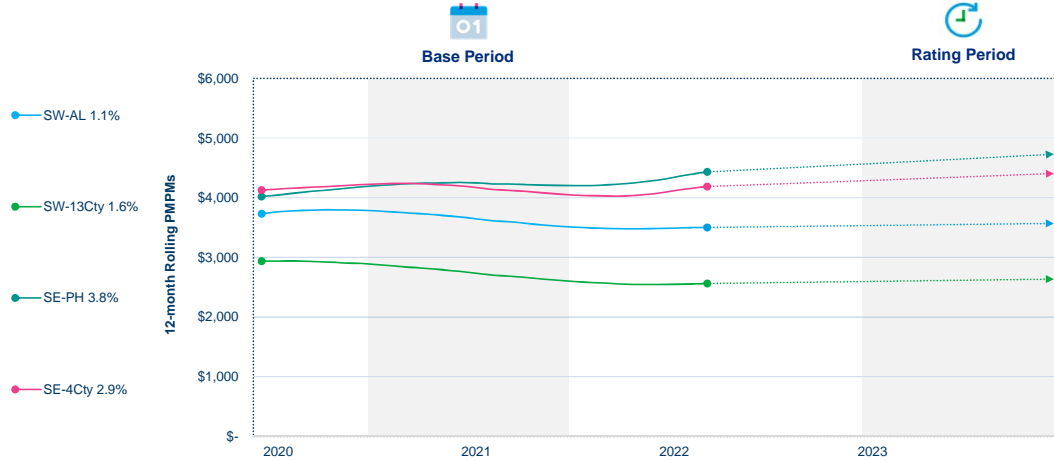


Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

PAS Trend

January 1, 2022 — 8% PAS Fee Schedule Increase Removed

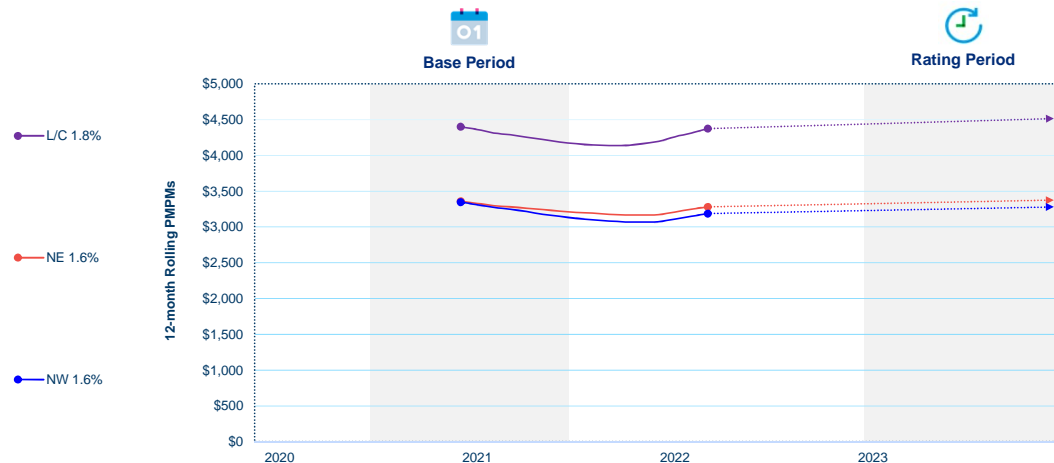


Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.
5. 2022 Q1 data adjusted to remove the effect of the 8% PAS fee schedule increase, effective January 1, 2022.



PAS Trend



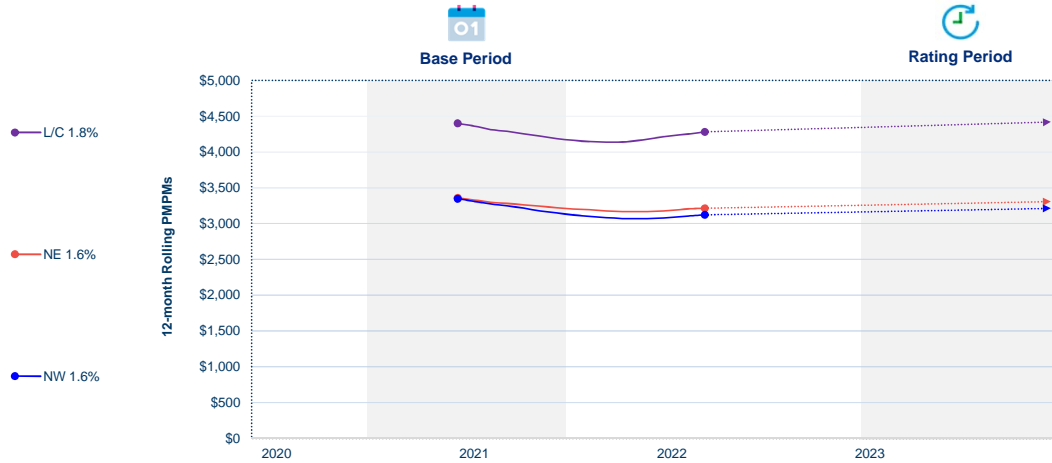
Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.



