



Medicaid Managed Care in Pennsylvania



ABOUT GATEWAY HEALTH: Who We Are

- Gateway Health is a nationally ranked managed care organization (MCO), offering a variety of healthcare coverage for **Medicaid** and **Medicare** eligible individuals.
- Founded in 1992 as an alternative to the Pennsylvania Department of Public Welfare's (now DHS) Medical Assistance program, Gateway is celebrating its **25th anniversary** of delivering high quality health and wellness programs.
- ***As a not-for-profit organization, Gateway doesn't work for Wall Street but works for its members and their communities (Main Street).***



Headquartered in
Pittsburgh, PA



Over **1500**
Employees



ABOUT GATEWAY HEALTH: Who We Serve



**MEDICARE
MEMBERSHIP
60,000+**

- Includes PA, KY, OH and NC
- DSNP and MAPD plans



**MEDICAID
MEMBERSHIP
480,000+**

- Includes PA, DE, WV and AR



**TOTAL
MEMBERSHIP
540,000+**



Speaker Introductions



Patti Darnley, President & CEO of Gateway Health Plan

Patti is an experienced healthcare executive, with over 30 years of wide-ranging managed care expertise, specifically with Medicaid and Medicare plans. Patti oversees key strategic, regulatory, legal and compliance initiatives while maintaining a keen focus on Gateway's mission to improve the health and wellness of both its members and the community.

Patti holds a bachelor's degree in accounting from Indiana University of Pennsylvania and an MBA with a concentration in Finance from Duquesne University in Pittsburgh. She is on the Board of Directors of several regional and national organizations and is a committed community leader.



Speaker Introductions



Jessica Cromer, VP, Executive Director HealthChoices Program

Jessica Cromer serves as the Executive Director of Gateway Health Plan® HealthChoices program in Pennsylvania. Jessica, a Pennsylvania native, is a seasoned health plan executive with over 19 years of government programs expertise with comprehensive experience in Medicaid Health Plan leadership and operations. Jessica holds a master's degree in Applied Mathematics from West Virginia University and received her bachelor's degree in Mathematics from Washington and Jefferson College.



Joe Glinka, Government Affairs Director

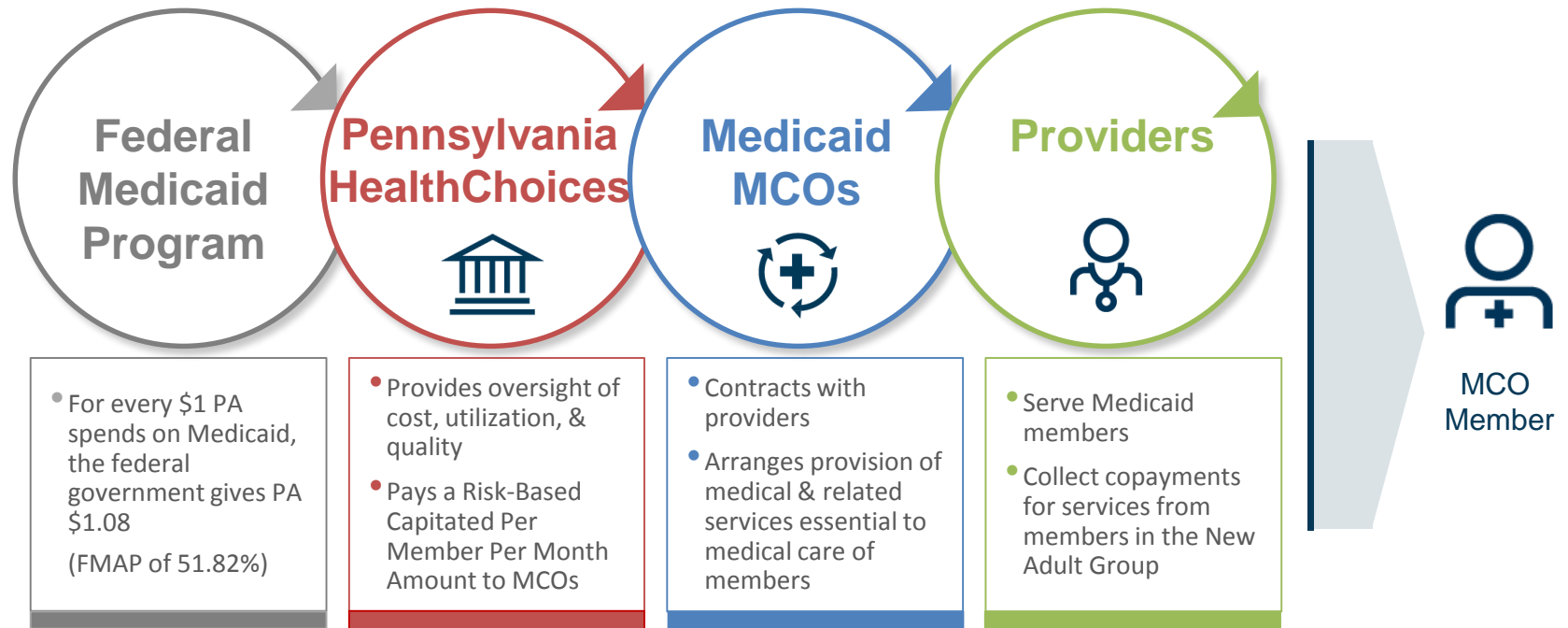
Joe Glinka serves as the Government Affairs Director for Gateway Health Plan'sSM Pennsylvania market. Joe is a Pennsylvania native and has 28 years experience serving in various roles within the managed care industry. Joe credits his 10+ years working directly with the Commonwealth's Medical Assistance population as highly valuable in appropriately understanding various challenges to achieving meaningful health outcomes for at-risk individuals and families. Joe received his bachelor's degree in Industrial Management and Managerial Economics from Carnegie Mellon University.



