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Calculating Savings in the New Jersey Medicaid Accountable Care Organization Demonstration Program

Affiliated Accountable Care Organizations Webinar

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Goals for Today

- Describe requirements for measuring savings in the NJ Medicaid ACO Demonstration Program
- Present Rutgers CSHP recommended approach to measuring savings
- Discuss how the CSHP approach can help guide gainsharing plans and the evaluation

Key Features of the NJ Medicaid ACO Demonstration

- Geographically defined population with 5,000+ Medicaid beneficiaries
- ACOs organized as NJ non-profits, governed by multi-stakeholder board, extensive community engagement required
- Accountable for the cost, quality, and outcomes of the Medicaid fee-for-service population
- Voluntary participation of Medicaid managed care organizations (MCOs)
- Three year demonstration, annual evaluation
- ACOs eligible to share savings upon approval of “gainsharing plans”

Demonstration Timeline

- Enacted, August 2011 (P.L. 2011, Ch. 114)
- Proposed Rule, May 6, 2013 comments by July 8 (45 N.J.R. 1080(a))
- Final Rule expected fall 2013
- Applications for ACO certification due 60 days after final rule
- ACOs certified early 2014
- Gainsharing plans due within 12 months
- Shared savings to begin upon approval

Requirements for Measuring Savings

NJ P.L. 2001, Ch 114, C.30:4D-8.5

a) "Gainsharing plan" must be submitted for approval within 12 mo. of ACO certification

b) The Dept. of Human Services, in consultation with the Dept. of Health, and with "data provided by Rutgers Center for State Health Policy", shall only approve gainsharing plans that…

   a. Promote care coordination
   b. Encourages key services (e.g., health education, culturally appropriate care)
   c. Structured to reward quality, improve outcomes and experiences with care
   d. Funds interdisciplinary collaboration… behavioral health and primary care
   e. Improves access to dental care
   f. Developed with community input

Requirements for Measuring Savings (continued)

NJ P.L. 2001, Ch 114, C.30:4D-8.5

c) Savings calculated using "an appropriate **baseline period** beginning and ending on specified dates prior to the commencement of the demonstration project, which shall be the benchmark period **against which cost savings can be measured** on an annual bases going forward….

   a. "FFS **expenditures per recipient** … "**adjusted** for characteristics of recipients and local conditions that predict Medicaid spending but are **not amenable to care coordination or management** activities of an ACO which shall serve as the benchmark payment calculation;

   b. "**compares the benchmark payment calculation to amounts paid** by the Medicaid **fee-for-service program** for all such resident recipients during subsequent periods; and

   c. "provides that the benchmark payment calculation **shall remain fixed for a period of three years** following approval of the gainsharing plan."

Note: Red text emphasis added

Requirements for Measuring Savings (continued)

NJ P.L. 2001, Ch 114, C.30:4D-8.5

d) Voluntary participating MCOs may share gains, subject to state and ACOs receiving sufficient shares.

e) No stinting on care.

f) Relationship to other federal and state initiatives.

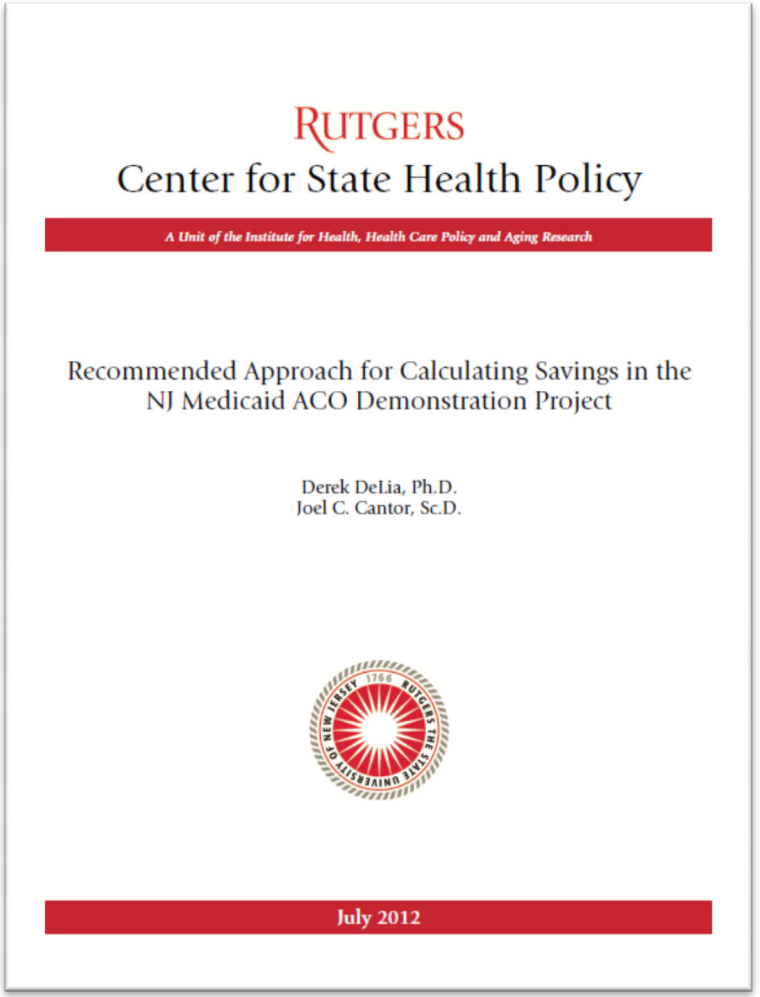
g) Consider use of funds to nursing, primary care, behavioral health, and dental workforces.

