

Georgia Families Financial Impact

October 2009



Methodology for Calculating Cost Avoidance

What is known:

- CMO payments
- CMO capitation rates
- Members served by a CMO
- QA fees paid by a CMO

What is NOT known:

- What would the Low Income Medicaid and PeachCare PMPM expenditures be if there were no CMO's?

We must project what the hypothetical FFS experience would have been without CMO's and compare that to what actually occurred in the CMO program to measure cost avoidance.

HOW?

- Use Georgia FFS trends before CMO's
- Look at other states FFS experience for a similar population
- Make assumptions about what provider rate changes might have occurred
- Consider medical inflation

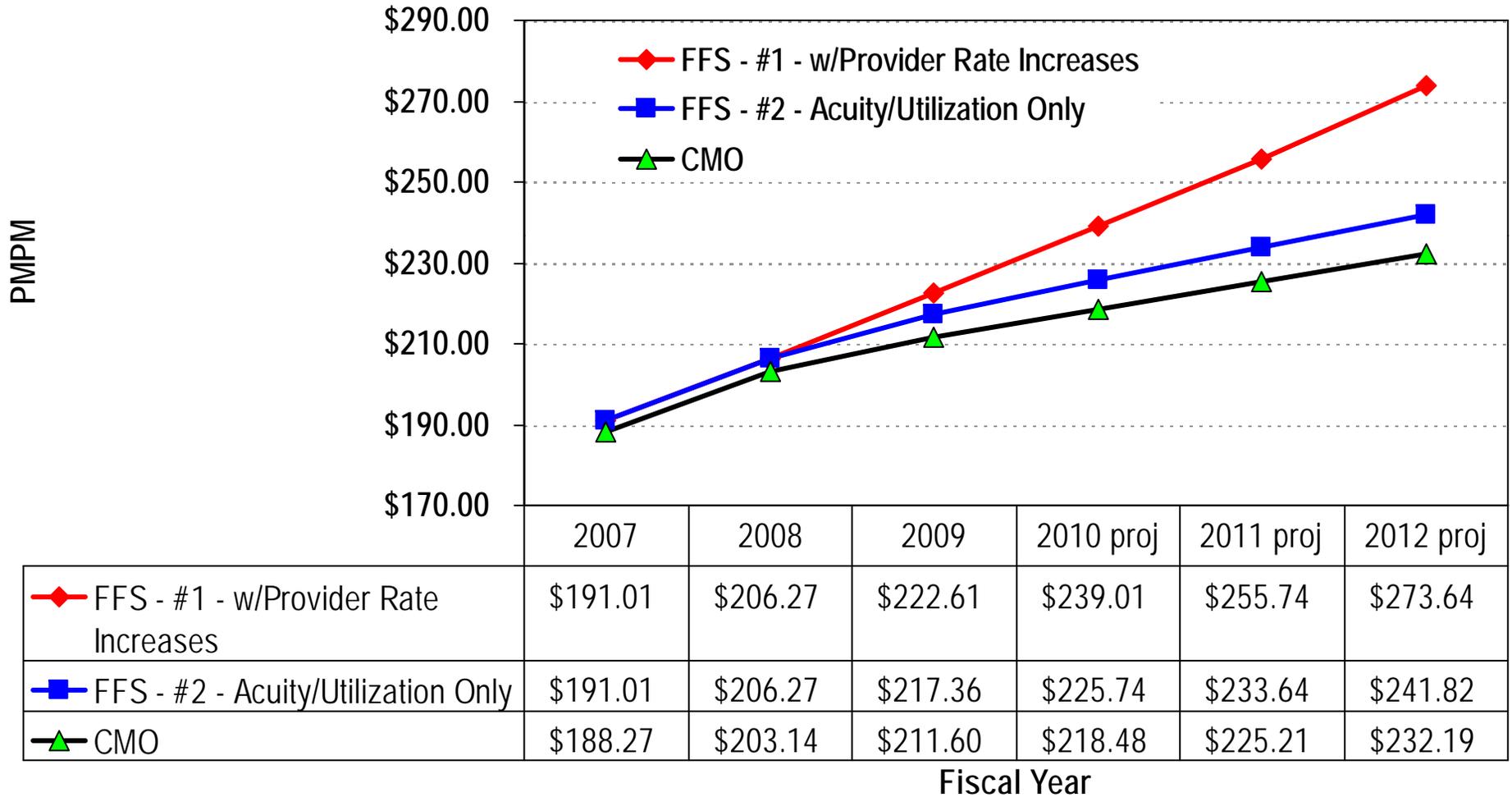


FY 2009 CMO Financial Impact Assumptions

- The CMO program has been in existence since June 2006.
- Evaluation of cost avoidance 3 years later is highly dependent on assumptions about what fee-for-service costs would have been without CMO's.
- For the FY 2009 evaluation, DCH has calculated 2 different scenarios of what FFS would have been:
 - #1 – assumes providers in FFS **would have** received periodic rate increases necessary to maintain access to care. PMPM growth would also consider changes in utilization and acuity.
 - #2 – assumes providers in FFS **would NOT** have received rate increases and PMPM growth is solely related to changes in utilization and acuity.