PA Medicaid MCO Basics



Medicaid Managed Care is a Partnership Between PA HealthChoices and MCOs



PA: Pennsylvania; MCO: Managed Care Organizations; FMAP: Federal Medical Assistance Percentage; CY: calendar year
MCOs: managed care organizations

Sources: "An Evaluation of Medicaid Savings from Pennsylvania's HealthChoices Program," The Lewin Group, May 2011. Available [here](#).
Federal Register Federal Matching Shares for Medicaid for October 1, 2017 through September 30, 2018. Available [here](#).



MCOs Are Heavily Regulated and Accountable to Multiple Federal and State Agencies; MCOs are Monitored Regularly to Ensure Compliance



Pennsylvania has a well-structured, well-managed Medicaid managed care program that holds plans responsible for their performance. Plans are subject to corrective action if they are found to be out of compliance

CMS: Centers for Medicare and Medicaid Services; MCO: Managed Care Organization



Rates Are Set at the State Level and Certified at the Federal Level; MCOs Manage Member Medical and Social Health Within Those Rates

State Sets Rates

CMS Approves Rates

State Pays the Plan

Plan Manages Population Using Set Rates

The MCO is responsible for managing its members' **medical and social health** within the rates set by the state even if unforeseen issues occur during the year

CMS' Medicaid Managed Care Rule requires that capitation rates be actuarially sound. Rates must adequately provide for all "reasonable, appropriate, and attainable costs" for the population covered by managed care contract terms¹



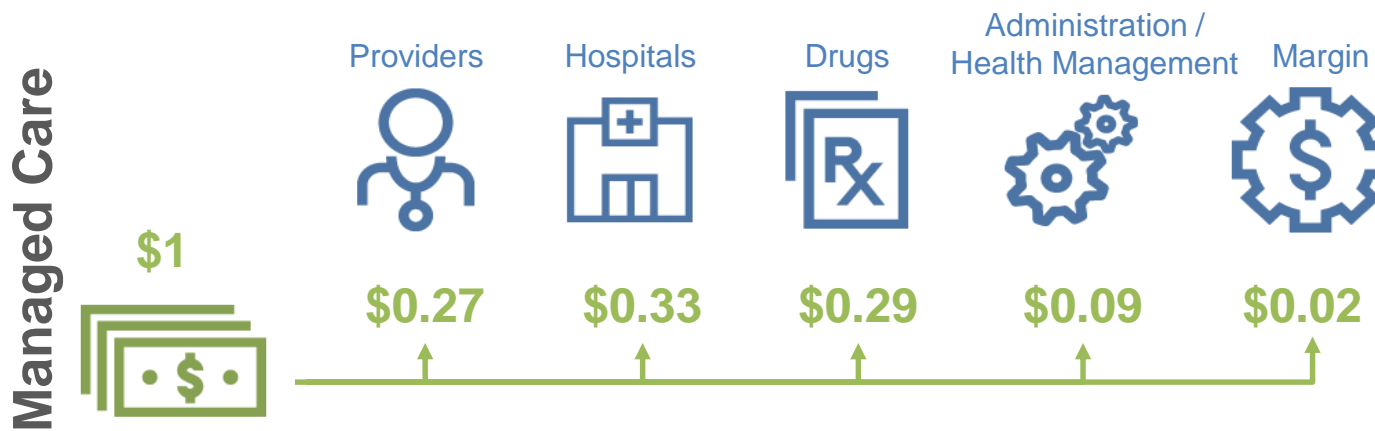
- Multiple factors affect the health of individuals and communities. Social determinants of health are critical to address in order to manage a member's total health.
- These may include physical environment, transportation, employment status, education level, and social supports.