h) Assessment of financial impact on participating hospitals, letters of support required.

CSHP Savings Methodology

- Will guide CSHP review of ACO proposed gainsharing plans

- Adapted from Medicare Shared Savings Program
- Adjusted for unique features of the Medicaid population and requirements of the NJ ACO law
- Based on statewide Medicaid claims and MCO encounter data


RUTGERS
Center for State Health Policy
A Unit of the Institute for Health, Health Care Policy and Aging Research
Recommended Approach for Calculating Savings in the NJ Medicaid ACO Demonstration Project
Derek DeLia, Ph.D.
Joel C. Cantor, Sc.D.
July 2012

Available at: www.cshp.rutgers.edu/Downloads/9290.pdf

Medicare Shared Savings Program (MSSP)

- Main issue: Establish existence of savings
- ACO savings rate (ASR) based on per capita spending

  ASR = (Baseline - Performance year)/(Baseline)
- ASR must meet thresholds to account for random variation
- Technical considerations
  - Risk adjustment
  - Stratification by eligibility category
  - Quality standards
- Adjustments for NJ Medicaid ACOs are necessary

Statistical & Financial Risks

- Threshold requirement for ASR
  - Designed to limit Medicare's liability in MSSP
  - May discourage participation
  - "Overpayments" may be reinvested into care improvements

- Approach: No threshold requirement in Demo.

- Cost outliers
  - MSSP truncates @ 99th percentile
  - May disrupt "super-users" strategies
  - Legislation may not allow truncation

- Approach: No truncation. Monitor outliers in evaluation.

Clinical Risk Adjustment

- Direct risk adjustment
  - Medicaid MCO method: Chronic Illness & Disability Payment System (CDPS)
  - Not originally designed for all patients but evolving.

- Approach: Use CDPS where applicable. May need patchwork for remaining patients in Demo.

- Trending & updating ACO baseline spending
  - State-level Medicaid trends & projections (Similar to MSSP)
  - Cost trends vary by patient group

- Approach: Calculate separate trending & updating factors by Medicaid eligibility category.

Medicaid Churning & Eligibility Expansion

- Patients churning on and off of Medicaid
- Approach: Calculate savings per person per month
- Expansion population in 2014
  - No baseline Medicaid history
  - Dissimilar to current enrollees
  - Need to estimate baseline from existing data (current enrollees, hospital charity care, etc.)
- Approach: Create imputed baseline values based on Hospital Charity Care & subsets of Medicaid data.

Departures from the Rutgers Methodology

- Available databases
  - e.g., participating MCO enrollee data
- Benchmark populations
- Distribution of financial risk
- Links to quality performance

Considerations for Certification of Methodology

- Scientific validity
  - Unbiased comparisons
  - Statistically reliable
- Transparency
  - Approach & rationale
- Appropriate distribution of financial risk
- Consistency with goals of the Demonstration

Preliminary Considerations for the Evaluation

- Impact of the Demonstration on Medicaid spending, quality of care, & health outcomes
- Evaluation methods more detailed/probing
- Impact on subgroups (specific communities, FFS/MCOs)
- Community-wide savings versus savings for specifically targeted intervention populations (e.g., super users)
- Savings accruing to non-participating MCOs
- Special considerations (e.g., outliers, mortality/end-of-life care)

Thank You

QUESTIONS & DISCUSSION