The Hilltop Institute

analysis to advance the health of vulnerable populations

Medicaid and Medicare Cross-Payer Effects

June 17, 2009

Tony Tucker

CHCS – Transforming Care for Dual Eligibles

UMBC

AN HONORS UNIVERSITY IN MARYLAND

The Hilltop Institute was formerly the Center for Health Program Development and Management.

What's in Store (today)

- Brief overview of Maryland's RWJF/HCFO grant to look at cross-payer effects
- The Hilltop Crossover Framework
- One example of a cross-payer effect
  - CMS-HCC relative risk and longer-term NF stays

Medicaid Long-Term Care Programs:
Simulating Rate Setting and Cross-Payer Effects

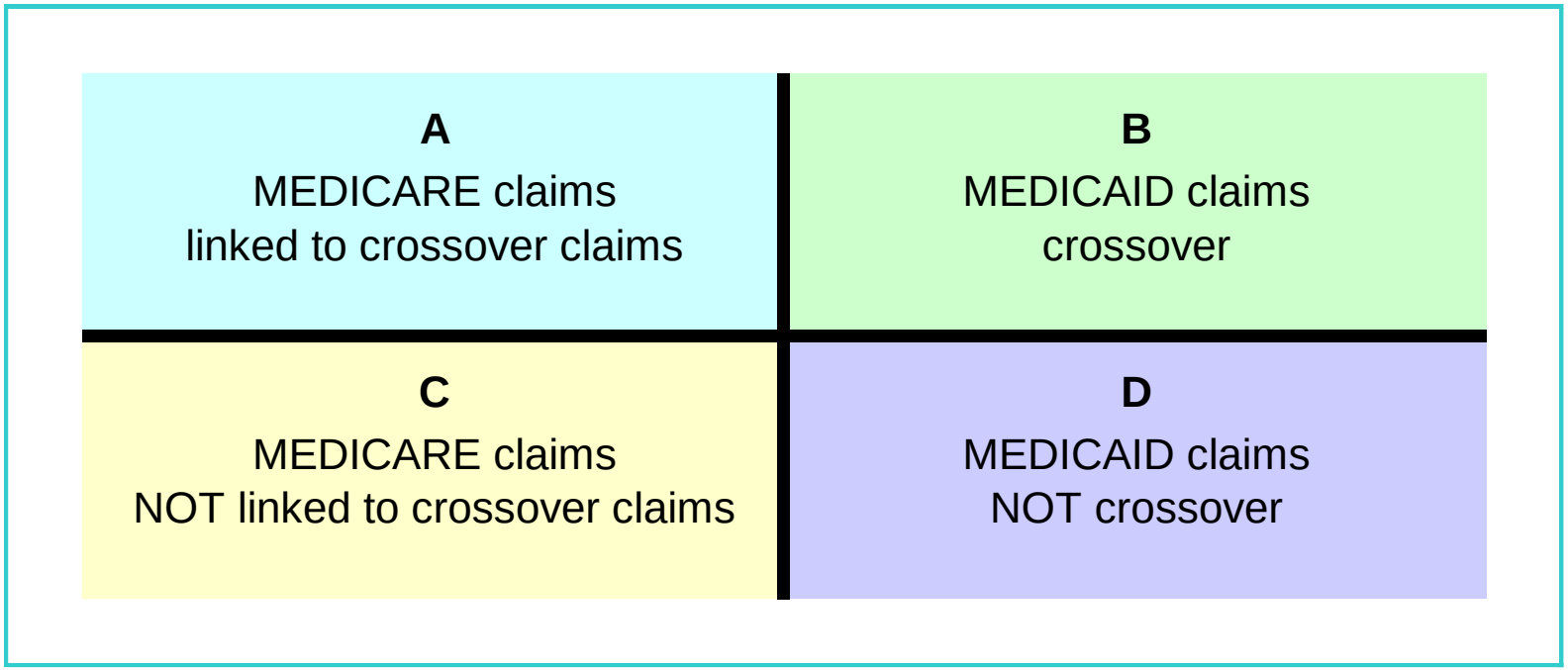
- A two-year RWJF/HCFO grant with four reports
  1) *A Framework for State-Level Analysis of Duals: Interleaving Medicaid and Medicare Data* (September, 2008);
  2) *Examining Rate Setting for Medicaid Managed Long-Term Care* (July 2009);
  3) Subgroup Analysis (late 2009); and,
  4) A Final Report (early 2010).