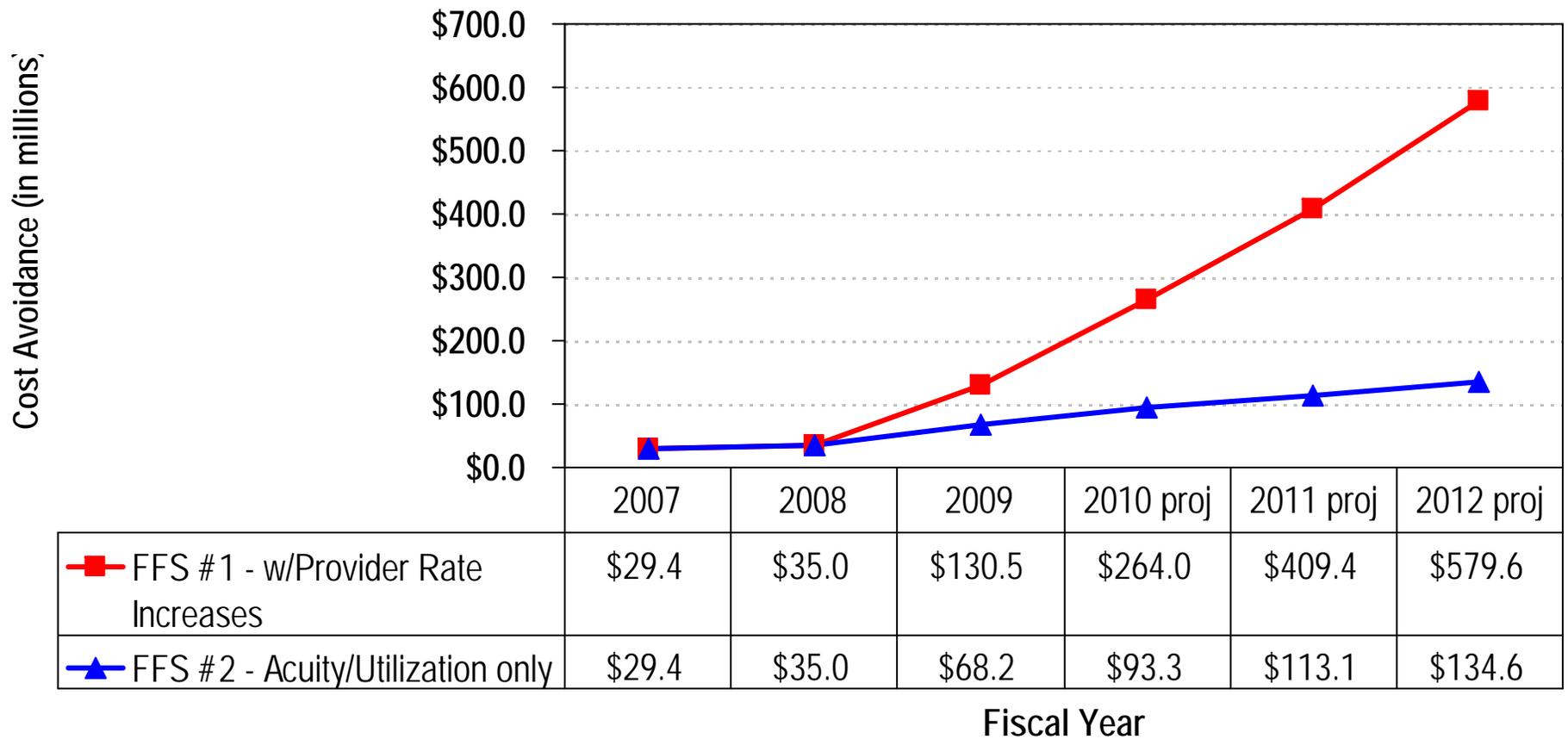


FFS PMPM vs. CMO PMPM



Annual Cost Avoidance from CMO's

■ FFS #1 - w/Provider Rate Increases ▲ FFS #2 - Acuity/Utilization only



This chart represents cost avoidance (i.e., Medicaid and PCK expenditures would have been this much higher but for the Georgia Families CMO program.)

