



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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November 14, 2022

MEMORANDUM

TO: The Honorable C. Todd Gilbert
Speaker, Virginia House of Delegates

The Honorable Richard L. Saslaw
Majority Leader, Senate of Virginia

FROM: Cheryl Roberts
Director, Virginia Department of Medical Assistance Services

SUBJECT: Managed Care Spending and Utilization Trends in SFY21 and SFY22

This report is submitted in compliance with the Virginia Acts of the Assembly – Item 317.G.3., of the 2021 Appropriations Act, which states:

“The Department of Medical Assistance Services shall report to the General Assembly on spending and utilization trends within Medicaid managed care, with detailed population and service information and include an analysis and report on the underlying reasons for these trends, the agency's and MCOs' initiatives to address undesirable trends, and the impact of those initiatives. The report shall be submitted each year by September 1.”

and Item 308.G.3. of the 2022 Appropriations Act, which states:

“The Department of Medical Assistance Services shall report to the General Assembly on spending and utilization trends within Medicaid managed care, with detailed population and service information and include an analysis and report on the underlying reasons for these trends, the agency's and MCOs' initiatives to address undesirable trends, and the impact of those initiatives. The report shall be submitted each year by September 1.”

Should you have any questions or need additional information, please feel free to contact me at (804) 664-2660.

CR
Enclosure

Pc: The Honorable John Littel, Secretary of Health and Human Resources

Managed Care Spending and Utilization Trends in SFY21 and SFY22

A Report to the Virginia General Assembly

November 14, 2022

Report Mandate:

Item 317 G.3. of the 2021 Appropriation Act, stated, “The Department of Medical Assistance Services shall report to the General Assembly on spending and utilization trends within Medicaid managed care, with detailed population and service information and include an analysis and report on the underlying reasons for these trends, the agency’s and MCOs’ initiatives to address undesirable trends, and the impact of those initiatives. The report shall be submitted each year by September 1.”

Item 308 G.3. of the 2022 Appropriation Act, stated, “The Department of Medical Assistance Services shall report to the General Assembly on spending and utilization trends within Medicaid managed care, with detailed population and service information and include an analysis and report on the underlying reasons for these trends, the agency’s and MCOs’ initiatives to address undesirable trends, and the impact of those initiatives. The report shall be submitted each year by September 1.”

Spending and Utilization Trends in SFY21 and SFY22

The following provides a review of overall medical spend and utilization by Virginia’s Managed Care Organizations (MCOs) for SFY21 (July 2020 through June 2021) and SFY22 (July 2021 through March 2022; partial year due to claims lag and runout). The Department of Medical Assistance Services (DMAS) observed Medallion 4 per member per month (PMPM) costs decreased 4.51% from SFY20 to SFY21 and increased 0.19% from SFY21 to SFY22. Similarly, for the Commonwealth Coordinated Care Plus (CCC) program, PMPM decreased 2.18% from SFY20 to SFY21 and increased 4.38% from SFY21 to SFY22. By reviewing costs through PMPM (see Exhibit 1), we are able to standardize enrollment changes and provide better year to year comparisons; this is especially important for these time periods as the Public Health Emergency (PHE) resulted in more Virginians receiving Medicaid coverage in late SFY20. Specifically, Medallion 4 PMPM cost increases in SFY22 are caused by Emergency Department (ED) costs being up 13.70% while CCC Plus PMPM costs had a 9.88% increase in Physician Services.

Decreases in PMPM for SFY20 to SFY21 are driven primarily by decreases in utilization (Exhibit 2). Utilization is the count of claims, divided by the total population, and multiplied by an annualizing factor to calculate the annual number. In SFY21, Medallion 4 utilization decreased 13.66% while CCC Plus had a 5.88% decrease. The following year had a 1.88% increase compared to SFY21 for Medallion 4, driven by a 13.37% increase in ED utilization; CCC Plus was about even with a 0.46% decrease for the same time period.

The mission of the Virginia Medicaid agency is to improve the health and well-being of Virginians through access to high-quality health care coverage.

