

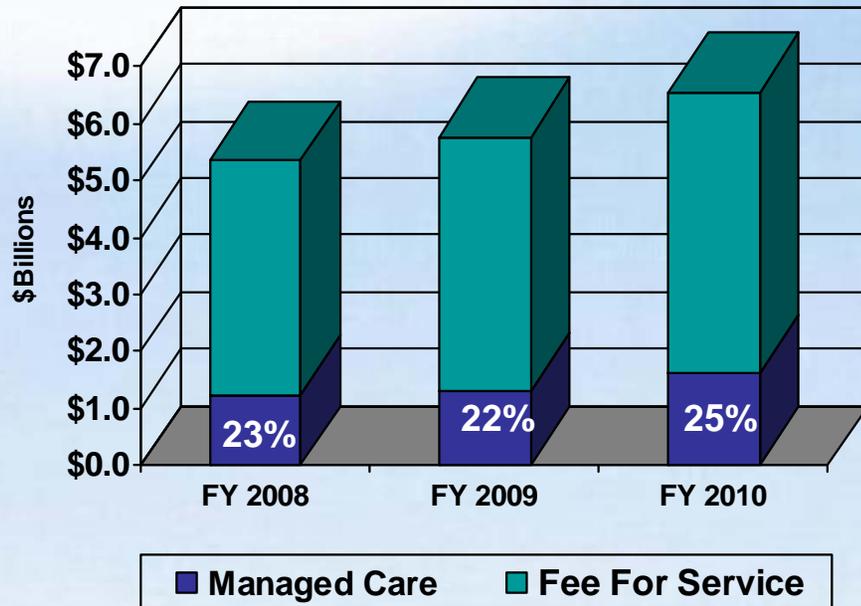
# Virginia Medicaid Managed Care Financing

Presentation to:

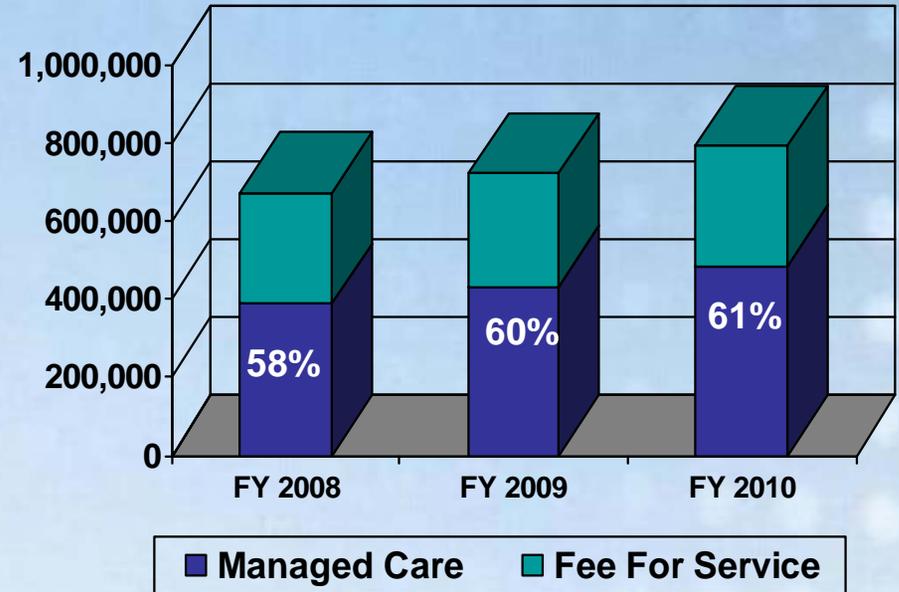
**Senate Finance Committee  
Health and Human Resources Subcommittee**