Quality Assessment Fee

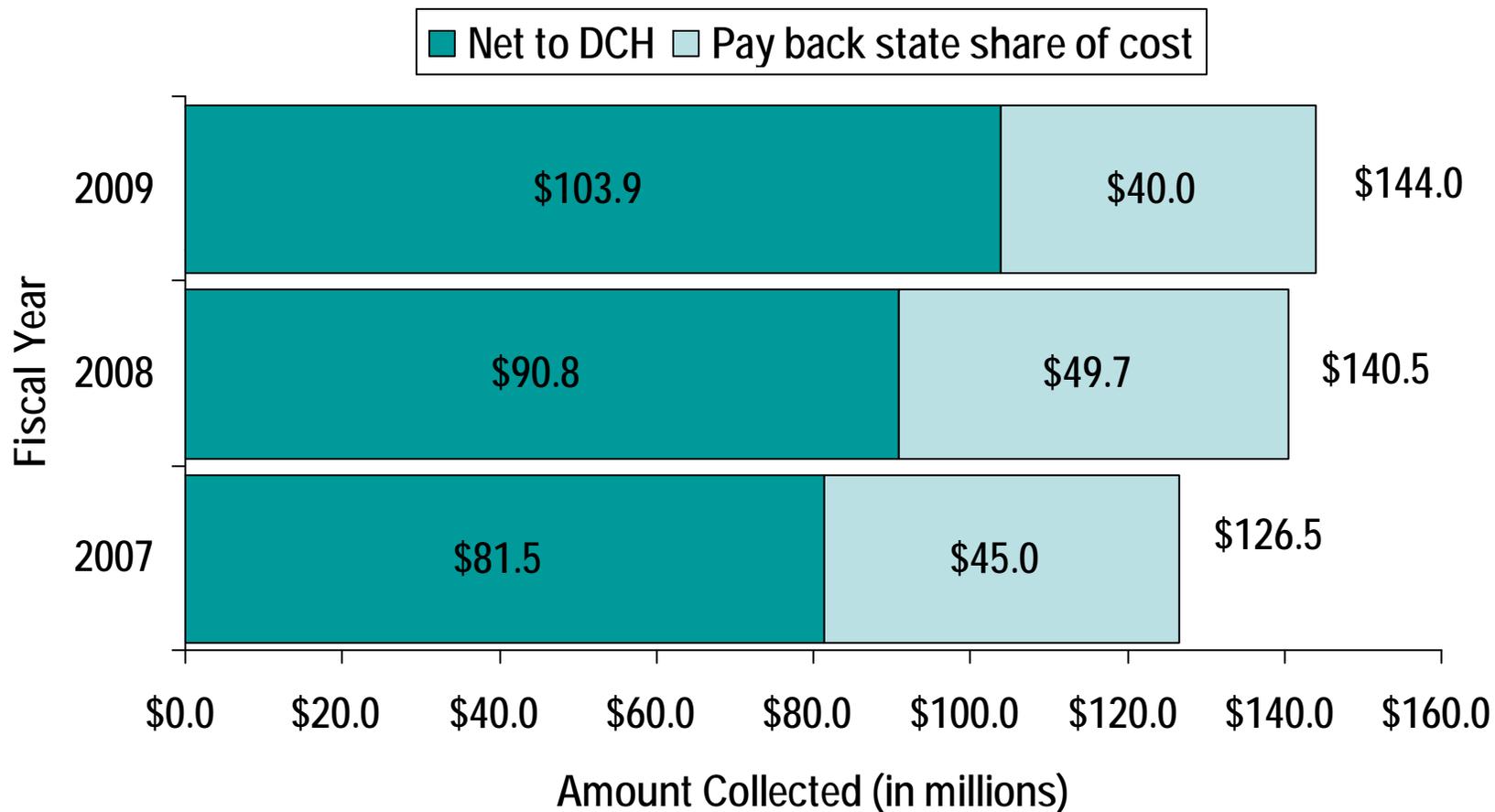
- Collected by DCH from the CMO's based on 5.5% of the CMO premium revenue
- CMO cap rates consider the cost of the QA Fee
- A portion of the QA Fees collected reimburses DCH for the state share of the cost of the QA Fee included in the CMO capitation payment