PAS Trend

January 1, 2022 — 8% PAS Fee Schedule Increase Removed

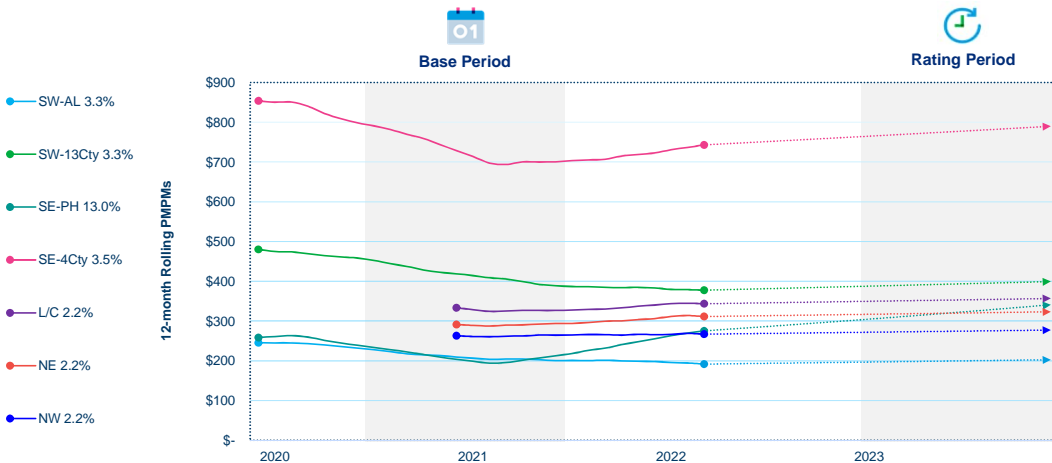


Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.
5. 2022 Q1 data adjusted to remove the effect of the 8% PAS fee schedule increase, effective January 1, 2022.



Other HCBS Waiver Trend

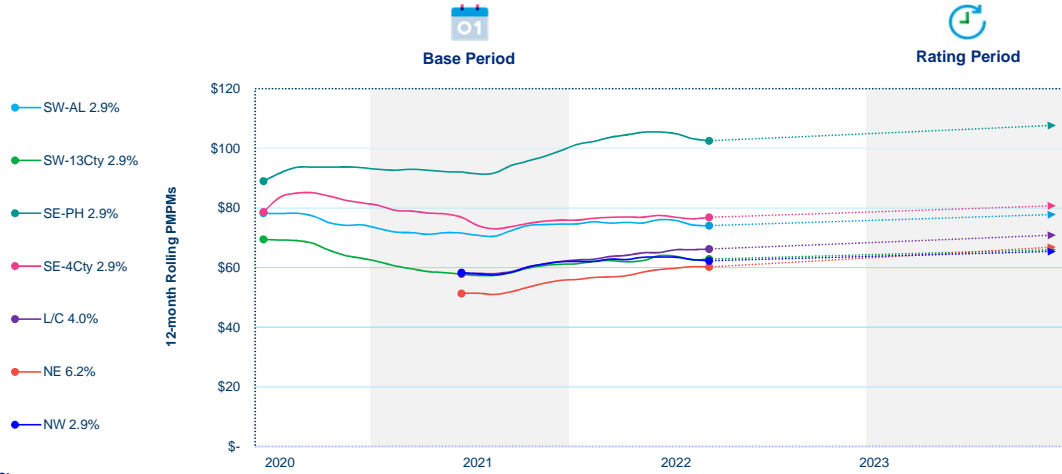


Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.



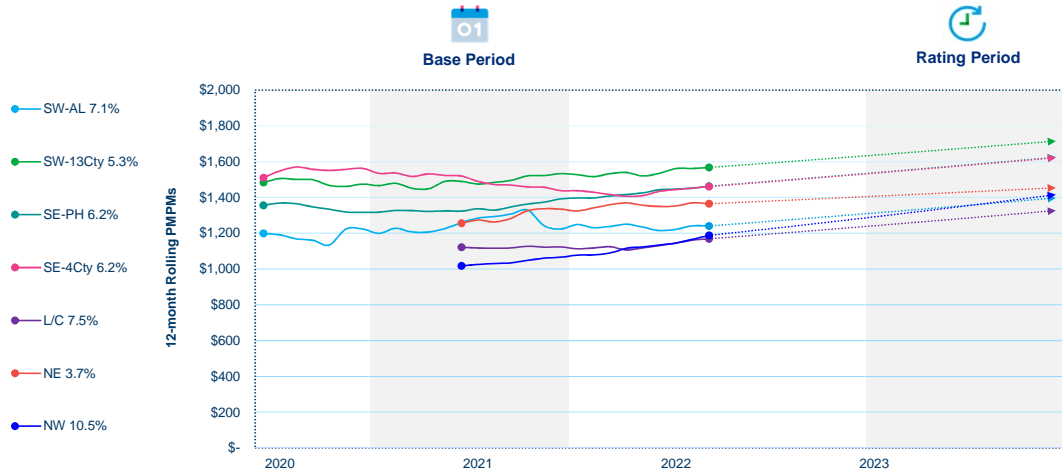
Other Medical Dual Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