The Department of Medical Assistance Services (DMAS) administers Virginia’s Medicaid and CHIP programs for over 2 million Virginians. Members have access to primary and specialty health services, inpatient care, dental, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 600,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90% for newly eligible adults, generating cost savings that benefit the overall state budget.

Cost per claim (Exhibit 3)—or the average cost of a service—increased in Medallion 4 for SFY20 to SFY21 (+10.60%) but decreased (-1.66%) for SFY21 to SFY22. CCC Plus had increases for both time period evaluations (3.92% and 4.86%). Pharmacy (28.41%) and Inpatient (14.91%) led the way for year over year increases in Medallion 4 in SFY21 while CCC Plus was up 19.34% in Pharmacy and 17.75% in Nursing Facility. Again, these increases in cost per claim were still offset by overall decreases in utilization for the same time periods, resulting in lower medical spend per person.

When evaluating cost and utilization outcomes by Eligibility Categories (Exhibit 4), all categories for both programs experienced decreases in PMPM for SFY20 to SFY21 except Low Income Children for the CCC Plus program (+12.20%). For this period, Low Income Children Outpatient PMPM increased 74.86% and while utilization did increase 7.85%, it is the 62.12% increase in cost per claim that mainly drove the PMPM change. Low Income Children PMPM also increased for Medallion 4 from SFY21 to SFY22 (8.17%); this time it was ED PMPM (+47.79%) that served as the main contributor to the overall PMPM increase. While cost per claim was essentially flat (-0.33%), utilization was up 48.25% for Low Income Children ED. These overall outcomes for Low Income Children are relevant because they represent more than 54% of Medallion 4's SFY22 membership.

Addressing undesirable trends: Initiatives and Outcomes

Throughout SFY21 and SFY22, the Department of Medical Assistance Services (DMAS) and Virginia's MCOs monitored spending and utilization trends and addressed undesirable trends. Many initiatives were implemented during that time period, including Behavioral Health (BH) services and BH network management, ED utilization reduction and preventing readmissions, Maternity and prenatal care, Diabetes management, and Personal Care utilization.

Over the past two fiscal years, multiple MCOs focused on BH case management after experiencing increases in crisis services and BH inpatient care utilization by supporting the implementation of the state's BRAVO services in July and December 2021, and identifying high utilizers of Addiction and Recovery Treatment Services (ARTS) and BH services and providing case management, outreach, and support to those high utilizers. One MCO began a program for youth who are at risk for out of home placement to provide BH intervention, outreach, and care in the least restrictive setting, to align with the Governor's Safe and Sound Task Force. As Virginia's BH program matures, the MCOs are managing their BH networks to decrease overutilization, overbilling, and utilization of inappropriate services.

Virginia's MCOs have implemented new strategies to reduce ED utilization and prevent readmissions, such as provider incentives to increase prevention and minimize acute symptoms/ED utilization, care coordination to improve member transition from ED/Inpatient setting, a reduced payment model for potentially preventable readmissions based on state legislative language, and predictive tools to identify readmission risk. One MCO realized a 20% reduction in their combined Physical Health and Behavioral Health 30-day readmission rate through their strategies.

Maternity and prenatal care continues to be an area of focus in the Commonwealth. Through solutions such as incentivizing members for completing an Obstetrics risk assessment, outreaching to members to improve prenatal and postpartum care, continuing maternity programs to increase healthy outcomes, identifying high-risk pregnancies and providing case management, and supporting parents and caregivers, the MCOs seek to optimize the health of women during pregnancy and post-partum.

Ongoing Diabetes management programs seek to reduce ED visits, inpatient admissions, and readmissions. Through text campaigns, member outreach programs, diabetes education and management programs, visiting member's homes to conduct tests or provide in-home test kits, the MCOs are focused on managing diabetes and closing gaps in care.

Many MCOs have been monitoring and managing Personal Care utilization. Through analysis and utilization review, they ensure the appropriate level of care is being provided to the member and eliminate fraud, overbilling, and unnecessary utilization. Additionally, several MCOs are working to improve member transitions from Nursing Facility (NF) to home and community based care to improve member satisfaction, improve health outcomes, and reduce costs.