Example:	<u>Total Cost</u>	<u>State Share</u>
Regular Capitation Payment:	\$100.00	\$25.00
QA Fee Cost at 5.5%:	<u>\$ 5.50</u>	<u>\$ 1.38</u>
Total Cap Payment	\$105.50	\$26.38
Collection of QA Fee from CMO:		\$5.50
Pay back State Cost:		<u>\$1.38</u>
Net to DCH:		\$4.12

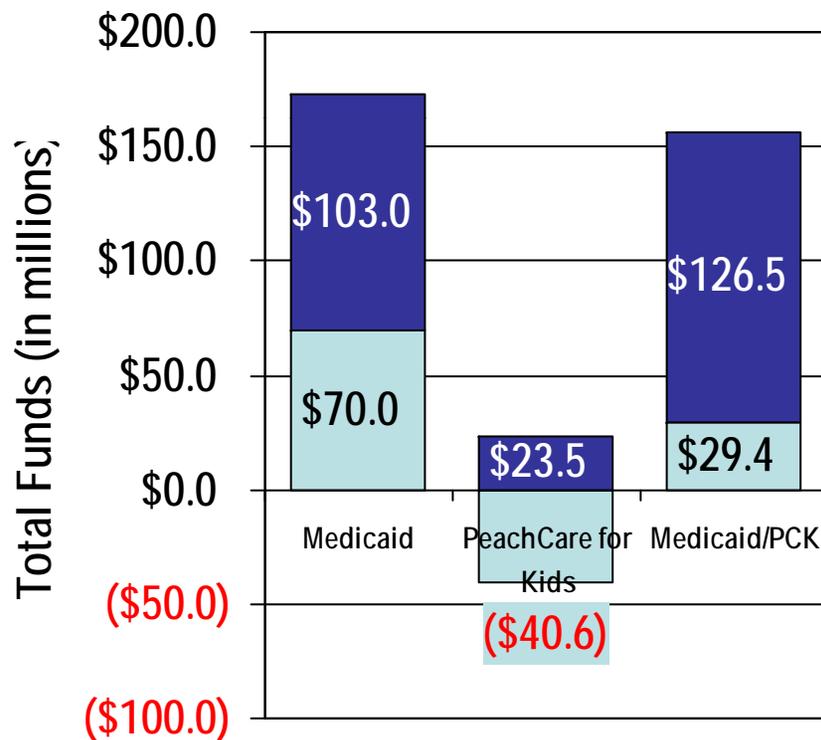
Note: The CMO QA Fee ended September 30, 2009 per federal requirements.