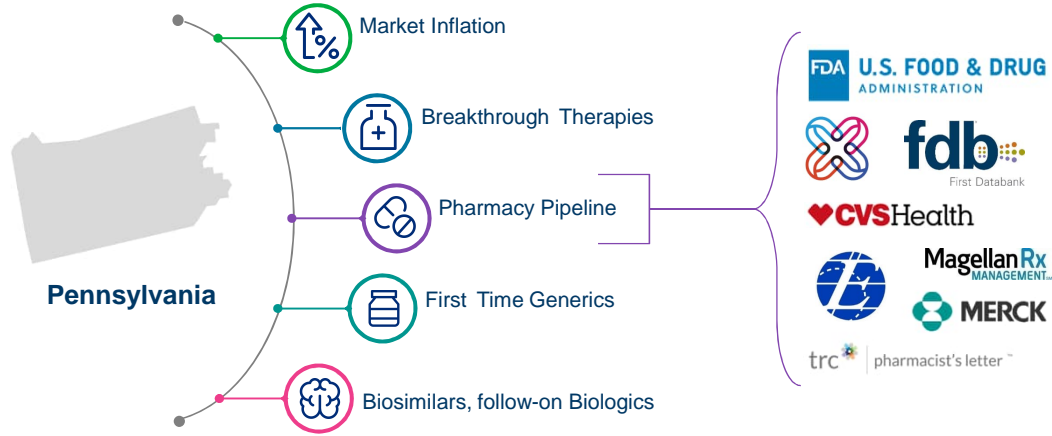
Other Medical Non-Dual Trend



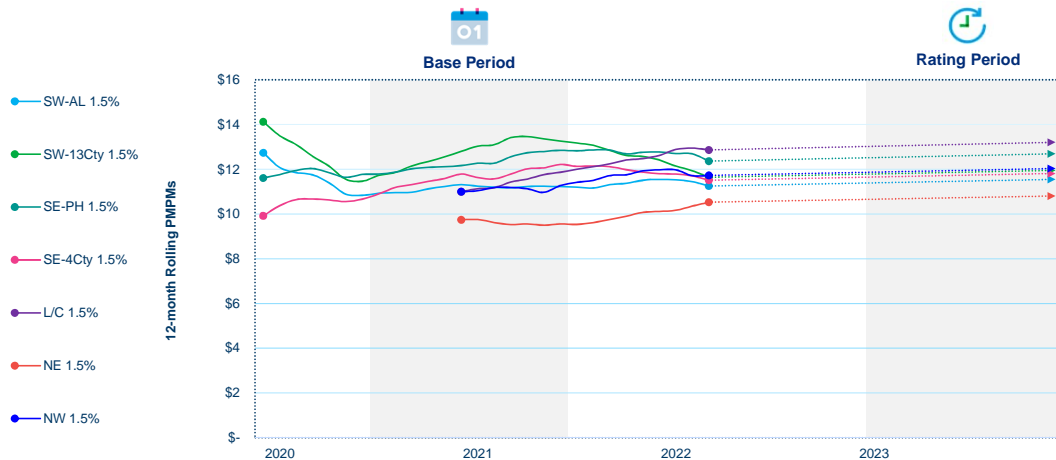
Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

Pharmacy Trend Considerations



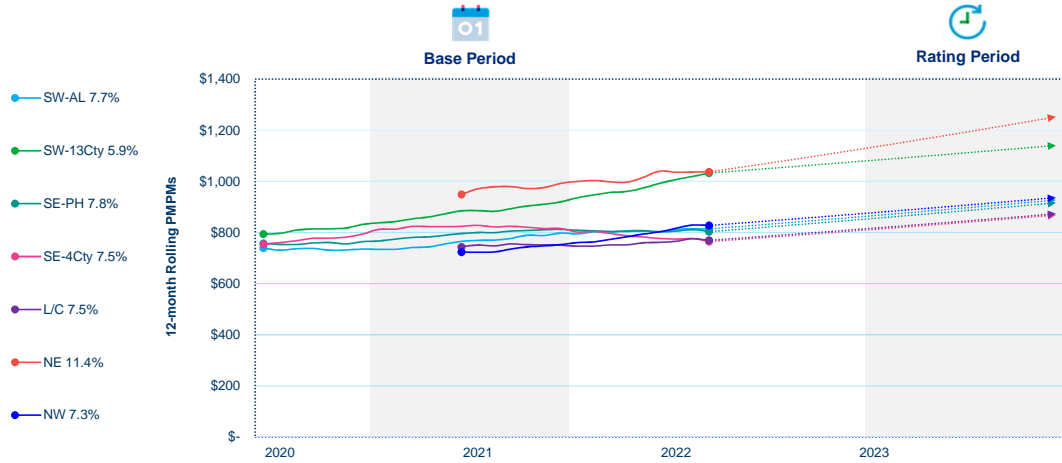
Pharmacy Dual Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

