COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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September 1, 2024

MEMORANDUM

TO: The Honorable Don Scott
Speaker, Virginia House of Delegates

The Honorable Scott A. Surovell
Majority Leader, Senate of Virginia

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

SUBJECT: Report on hospital readmissions, July 2020-December 2023

This report is submitted in compliance with item 288 R.3 of the *2024 Appropriations Act*, which states:

> *3. 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.

CJR/wrf

Enclosure

Pc: The Honorable Janet Kelly, Secretary of Health and Human Resources

Managed Care Spending and Utilization Trends in SFY24

September 1, 2024

Report Mandate:

Item 288 R.3 of the 2024 Appropriation Act, states, "3. 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 SFY24

This report provides a review of overall medical spend and utilization by Virginia's Managed Care Organizations (MCOs) for Fiscal Year (FY) 2024 (July 1, 2023, through March 31, 2024; partial year due to claims lag and runout). We see Medallion 4 per member per month (PMPM) costs increased 2.6% from FY23 (July 1, 2022, through June 30, 2023) to FY24. Similarly, for the CCC Plus program, PMPM increased 6.4% from FY23 to FY24. By reviewing costs through PMPM, we can 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 beginning in late FY20 and continuing until unwinding efforts began in April 2023 and continued through FY24.

Specifically, Medallion 4 PMPM cost increases in FY23 are caused by Outpatient costs being up 10.9% and Emergency Department (ED) costs being up 9.7%; similarly, CCC Plus PMPM costs had 13.8% and 11.6% increases in ED and Outpatient services, respectively. In all cases, an upward change in unit cost is the main contributor.

Medical expense categories that can be associated with preventative healthcare, and therefore helping reduce costlier place of service care like Inpatient hospitalizations or ED visits, such as Physician Services and Pharmacy experienced mixed results in utilization from FY23 to FY24: Medallion 4 Physician Services utilization decreased by 5.7% and scripts per member also decreased 2.4%; CCC Plus, however, experienced a 4.4% increase in Physician Services claims volume but standardized Pharmacy script counts were down 0.4%.

Addressing undesirable trends: Initiatives and Outcomes

Throughout FY24, the Department of Medical Assistance Services (DMAS) and Virginia's MCOs monitored spending and utilization trends and addressed undesirable trends.

Through improvements in transitions of care and specialized care management, managed care plans have decreased ED visits, ED Readmissions, and Neonatal intensive care unit (NICU) stays. One MCO implemented joint case rounds with the Personal Care attendant and Long-term Services and Supports (LTSS) Case Manager to identify and discuss interventions for at-risk members. After the first year, there was a 6% reduction in unnecessary and avoidable ED use and a 27% reduction in inpatient admits.

Some of the areas of specialized care management are: NICU, Diabetes, HIV/AIDs, End-Stage Renal Disease (ESRD), and Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services, which has reduced inpatient admissions and avoidable ED visits.

Other initiatives and program innovations by MCO's

Behavioral Health: Multiple MCOs have improved discharge planning and care transitions for behavioral health and substance use treatment to connect members with resources in their community, support follow up care, and refer members to Peer Support Specialists as desired.

Maternal Health: Many program improvements have been made to address disparities in maternal health, increase care coordination for pregnant and postpartum women, and encourage prenatal and postpartum care. With a focus on culturally resonant resources and education through multiple methods including digital platforms, MCOs engage members and connect members to vital resources like doulas, lactation consultants, and pregnancy coaches. Through program improvements, one MCO saw a 14% reduction in unnecessary C-sections. MCOs are experiencing an increase in pregnant women enrolling in Maternity programs with an interest in engaging in their health care.