Quality Assessment Fee Collections



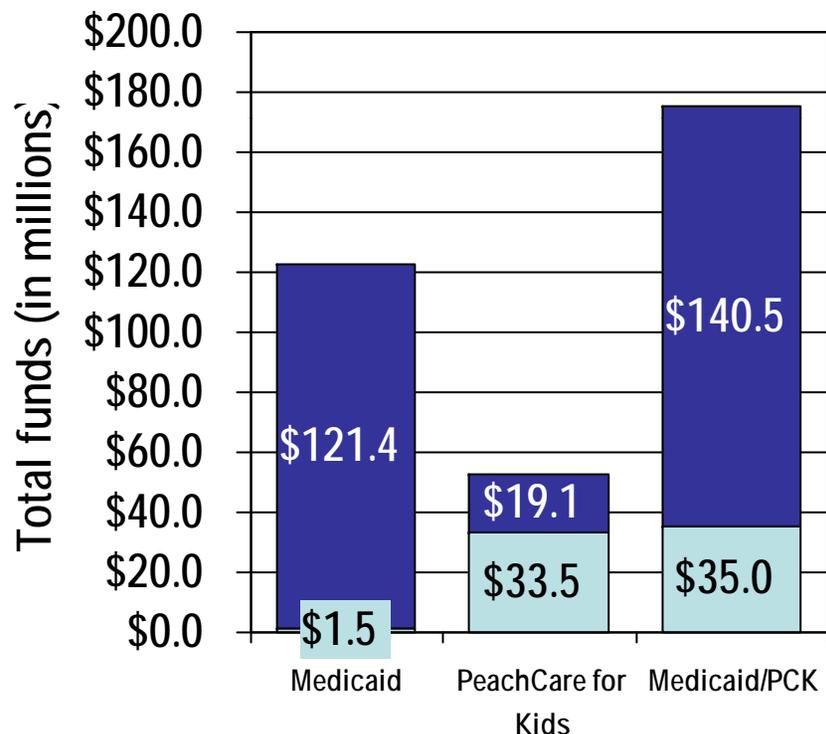
FY 2007 CMO Financial Impact



TOTAL FUND SAVINGS: \$155.9 million
 (State Share: \$99.6 million)

- Georgia Families program in FY 2007 **saved \$29.4 million in total funds and** \$18.1 million in state funds as compared to what Fee-For-Service would have cost.
- Quality Assessment Fee Program **produced \$126.5 million in total revenues** and \$81.5 million in net revenue that was used in lieu of state funds for Medicaid and PCK.

FY 2008 CMO Financial Impact

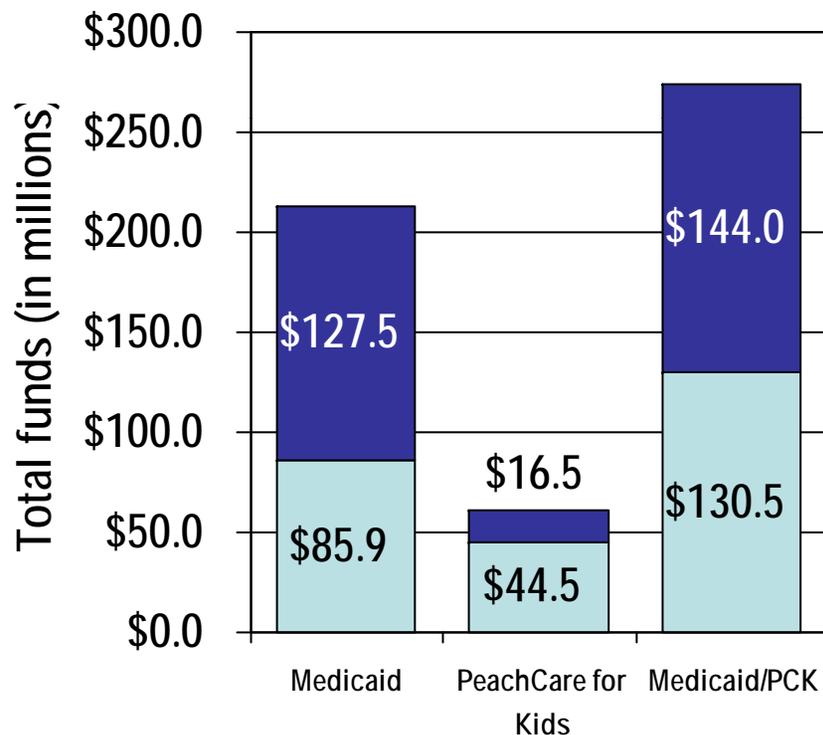


TOTAL FUND SAVINGS: \$175.6 million (State Share: \$100.5 million)*

- Georgia Families program in FY 2008 **saved \$35.0 million in total funds and** \$9.7 million in state funds as compared to what Fee-For-Service would have cost.
- Quality Assessment Fee Program **produced \$140.5 million in total revenues** and \$90.8 million in net revenue that was used in lieu of state funds for Medicaid and PCK.

* The ratio of state to total savings is lower in FY 2008 as compared to FY 2007 because the Federal Financial Participation (FFP) rate was higher in FY 2008 and because there were more savings attributable to PCK, which has a higher FFP than Medicaid. As a result, more of the savings accrued to the federal share.