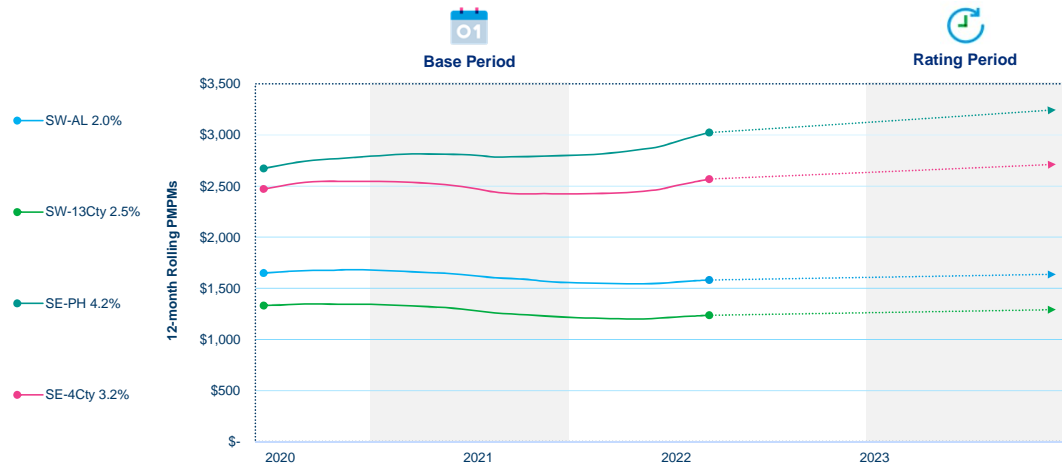
Pharmacy Non-Dual Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

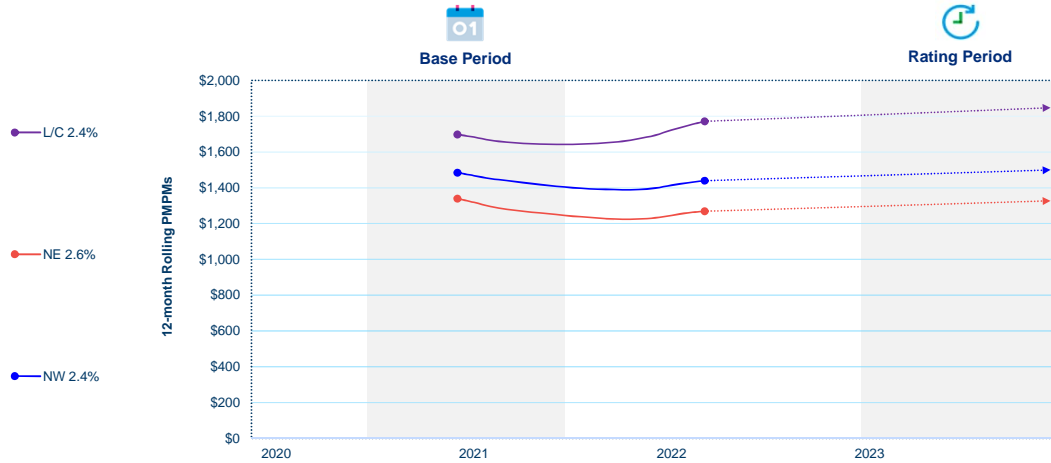
Total Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

Total Trend



Notes:

1. PMPMs through the base period are calculated based on CHC-MCO financial reports.
2. A December 12-month rolling PMPM is assumed to have an implicit mid-point of July.
3. Forecasts are point estimates only and are based on the displayed 30-month annualized trends in the legend.
4. Amounts shown here exclude the impact of program changes.

Trend Development

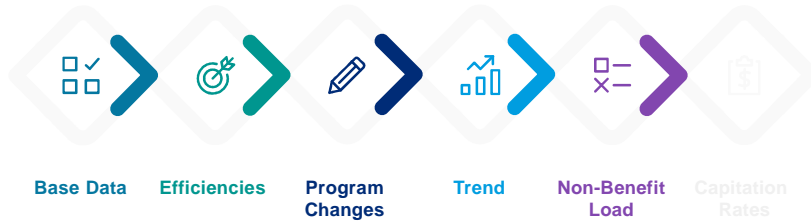


Region	NF	Pharmacy		Other Medical		Personal Assistance	Other Waiver	Aggregate Trend
		Dual	Non-Dual	Dual	Non-Dual			
SW-AL	1.9%	1.5%	7.7%	2.9%	7.1%	1.1%	3.3%	2.0%
SW-13Cty	2.6%	1.5%	5.9%	2.9%	5.3%	1.6%	3.3%	2.5%
SE-PH	0.8%	1.5%	7.8%	2.9%	6.2%	3.8%	13.0%	4.2%
SE-4Cty	2.8%	1.5%	7.5%	2.9%	6.2%	2.9%	3.5%	3.2%
L/C	2.3%	1.5%	7.5%	4.0%	7.5%	1.8%	2.2%	2.4%
NE	2.6%	1.5%	11.4%	6.2%	3.7%	1.6%	2.2%	2.6%
NW	2.1%	1.5%	7.3%	2.9%	10.5%	1.6%	2.2%	2.4%

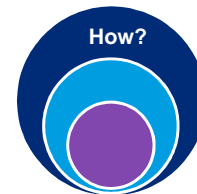
These factors are 30-month annualized PMPM service trends designed for SFY 2020–2021 to CY 2023.