Table 1: Medallion 4 (Acute) Costs and Utilization by Cost Category

Big 3 By Cost Category

Program: MEDALLION4 (Acute) | Healthplan*: (All) | Eligibility Category: (All)

		SFY2022	SFY2023	SFY2024	% Difference SFY23 - 24
Grand Total	PMPM	$291	$311	$319	2.6%▲
	Cost Per Claim	$166	$171	$183	6.8%▲
	Claims Per 12K Members	21,061	21,766	20,906	-3.9%▼
ER	PMPM	$16	$19	$21	9.7%▲
	Cost Per Claim	$123	$144	$165	14.4%▲
	Claims Per 12K Members	1,513	1,577	1,511	-4.1%▼
In-Patient	PMPM	$59	$56	$56	-0.7%▼
	Cost Per Claim	$8,823	$8,137	$8,113	-0.3%▼
	Claims Per 12K Members	80	83	82	-0.4%▼
Nursing Facility	PMPM	$0	$0	$0	67.6%▲
	Cost Per Claim	$2,472	$3,803	$4,314	13.4%▲
	Claims Per 12K Members	0	0	0	47.8%▲
Other Facility	PMPM	$4	$5	$5	-9.0%▼
	Cost Per Claim	$1,071	$1,226	$1,262	2.9%▲
	Claims Per 12K Members	48	52	46	-11.6%▼
Out-Patient	PMPM	$33	$40	$44	10.9%▲
	Cost Per Claim	$390	$496	$545	9.8%▲
	Claims Per 12K Members	1,014	968	978	1.0%▲
Pharmacy	PMPM	$73	$80	$83	3.6%▲
	Cost Per Claim	$107	$111	$117	6.1%▲
	Claims Per 12K Members	8,233	8,671	8,467	-2.4%▼
Physician Services	PMPM	$106	$110	$110	-0.2%▼
	Cost Per Claim	$125	$127	$135	5.9%▲
	Claims Per 12K Members	10,173	10,415	9,822	-5.7%▼

*Beginning SFY2024, Virginia Premier has become part of Sentara.

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Table 2: CCCPlus (MLTSS) Costs and Utilization by Cost Category

Big 3 By Cost Category

Program: CCCPLUS (MLTSS) | Healthplan*: (All) | Eligibility Category: (All)

		SFY2022	SFY2023	SFY2024	% Difference SFY23 - 24
Grand Total	PMPM	$1,650	$1,809	$1,925	6.4%▲
	Cost Per Claim	$197	$210	$217	3.5%▲
	Claims Per 12K Members	100,477	103,421	106,309	2.8%▲
ER	PMPM	$22	$26	$30	13.8%▲
	Cost Per Claim	$85	$100	$114	14.0%▲
	Claims Per 12K Members	3,041	3,155	3,152	-0.1%▼
In-Patient	PMPM	$185	$182	$195	7.4%▲
	Cost Per Claim	$7,448	$6,852	$7,131	4.1%▲
	Claims Per 12K Members	299	318	328	3.2%▲
Nursing Facility	PMPM	$344	$395	$422	7.1%▲
	Cost Per Claim	$4,544	$5,305	$5,836	10.0%▲
	Claims Per 12K Members	908	893	869	-2.7%▼
Other Facility	PMPM	$29	$32	$28	-11.5%▼
	Cost Per Claim	$543	$587	$657	11.8%▲
	Claims Per 12K Members	630	657	520	-20.9%▼
Out-Patient	PMPM	$82	$105	$118	11.6%▲
	Cost Per Claim	$362	$456	$499	9.5%▲
	Claims Per 12K Members	2,726	2,772	2,827	2.0%▲
Pharmacy	PMPM	$250	$270	$287	6.0%▲
	Cost Per Claim	$125	$129	$138	6.5%▲
	Claims Per 12K Members	24,095	25,071	24,970	-0.4%▼
Physician Services	PMPM	$738	$798	$844	5.8%▲
	Cost Per Claim	$129	$136	$138	1.3%▲
	Claims Per 12K Members	68,778	70,555	73,645	4.4%▲

*Beginning SFY2024, Virginia Premier has become part of Sentara.

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About DMAS and Medicaid

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 approximately two 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 an approximate 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.