FY 2009 CMO Financial Impact – #1



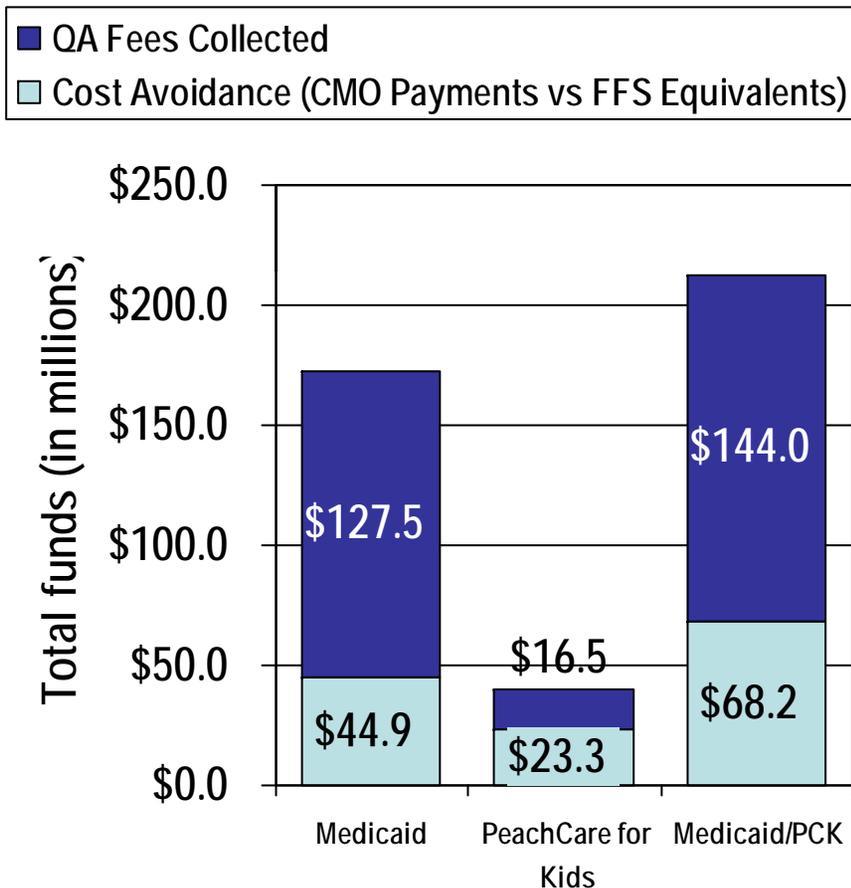
ASSUMPTION: FFS considers provider rate increases AND changes in acuity and utilization

TOTAL FUND SAVINGS: \$274.4 million (State Share: \$139.8 million)*

- Georgia Families program in FY 2009 **saved \$130.5 million in total funds and** \$35.8 million in state funds as compared to what Fee-For-Service would have cost.
- Quality Assessment Fee Program **produced \$144.0 million in total revenues** and \$103.9 million in net revenue that was used in lieu of state funds for Medicaid and PCK.

* The ratio of state to total savings is lower in FY 2009 as compared to FY 2008 because the Medicaid Federal Financial Participation (FFP) rate was higher in FY 2009 due to ARRA-funded enhanced FMAP. As a result, more of the savings accrued to the federal share.