Annual Rate-Setting Process

Non-Benefit



Non-Benefit Load



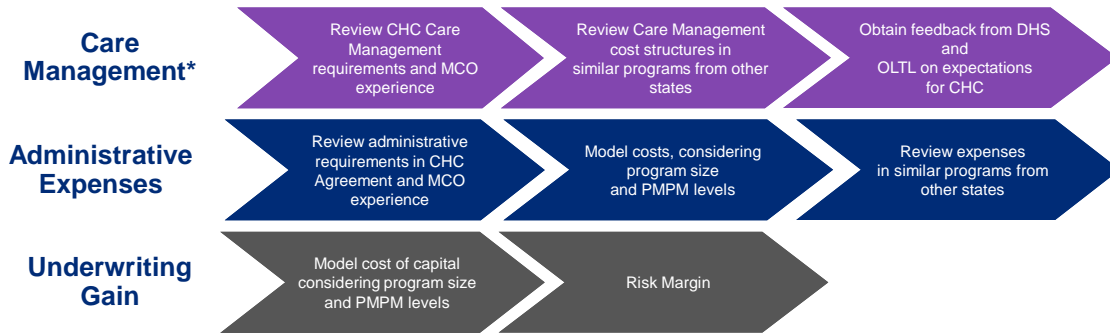
Allows consideration for non-service costs necessary to operate the program such as administration costs, profit/risk/contingency costs, care management, taxes and fees

- Provides funding for expenditures associated with care management and administrative duties
- Ensures capitation rates cover required taxes and fees
- CMS requirement that non-benefit load is considered in rate setting

- Reviews historical reported (Report 5) and paid administrative and care management costs
- Additional consideration for Underwriting Gain

Capitation Rate Development

Non-Benefit Expense Load



* Includes Medical Care Management and LTSS service coordination activities



Care Management

OVERVIEW

- Built as a factor of total capitation
- Differing assumptions for NF and waiver service recipients
- Differing assumptions for NFCE and NFI populations

CONSIDERATIONS

- Review care management requirements in CHC Agreement
- Review actual CHC-MCO care management expenses
- Review care management cost structures in similar programs from other states
- Obtain feedback from DHS and OLTL on expectations for CHC

Care Management

APPROACH

- Developed care manager caseloads for NFCE waiver, NFCE facility, and NFI
 - NFCE waiver: 60:1 for all zones
 - NFCE facility: 125:1 for all zones
 - NFI: 3,000:1 for all zones
- Assume 6:1 care manager to supervisor ratio
- Salary assumptions based on 2021 Pennsylvania Bureau of Labor Statistics data
 - Trended to CY 2023



Administrative Expenses

OVERVIEW

- Built as a factor of total capitation
- Differing assumptions for NFCE FAC, NFCE WAV, and NFI populations
- Differing assumptions across rating regions

CONSIDERATIONS

- Review administrative requirements in CHC Agreement
- Model costs, considering program size, PMPM levels, fixed and variable components
- Review actual CHC-MCO expenses
- Review expenses in similar programs from other states

Administrative Expenses



APPROACH

- Reviewed CY 2019 through Q1 2022 administrative and care management expense details from all three CHC-MCOs
 - Normalized for differences in administrative expense and care management reporting across CHC-MCOs
- Varied administrative expense assumptions for NF and HCBS participants, recognizing additional costs associated with HCBS



Underwriting Gain



OVERVIEW

- Required capital
- Risk margin

APPROACH

- Surplus will increase to track with the NAIC's Risk-Based Capital levels
- Calculate the gain needed to fund increases in required capital
- Forecasting three years of income statements and ending surplus
- Key assumptions include service cost trend and membership growth rate
- Utilized Society of Actuaries Medicaid Managed Care Underwriting Margin Model for analysis

Underwriting Gain: SOA Model



New SOA Medicaid Managed Care Underwriting Margin Model

- Need for more consistency and transparency across underwriting gain development
- SOA workgroup representing state actuaries, MCOs, and Society of Actuaries
- Framework for Cost of Capital
 - Program characteristics
 - Market rates of return and volatility
 - Tax rate
 - Timing of capitation payments
- Framework for Risk Margin
 - Program characteristics
 - Historical distributions of underwriting ratios as reported by the MCO industry to the NAIC for 2013 through 2019
 - Probability of ruin