- Part of a larger effort to support Maryland Medicaid in examining coordinated/integrated care for duals.

Context for the Grant

- For the dual eligible, Medicaid and Medicare service use may affect one another (and in either direction):
  - The availability of Medicaid long-term supports may reduce or displace certain Medicare services (e.g., hospital and physician)
  - The availability of Medicare services may affect demand for Medicaid (e.g., physician-ordered home health).
- States need to be aware of such effects in approaching integrated care for duals.
- More specifically, the purpose of the grant is to identify a framework for Medicaid capitation that takes such cross-payer effects into account.

The Hilltop Crossover Framework



Medicare & Medicaid Payments:
Maryland Duals w/Full Medicaid (2006)

Medicare $ linked to crossover **$755 PMPM** (24.3% of Total; 63.1% of Medicare)	Medicaid $ linked to crossover **$142 PMPM** (4.6% of Total; 7.4% of Medicaid)
Medicare $ NOT linked to crossover **$442 PMPM** (14.2% of Total; 36.9% of Medicare)	Medicaid $ NOT linked to crossover **$1,774 PMPM** (57.0% of Total; 92.6% of Medicaid)

Total Payments: $3,113 PMPM (38.5% Medicare; 61.5% Medicaid)

A Look at Medicaid & Medicare Together - One Example:
CMS-HCC Relative Risk & Medicaid Service Use

- Maryland Medicaid has examined alternatives to cover Medicare cost sharing under MA plans
  - Allowed plans to submit crossover claims
  - Provide a fixed capitation rate per-member-per-month
  - Provide a risk-adjusted capitation rate PMPM
- Hilltop examined both a fixed and risk-adjusted capitation rate for Medicaid crossover payments to MA plans as part of the broader simulation of rate setting for Medicaid managed care.

The Broader Simulation:

Reflects Service-Based Rate Groups for Direct Medicaid Benefit Costs

- Rates reflect 5 hierarchically-assigned groups (also adjusted for disability status under Medicare)
  1) *Chronic Hospital*–at least 30 recent days of Medicaid-paid coverage in a chronic hospital;
  2) *Nursing Facility*–at least 30 recent days of Medicaid-paid custodial care in a nursing facility;
  3) *Community NHLOC*–a formal NHLOC and enrolled under an HCBS waiver (LAH or OAW) or received medical day care;
  4) *Other Medicaid community support (PC)*–received personal care; or,
  5) *Other*–those who did not fall into any of the other groupings relative to the point in time that the assignment was made.

Simulating Expected Costs

- Simulation population limited to Maryland duals enrolled as of 1/1/2006 (DD waiver & ESRD enrollees were excluded, as were those enrolled in a Medicare Advantage group health plan).
- CMS-HCC relative weights that underlie payment to Medicare Advantage (MA) plans were assigned, for comparison to 2006 payments, using 2005 Dx data.
- The HCC relative weights were calibrated to average Medicaid HCC weights, and then converted to expected payment amounts based on total actual Medicaid costs.

Measures of Actual Costs

- Average actual costs were calculated at the Medicaid rate group level–separately–for:
  - *Medicare-reported cost sharing* (as a measure of CMS and MA plan assumptions regarding those costs);
  - *Medicaid crossover payments* (as a measure of what the state actually pays of reported cost sharing); and,
  - *Medicare payments* (as a measure of CMS and MA plan assumptions regarding those payments).