FY 2009 CMO Financial Impact – #2



ASSUMPTION: FFS considers ONLY changes in acuity and utilization

TOTAL FUND SAVINGS: \$212.2 million (State Share: \$122.7 million)*

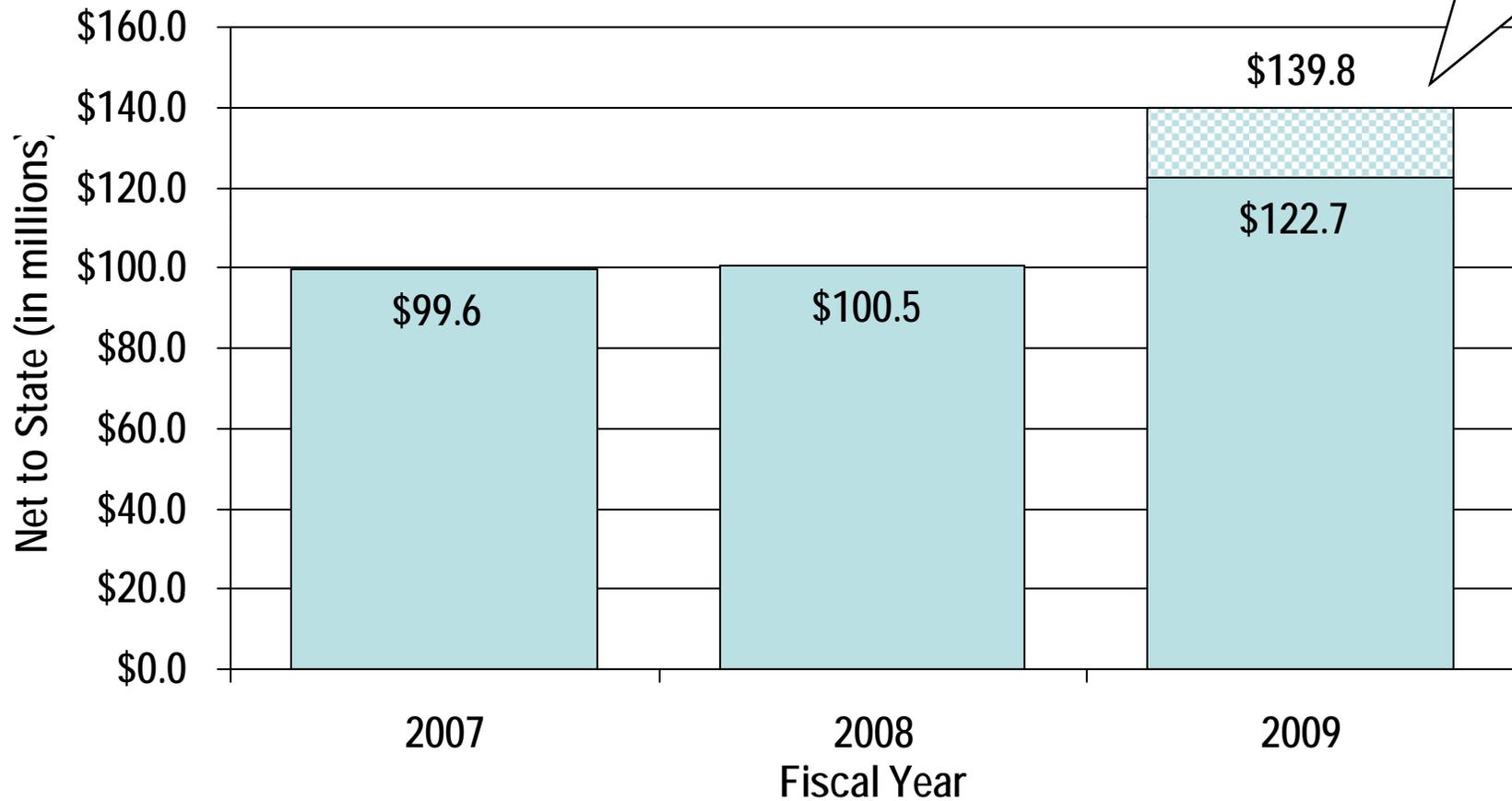
- Georgia Families program in FY 2009 **saved \$68.2 million in total funds and** \$18.7 million in state funds as compared to what Fee-For-Service would have cost.
- Quality Assessment Fee Program **produced \$144.0 million in total revenues** and \$103.9 million in net revenue that was used in lieu of state funds for Medicaid and PCK.

* The ratio of state to total savings is lower in FY 2009 as compared to FY 2008 because the Medicaid Federal Financial Participation (FFP) rate was higher in FY 2009 due to ARRA-funded enhanced FMAP. As a result, more of the savings accrued to the federal share.



Net to State (in millions)

FY 2009 reflects a range between \$122.7m and \$139.8m in net gain to the state based on assumptions about provider rate increases in FFS.



Notes

- 1 High trend scenario (#1) based on trends provided in the "2008 Actuarial Report on the Financial Outlook for Medicaid" published by the Office of the Actuary from the Centers of Medicare and Medicaid Services.
- 2 Low trend scenario (#2) assumes aggressive management of fee for service fee schedules.
- 3 Membership projections provided by DCH in August 2009 and reflective of elimination of duplicated membership in 2007 and 2008. This resulted in lower savings than reported in November 2008 since there are less member months included in the savings calculations.
- 4 2007 FFS Equivalent for Atlanta and Central based FFS on data from June 05 through May 06.
2007 FFS Equivalent for East, North, SE, and SW based on FFS data from September 05 through August 06

