

## **Medicaid Accountable Care Organization Administrative Fee**

### Background

In 2011, the Utah Legislature passed Senate Bill 180, titled Medicaid Reform, which moved existing Medicaid members in the Wasatch Front from Fee for Service Medicaid to managed care plans (Accountable Care Organizations - ACOs ). The intent of this legislation was to:

- Bend the cost curve in Medicaid spending and limit growth on a Per Member Per Month basis to no more than the growth of the state's general fund
- Keep the funding for Medicaid in the system, and provide reasonable inflationary increases to ACOs
- Prioritize ACOs, and maximize the options for managing costs and improving quality that are available through managed care, and
- Move away from historical cost control methods, such as cuts to enrollee benefits, or cuts to provider rates
- Move toward a system aligns incentives, and ensures providers are not penalized for offering more appropriate care at a lower cost

Historically, ACOs have been provided an 8.3% administrative rate, which is significantly lower than the national average of 12%. A minimum ongoing rate of 9% is necessary to reach the managed care efficiencies envisioned in SB 180.

### Budget for administrative rate dollars

The total amount for the increase for all plans in State FY 2016 is 1.6 million dollars. The dollars are used to fund initiatives for the existing Medicaid population that reduce the cost of care and improve quality, including improving compliance with recommended care. The dollars also qualify for the Federal Medicaid Assistance Percentage (FMAP).

### Administrative rate uses

The ACOs hire nurses, physicians, and pharmacists to work with treating providers and members to ensure effective treatment plans are established. Ongoing clinical care coordination, care management, and patient advocates ensure members gain access to the appropriate care at the appropriate time, avoiding unnecessary hospital and emergency room visits and associated costs that the State would otherwise incur in a Fee for Service environment. Administrative dollars are also used in the following areas:

- Provider relations and network management activities that ensure ongoing access to primary and specialty care for members
- Ongoing coordination of benefits programs to ensure that primary insurance is identified and pays as intended
- Fraud, abuse, and waste programs to ensure Medicaid dollars are used as intended
- Disease management programs
- Quality measurement and improvement, including
  - Member quality initiatives such as preventive care reminders for well child visits and eye exams for people with diabetes

- Provider initiatives – pharmacy adherence programs for members and support for physicians for conditions such as hypertension, diabetes, and cholesterol
- Provider education for improved care management programs at the grass roots level
- In-home support to ensure members are receiving proper care, food, and shelter
- Development of care process models alongside treating providers to ensure the consistent delivery of evidence based care
- Member outreach to assist members with making and keeping doctor appointments
- Development of new technology and computer systems to better coordinate care and reduce unnecessary services
- Adjudication of claims to ensure proper payments to all providers based on the current fee schedules and provider contracts
- Customer service to help members understand and utilize their benefits, and navigate the health care system
- In general, to fund additional services beyond what Medicaid requires, or beyond what is provided by Fee for Service, to ensure members get the right care, reducing avoidable ER visits and other unnecessary costs

#### Measuring success

- Outcomes in line with the intent of SB180
- \$17,147,561 was deposited into Medicaid Reduction and Budget Stabilization Restricted Account in 2014. This amount is directly attributable to savings generated by the Medicaid plans for the taxpayers of Utah, while maintaining equal or better quality outcomes