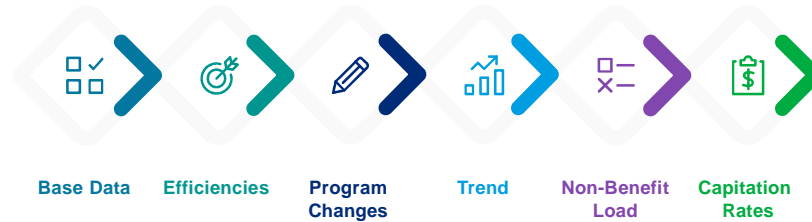
Non-Benefit Expense Load



Rating Region	Care Management				Administrative Expenses				Underwriting Gain				Total			
	NFCE — FAC	NFCE — WAV	NFI	Total	NFCE — FAC	NFCE — WAV	NFI	Total	NFCE — FAC	NFCE — WAV	NFI	Total	NFCE — FAC	NFCE — WAV	NFI	Total
SW-AL	1.20%	3.30%	3.50%	2.47%	1.30%	2.75%	9.00%	2.41%	1.75%	1.75%	1.75%	1.75%	4.25%	7.80%	14.25%	6.63%
SW-13Cty	1.20%	3.30%	3.50%	2.13%	1.30%	3.00%	9.00%	2.30%	1.75%	1.75%	1.75%	1.75%	4.25%	8.05%	14.25%	6.18%
SE-PH	1.20%	3.30%	3.50%	3.09%	1.30%	2.25%	9.00%	2.28%	1.75%	1.75%	1.75%	1.75%	4.25%	7.30%	14.25%	7.12%
SE-4Cty	1.20%	3.30%	3.50%	2.39%	1.30%	2.25%	9.00%	1.98%	1.75%	1.75%	1.75%	1.75%	4.25%	7.30%	14.25%	6.12%
L/C	1.20%	3.30%	3.50%	2.34%	1.30%	2.25%	9.00%	2.01%	1.75%	1.75%	1.75%	1.75%	4.25%	7.30%	14.25%	6.10%
NE	1.20%	3.30%	3.50%	2.14%	1.40%	2.75%	9.00%	2.28%	1.75%	1.75%	1.75%	1.75%	4.35%	7.80%	14.25%	6.17%
NW	1.20%	3.30%	3.50%	2.31%	1.30%	2.75%	9.00%	2.27%	1.75%	1.75%	1.75%	1.75%	4.25%	7.80%	14.25%	6.33%
Total	1.20%	3.30%	3.50%	2.59%	1.31%	2.37%	9.00%	2.20%	1.75%	1.75%	1.75%	1.75%	4.26%	7.42%	14.25%	6.53%

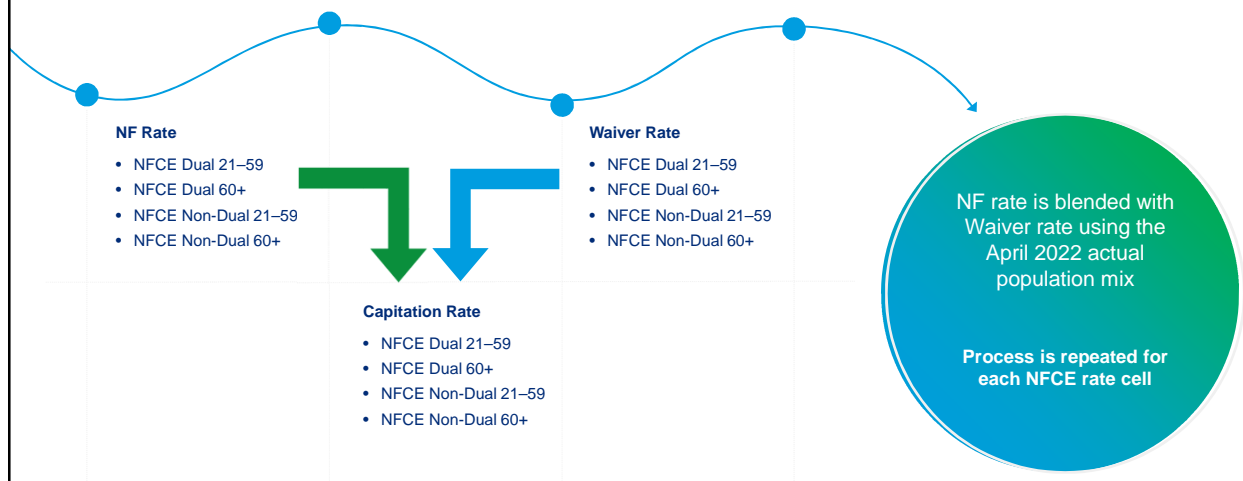
Annual Rate-Setting Process

Capitation Rates — Final Steps



Final Steps

Blend Population Groups



Final Steps

MCO Assessment

OVERVIEW

- Head tax on contractors per enrollee per month
- Most recent amount is \$24.95 per enrollee per month
- DHS makes payments to MCOs in accordance with agreements
- Payments are recaptured by the Commonwealth through the head tax in accordance with legislative statutes
- Funds are federally matched

APPROACH

- Include amount in capitation rates as a PMPM with adjustment for “per enrollee” structure of MCO Assessment
 - Consistent with CY 2022 rates, the MCO Assessment add-on is \$25.19



Final Steps

Rate Ranges

Rate Ranges

- Rate ranges, upper bounds, and lower bounds, reflect the volatility from the uncertainty of prospective events
- Per § 438.7(c) of the Medicaid Managed Care Final Rule, Mercer must certify the contracted rates by contractor and rate cell
- Mercer will continue to provide rate ranges to DHS for negotiation purposes



Final Capitation Rates



Base Data

- Encounter to Financial Alignment
- Completion Factors
- COB Adjustment
- Other
 - Provider Billing Issues
 - Missing Data
 - Etc.