Comparing HCC-Expected & Actual Relative Values:
(Medicare-reported cost sharing)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	HCC-risk		Actual		Differences (HCC-Actual)		
Rate Group	PMPM	relative value	PMPM	relative value	PMPM	member months	Total
Total	$171	1.00	$171	1.00	$0	524,709	$0
(1) CH	$648	3.80	$645	3.78	$3	806	$2,462
(2) NF	$242	1.42	$204	1.20	$38	100,466	$3,781,868
(3) CNHLOC	$207	1.21	$195	1.14	$12	50,694	$605,374
(4) PC	$203	1.19	$220	1.29	($17)	12,569	($218,517)
(5) Other	$143	0.84	$155	0.91	($12)	360,174	($4,171,187)

Comparing HCC-Expected & Actual Relative Values:
(Medicaid crossover payments)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	HCC-risk		Actual		Differences (HCC-Actual)		
Rate Group	PMPM	relative value	PMPM	relative value	PMPM	member months	Total
Total	$125	1.00	$125	1.00	$0	524,709	$0
(1) CH	$474	3.80	$438	3.52	$35	806	$28,594
(2) NF	$177	1.42	$116	0.93	$61	100,466	$6,107,266
(3) CNHLOC	$151	1.21	$153	1.23	($1)	50,694	($69,251)
(4) PC	$148	1.19	$179	1.44	($31)	12,569	($385,467)
(5) Other	$105	0.84	$120	0.97	($16)	360,174	($5,681,143)

Primary Implications

- CMS-HCC relative risk tends to over-represent the Medicare cost of recipients who receive Medicaid support for longer-term NF care.
- If diagnosis-based risk adjustment is used to adjust Medicaid capitation payments for Medicare cost sharing, some accounting (beyond Medicare's) should be made of patterns of institutional care and state limits on crossover payments.
- MA SNPs may be better off getting "credit" for Medicare cost sharing in the MA bidding process with CMS than relying on states, but that credit may offset other potential benefits.

Primary Implications continued

- Medicare overpayments to MA plans for NF residents creates both an incentive to enroll these individuals and a strong Medicare institutional bias in payment.
- These results raise important questions about institutional SNPs, in particular, that go beyond much publicized overpayment to MA plans.
- It is hard to assess the nature and extent of the value in added Medicare costs associated with long-term institutional care in the absence of claim data reporting from MA plans.

Next Steps

- A third report in this series (now slated for late 2009) will look in greater detail at the effects of Medicaid supports and services on Medicare resource use for key subgroups within the dually eligible population as a whole.
- A final report (now due early next year) will provide an overall summary integrating what is learned from the subgroup analysis within the rate-setting context outlined in the second report.
- We hope, then, to move beyond rate setting to look at other issues such as patterns of post-acute care and the extent to which HCBS services delay and/or offset institutional care more generally.

About The Hilltop Institute

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and social outcomes of vulnerable populations. Hilltop conducts research, analysis, and evaluation on behalf of government agencies, foundations, and other non-profit organizations at the national, state, and local levels.

www.hilltopinstitute.org

Contact Information

Anthony M. Tucker

Director, Special Projects

The Hilltop Institute

University of Maryland, Baltimore County (UMBC)

410.455.6736

atucker@hilltop.umbc.edu

www.hilltopinstitute.org

Comparing MD-Expected & Actual Relative Values:
(Medicaid crossover payments)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	prior MD-risk		Actual		Differences (HCC-Actual)		
Rate Group	PMPM	relative value	PMPM	relative value	PMPM	member months	Total
Total	$125	1.00	$125	1.00	$0	524,709	$0
(1) CH	$475	3.81	$438	3.52	$37	806	$29,808
(2) NF	$123	0.99	$116	0.93	$7	100,466	$698,228
(3) CNHLOC	$151	1.21	$153	1.23	($2)	50,694	($97,988)
(4) PC	$186	1.49	$179	1.44	$7	12,569	$85,375
(5) Other	$119	0.95	$120	0.97	($2)	360,174	($651,709)

Comparing HCC-Expected & Actual Relative Values:
(Medicare payments)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	HCC-risk		Actual		Differences (HCC-Actual)		
Rate Group	PMPM	relative value	PMPM	relative value	PMPM	member months	Total
Total	$1,110	1.00	$1,110	1.00	$0	524,709	$0
(1) CH	$4,222	3.80	$3,226	2.91	$996	806	$802,702
(2) NF	$1,575	1.42	$1,287	1.16	$287	100,466	$28,864,752
(3) CNHLOC	$1,349	1.21	$1,442	1.30	($93)	50,694	($4,696,269)
(4) PC	$1,322	1.19	$1,571	1.41	($249)	12,569	($3,127,451)
(5) Other	$933	0.84	$994	0.89	($61)	360,174	($21,843,733)