# Managed Care & FFS Expenditures & Enrollment

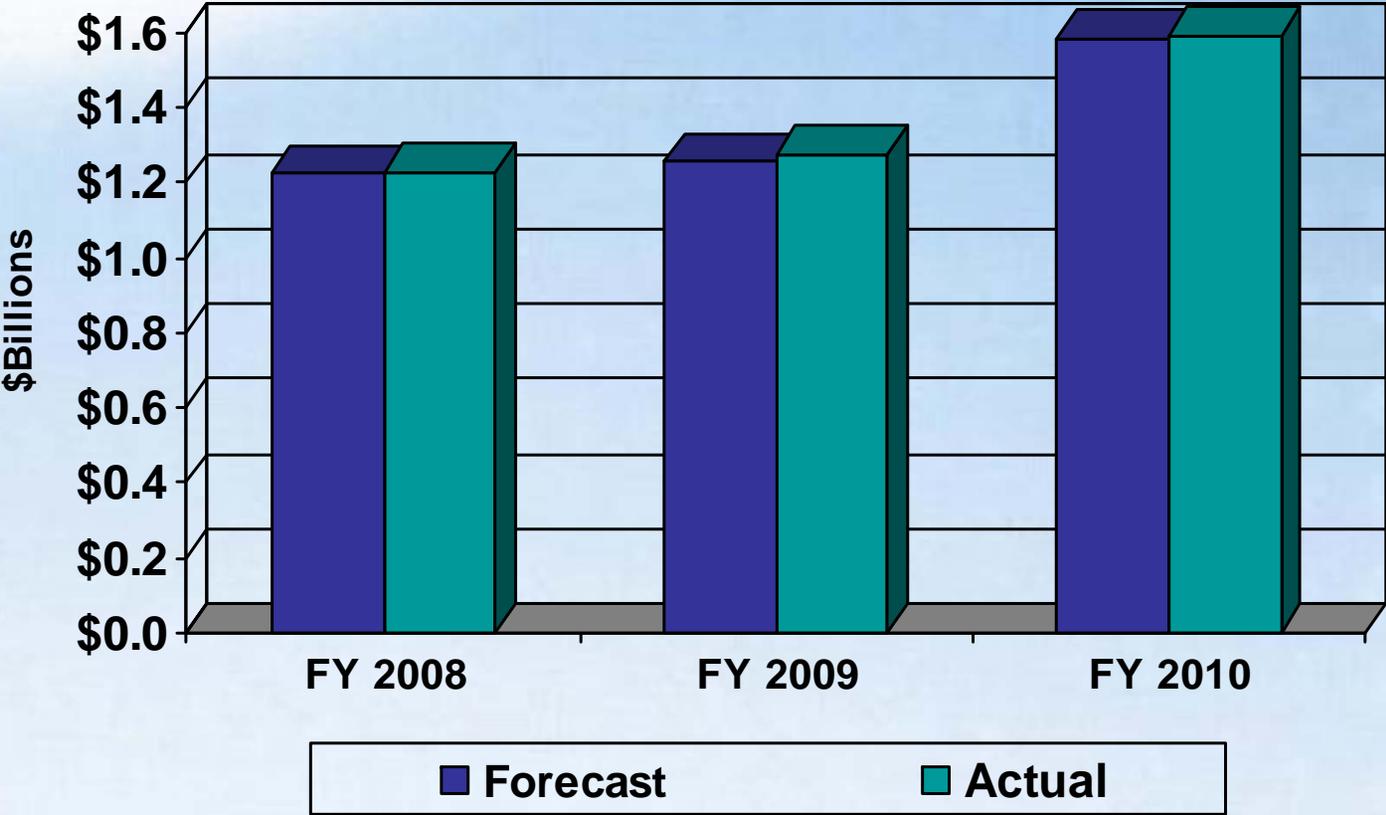
## Expenditures



## Enrollment



# Managed Care Forecast vs. Expenditures



# Managed Care Reimbursement

- **Per Member Per Month (PMPM) rate**
- **Covers nearly all services – dental and some behavioral health carved out**
- **Basis of PMPM is total cost divided by member months in a base period**
- **Base period PMPM is adjusted for:**
  - **Policy and program changes**
  - **Administrative costs**
  - **Trend to the rate year**
- **PMPMs set for 16 subpopulations in 5 rate regions**
- **PMPMs risk-adjusted for each MCO**

# Average PMPM Base Rates for FY2012

(not reflecting risk adjustment or regional variation)

Age Group	Low Income Families with Children	Aged, Blind and Disabled
Under 1	\$438.93	\$2,508.83
1-5	\$118.82	\$1,043.74
6-14	\$100.59	\$447.38
Female 15-20	\$245.34	\$446.55
Female 21-44	\$487.41	\$970.01
Male 15-20	\$124.88	\$447.28
Male 21-44	\$363.51	\$827.83
Over 44	\$645.49	\$1,361.09
<b>Average</b>	<b>\$197.27</b>	<b>\$979.07</b>
<b>Weighted Average</b>	<b>\$283.85</b>	

# MCO Financial Statistics

	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011**</b>
PMPM Revenue	\$250.77	\$261.56	\$272.59	\$276.17
PMPM Expenses	\$253.49	\$265.63	\$252.94	\$257.65
PMPM Gain/Loss After Rebates	(\$2.85)	(\$4.08)	\$18.32	\$17.74
Operating Margin	-1.1%	-1.6%	7.2%	6.7%
Medical/Loss Ratio	94.0%	94.2%	85.3%	85.6%

*\*\*Through Third Quarter FY 2011*

*Note: Figures are averages across all MCOs*

# The Role of the Actuary in the Managed Care Rate Setting Process

- **Federal regulations require an actuary's certification that rates are "actuarially sound"**
- **CMS provides a "checklist" to guide development of "actuarially sound" rates**
- **"Actuarially sound" is understood to refer to a range of rates, not a single rate**

# Specific Tasks Completed by Actuary

- **Determine data needed to develop sound rates**
- **Evaluate data quality**
- **Calculate base period PMPM cost**
- **Formulate assumptions where needed**
  - **Trend**
  - **Policy and program adjustments**
  - **Managed care savings**
  - **Changes in demographic composition**
- **Adjust rates for the morbidity risk of each MCO**

# Contribution to Reserves (Profit)

- **Bureau of Insurance requires MCOs to maintain adequate reserves**
- **Federal guidance recognizes need for rates to support maintenance of reserves**
- **DMAS' rates usually include "contribution to reserves" (CR) of 1.5%**
- **In FY2007 and 2008 the CR was not included following a period of higher profits**
- **In FY2009 DMAS instituted a limit of 8%, over which the excess must be refunded**
- **There is no down-side protection if MCO experiences a loss**