Efficiencies

- Readmissions
- PQIs
- LANE
- Rx DxRx
- Rx MAC

Program Changes

- AWC
- COVID-19
- Home Accessibility DME
- Medicare Advantage MOOP
- Medicare Part B Deductible
- NF Access to Care Payments
- NF Staffing Ratio Regulations
- PAS Fee Schedule Increase
- Philadelphia Ambulance Fee Schedule Increase

Trend

- NF
- PAS
- Medical Services
- Other HCBS Services
- Pharmacy

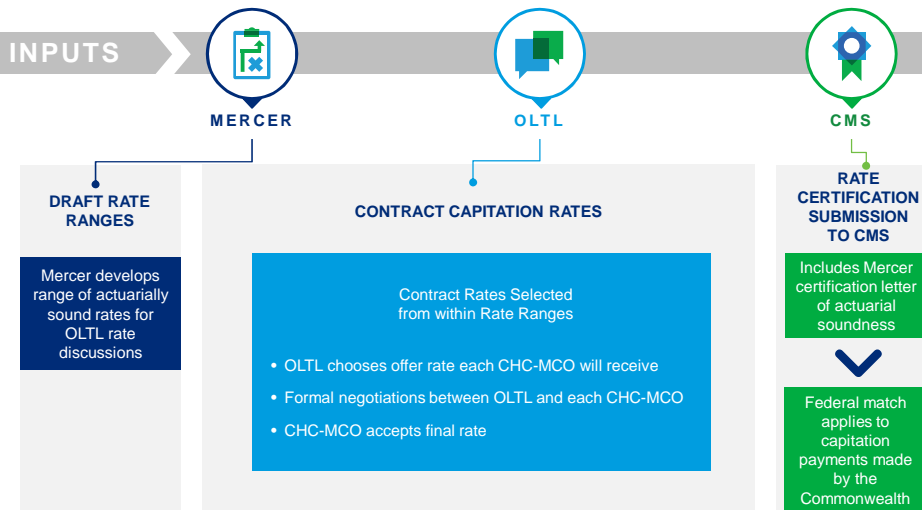
Non-Benefit Components

- Care Management
- Administrative Expense
- Underwriting Gain/Risk Margin

Capitation Rates: Final Steps

- Blend Population Groups
- MCO Assessment
- Rate Ranges

Contract Rates and CMS Approval



Agreement Requirements

Directed Payments

Ambulance Minimum Fee Schedule



Effective January 1, 2023, the Department will mandate minimum fees for specific ambulance procedure codes, including the cost of the event and the cost of the associated mileage

NF Payments



Pending CMS approval, effective January 1, 2023, the Commonwealth will implement a facility-specific alternative fee schedule based on the approved State Plan FFS rates for NF services adjusted to account for:

- Access to Care funding
- Increased NF staffing costs due to NF staffing ratio regulations

NFQIP



Implemented with the CY 2022 contract period, the NFQIP evaluates NFs against statewide benchmark goals (leveraged from National Quality forum metrics and published statewide and national benchmarks) and for making improvements from the base year.

- CY 2023 will be the measurement year and CY 2024 will be the payout year
- Up to \$15 million incentive for CY 2023 performance year

PAS Payment Rate Provisions and Minimum Fee Schedule



The CY 2023 CHC Agreement requires CHC-MCOs to pay for PAS at no less than the currently approved OBRA Waiver fee schedule rates for consumer-directed and agency PAS.

City of Pittsburgh and Philadelphia Ambulance Minimum Fee Schedule



The Department requires that the City of Pittsburgh Ambulance and Philadelphia Ambulance providers must be paid at 105% of the Medicare Urban Fee for select ground ambulance procedure codes

- City of Pittsburgh effective January 1, 2021
- Philadelphia Ambulance effective January 1, 2023

CHC Risk Mitigation Techniques



CY 2024 CHC LTSS

Risk Adjustment Implementation

Key Decisions

- Effective date:
 - January 2024
- Populations:
 - *NFCE-WAV only*
- Services considered:
 - *CHC 1915c Waiver services*
 - *Home health*
 - *Nursing facility*
 - *Hospice*
 - *DME — Home Accessibility*
- Model development data:
 - *SFY 2020–2021 encounters and assessments*

Winter TA Session (December 2022/January 2023)

- LTSS risk adjustment overview
- Assessment and encounter data quality
- Feedback and Q&A
 - OLT/Mercer may send questions or ad hoc requests to CHC-MCOs, as needed
 - CHC-MCOs will have the opportunity to submit feedback and questions
- Timeline and next steps

Summer TA Session (July 2023)

- Share CY 2024 methodology
- Statewide dry run results
 - *Share CHC-MCO specific results after TA Session*
- Timeline for final results



CY 2023 Contract Meetings

5

CY 2023 Contract Meetings

Information Packet



CY 2023 CHC Offer Rates — includes rate build-up



Pharmacy Efficiency Information Sharing Documents



Program Change Values



Risk Pool and Risk Sharing Amounts — includes HCRP, PG13, and Home Accessibility DME



CY 2023 CHC Capitation Rate Technical Assistance Session PowerPoint



CY 2023 CHC Agreement Concepts Chart



CY 2023 DHS Rate Discussion Topics

CY 2023 Contract Meetings

DHS Rate Discussion Topics

**Workforce
Issues: Retention,
Health/Safety, and
Payment Rates**

**interRAI Home
Care Assessment
Data Reporting
and Quality**

**NFI Service
Management**

Vision for CHC

CY 2023 Contract Meetings

Meeting Format



CY 2023 Contract Meetings

Next Steps



CY 2023 Contract Meetings Bid Form

Purpose is to facilitate easier comparison between Mercer assumptions and MCO projections