Exhibits providing full metrics and percent changes follow.

Exhibit 1

PMPM by Expense Category

	SFY20	SFY21	SFY22	SFY20 vs. SFY21	SFY21 vs. SFY22
MEDALLION4	\$296	\$283	\$283	-4.51%	0.19%
In-Patient	\$61	\$58	\$54	-4.69%	-6.44%
Out-Patient	\$35	\$34	\$33	-2.31%	-3.64%
ED	\$18	\$14	\$15	-25.07%	13.70%
Nursing Facility	\$5	\$5	\$4	1.59%	-8.06%
Physician Services	\$109	\$100	\$104	-7.80%	4.06%
Pharmacy	\$69	\$72	\$72	4.75%	0.52%
Others	\$0	\$0	\$0	-6.14%	-100.00%
CCCPLUS	\$1,577	\$1,542	\$1,610	-2.18%	4.38%
In-Patient	\$178	\$178	\$173	-0.31%	-2.29%
Out-Patient	\$82	\$83	\$80	0.67%	-3.06%
ED	\$24	\$20	\$21	-15.10%	4.69%
Nursing Facility	\$366	\$366	\$374	-0.09%	2.12%
Physician Services	\$686	\$650	\$715	-5.14%	9.88%
Pharmacy	\$240	\$245	\$246	2.02%	0.76%
Others	\$1	\$1	\$0	-7.27%	-100.00%

Exhibit 2

Exhibit 3

Cost Per Claim by Service Category

	SFY20	SFY21	SFY22	SFY20 vs. SFY21	SFY21 vs. SFY22
MEDALLION4	\$151	\$167	\$164	10.60%	-1.66%
In-Patient	\$7,720	\$8,870	\$8,334	14.91%	-6.05%
Out-Patient	\$365	\$406	\$381	11.45%	-6.33%
ED	\$129	\$123	\$124	-4.09%	0.29%
Nursing Facility	\$1,002	\$1,119	\$1,072	11.67%	-4.17%
Physician Services	\$121	\$122	\$125	0.55%	2.76%
Pharmacy	\$85	\$109	\$108	28.41%	-0.89%
Others	\$102	\$91	\$0	-10.09%	-100.00%
CCCPLUS	\$179	\$186	\$195	3.92%	4.86%
In-Patient	\$6,446	\$7,281	\$7,142	12.95%	-1.91%
Out-Patient	\$331	\$357	\$358	7.89%	0.19%
ED	\$86	\$83	\$86	-4.46%	3.88%
Nursing Facility	\$2,302	\$2,711	\$2,975	17.75%	9.76%
Physician Services	\$120	\$116	\$126	-3.51%	8.79%
Pharmacy	\$100	\$120	\$125	19.34%	4.38%
Others	\$87	\$79	\$53	-9.33%	-32.92%

Exhibit 4

PMPM by Eligibility Category

	SFY20	SFY21	SFY22	SFY20 vs. SFY21	SFY21 vs. SFY22
MEDALLION4	\$296	\$283	\$283	-4.51%	0.19%
Aged Adults	\$1,012				
Blind / Disabled Individuals	\$59,605		\$208,914		
Enrolled Due to Pregnancy	\$1,174	\$795	\$687	-32.31%	-13.54%
Limited Benefit Individuals	\$3,861				
Low Income Children	\$181	\$157	\$170	-13.22%	8.17%
Non-ABD Adults	\$454	\$433	\$407	-4.61%	-6.10%
CCCPLUS	\$1,577	\$1,542	\$1,610	-2.18%	4.38%
Aged Adults	\$1,772	\$1,740	\$1,885	-1.76%	8.33%
Blind / Disabled Individuals	\$1,476	\$1,410	\$1,462	-4.49%	3.70%
Enrolled Due to Pregnancy	\$559	\$411	\$418	-26.45%	1.62%
Limited Benefit Individuals	\$9,416				
Low Income Children	\$3,596	\$4,035	\$4,084	12.20%	1.21%
Non-ABD Adults	\$1,536	\$1,599	\$1,579	4.09%	-1.26%