- Submit along with Contract Meeting agenda
- Due to OLTL Tuesday, October 4, 2022



Rating Region: Southwest - Allegheny
Rating Period: W002-03N002

Base Data	Southwest - Allegheny: Base Service Cost P&M		Total
	NF Dual GR	NCI Dual GR	
(1) CY 2022 Report 11 Member Months	\$ 10.51	\$ 4,747.54	\$ 4,758.05
(2) CY 2023 Database Base Data P&M	\$ 10.51	\$ 4,747.54	\$ 4,758.05
(3) Base Data Modifier Rate	\$ 10.51	\$ 4,747.54	\$ 4,758.05
(4) CY 2023 Adjusted Base Data P&M	\$ 10.51	\$ 4,747.54	\$ 4,758.05

Adjustments to Base Data	Southwest - Allegheny: Rating Period Projected P&M		Total
	NF Dual GR	NCI Dual GR	
(5) Savings associated with efficiency initiatives (enter as negative value)	\$ (2,203)	\$ (105,701)	\$ (107,904)
P&M after proposed efficiency adjustment	\$ 10.51	\$ 5,240.59	\$ 5,251.10
(6) Changes attributed to COVID-19	\$ 10.51	\$ 4,747.54	\$ 4,758.05
P&M after COVID-19 impact	\$ 10.51	\$ 5,315.93	\$ 5,326.44

Projected Service Costs	Southwest - Allegheny: Rating Period Projected P&M		Total
	NF Dual GR	NCI Dual GR	
(7) Program Changes	\$ 3.85	\$ 89.47	\$ 93.32
P&M after program changes	\$ 14.36	\$ 5,405.40	\$ 5,419.76
(8) Trend	\$ 14.36	\$ 5,405.40	\$ 5,419.76
P&M after trend	\$ 14.36	\$ 5,405.40	\$ 5,419.76
(9) Access to Care Payments	\$ 14.36	\$ 5,405.40	\$ 5,419.76
P&M after access to care	\$ 14.36	\$ 5,405.40	\$ 5,419.76
(10) MCO Assessment	\$ 14.36	\$ 5,405.40	\$ 5,419.76
Final Blended Rate	\$ 14.36	\$ 5,405.40	\$ 5,419.76

Questions





Services provided by Mercer Health & Benefits LLC.

This report covers information-sharing for CY 2023 Community HealthChoices capitation rates.

This report is prepared on behalf of the Department and is intended to be relied upon by only the Department. It should be read in its entirety and has been prepared under the direction of Tom Dahl, FSA, MAAA; Chris Fuller, ASA, MAAA; and Angela Ugstad, ASA, MAAA; who are members of the American Academy of Actuaries and meet its US Qualification Standard for issuing the statements of actuarial opinion herein.

To the best of Mercer's knowledge, there are no conflicts of interest in performing this work.

The suppliers of data are solely responsible for its validity and completeness. Mercer has reviewed the data and information for internal consistency and reasonableness, but we did not audit it. All estimates are based upon the information and data available at a point in time and are subject to unforeseen and random events, and actual experience will vary from estimates.

Mercer expressly disclaims responsibility, liability, or both for any reliance on this communication by third parties or the consequences of any unauthorized use.

NOTICE REGARDING THE PRESENCE OF CONFIDENTIAL AND PROPRIETARY INFORMATION

This document was developed by Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, and it is and shall remain the sole property of Mercer. It contains Mercer's confidential and proprietary information. It is to be used only for internal purposes. Any other use or disclosure without prior written consent of Mercer is strictly prohibited. This document (including its format and presentation) may not be reproduced, modified, revised, enhanced, sold or otherwise transferred or provided, in whole or in part, to any other person or entity without the prior written consent of Mercer.

www.mercer-government.mercer.com

A business of Marsh McLennan

Copyright © 2022 Mercer Health & Benefits LLC. All rights reserved.



A business of Marsh McLennan

Copyright © 2022 Mercer Health & Benefits LLC. All rights reserved.

CY 2023 Community HealthChoices Trend Summaries

Category of Service	Southwest - Allegheny	Southwest - 13 Counties	Southeast - Philadelphia	Southeast - 4 Counties	Lehigh/Capital	Northeast	Northwest
Nursing Facility	1.9%	2.6%	0.8%	2.8%	2.3%	2.6%	2.1%
Pharmacy - Dual	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Pharmacy - Non-Dual	7.7%	5.9%	7.8%	7.5%	7.5%	11.4%	7.3%
Other Medical - Dual	2.9%	2.9%	2.9%	2.9%	4.0%	6.2%	2.9%
Other Medical - Non-Dual	7.1%	5.3%	6.2%	6.2%	7.5%	3.7%	10.5%
Personal Assistance	1.1%	1.6%	3.8%	2.9%	1.8%	1.6%	1.6%
Other HCBS Waiver	3.3%	3.3%	13.0%	3.5%	2.2%	2.2%	2.2%
Total	2.0%	2.5%	4.2%	3.2%	2.4%	2.6%	2.4%