CMS: Centers for Medicare and Medicaid Services; MCO: Managed Care Organization

Source: 1. 42 CFR part 438



Gateway Tightly Manages Spending to Care for Members



Unlike FFS, MCOs assume the full financial risk for the care of their members, but often face constraints on spending and ability to control costs



- PA has guardrails on how much plans can spend on certain activities

FFS: Fee-for-Service; MCO: Managed Care Organization; PCP: primary care physician

*Components may not sum to 100 percent due to rounding

*Remaining funds are MCO profits; but, the MCO is responsible for covering any deficiencies in funds

Source: MACPAC, "Trends in Medicaid Spending", June 2016



MCOs Continue to Provide Savings for Pennsylvania State Funds

Total projected amount PA saved by implementing managed care vs. FFS



Historical savings in PA due to managed care vs. traditional FFS

Total projected 10-year cost savings if PA further converted impactable costs into managed care*



Reducing managed care in Pennsylvania could lead to greater budget deficits in the state. In the shift from volume to value, opportunities exist to further increase savings for the state

FFS: Fee-for-Service; MCO: Managed Care Organization

* Impactable costs are those interventions that will have an impact on an individual's health (e.g., in-home care management, behavioral health services)

Source: The Menges Group. "Projected Savings of Medicaid Capitated Care: National and State-by-State." October 2015.

The Lewin Group. "An Evaluation of Medicaid Savings from Pennsylvania's HealthChoices Program." May 2011.



Overall, MCOs Generally Spend Less on Services Compared to FFS, Partially Due to Increased Use of the PCP

Average MCO vs. FFS PMPM in Pennsylvania by Service Type, 2014

	Inpatient Hospital	Outpatient Hospital	Pharmacy (pre-rebates)	Primary Care Provider
Fee-for-Service PMPM	\$134.92	\$30.64	\$68.96	\$15.76
Managed Care PMPM	\$97.82	\$22.98	\$58.62	\$16.55
PMPM Savings from Managed Care	\$37.10	\$7.66	\$10.34	-\$0.79

MCOs spends less in most care settings compared to FFS due to the MCO's ability to coordinate services and manage population health

FFS: Fee-for-Service; MCO: Managed Care Organization; PCP: Primary Care Physician; PMPM: Per Member Per Month

Note: Calculation based off of average MCO cost per service in 2014 for TANF & TANF-Related Individuals

Sources: The Menges Group. "Projected Savings of Medicaid Capitated Care: National and State-by-State." October 2015; PA Department of Human Services. "HealthChoices Zones CY 2017 Contract Year: All Zones Historical Cost Data" 2014. Available [here](#).



Efficiencies for Consideration



Integrating Physical Health and Behavioral Health is A Top Priority For Medicaid Agencies For A Number Of Reasons

High Medicaid Spending

- The addition of a mental illness to one or more common chronic physical conditions can **increase health care costs by up to 75%**
- Mental illness is more than 2X as prevalent as found in the general population
- **20% of Medicaid beneficiaries** have behavioral health (BH) conditions and account for **~50% of Medicaid spending**. For those with a BH diagnosis, costs are **nearly 4X higher** than for those without a BH diagnosis
- Among the highest-cost 5% of Medicaid-only enrollees with disabilities, **3 of the 5 most prevalent disease pairs include psychiatric illness**
 - Cardiovascular disease and psychiatric illness is the most common pair
- \$7.1B - \$9.9B projected annual savings for Medicaid (2012) by integrating physical health (PH) and BH service delivery



Sources: https://www.chcs.org/media/BH-Integration-Brief_041316.pdf
<https://www.kff.org/report-section/integrating-physical-and-behavioral-health-care-promising-medicaid-models-issue-brief/>
<https://healthitanalytics.com/news/medicaid-savings-require-integrated-physical-mental-healthcare>
<http://files.kff.org/attachment/Report-Results-from-a-50-State-Medicaid-Budget-Survey-for-State-Fiscal-Years-2017-and-2018-TABLES>



State Medicaid Programs are Adopting behavioral health (BH) Integration to Address the Needs of Enrollees with BH Disorders

Benefits of Integration

- Aligned incentives
- Improved coordination and access to care
- Address whole person for better health outcomes
- Cost savings

Challenges of Non-Integration

- Privacy Laws
- Information data sharing
- Misaligned financial incentives
- Multiple coordinators

19

Number of states, as of July 2017, currently or planning to offer BH services through an integrated managed care benefit

59%

Percent that the Tennessee MCO integration program has reduced ED visits for members with diabetes and severe mental illness (SMI)

**In PA, the proposed FY 2019 Capitation line item is approximately \$4B in state funds.
Projected savings of integration: 2.3% - 3.2% of \$4B = \$92M - \$128M**



Potential Savings

Pennsylvania's PH 95 Medicaid Category

Pennsylvania Medicaid serves children meeting Social Security's definition of disabled, regardless of family income, under a program called PH 95 (Loophole Kids)

- *For children up to 18 years of age who are not eligible for other Medical Assistance categories*
- *The child must have a physical or mental condition(s) that very seriously limits their activities; and*
- *Their condition(s) must have lasted, or be expected to last, at least 1 year or result in death*
- *As of 2011, 62,715 PA children were enrolled under the PH-95 category at a total DHS cost of over \$764M*

Potential Annualized Savings

An average premium of \$100/month would result in over \$75M savings for DHS

Suggestions for Preventing Recipient Fraud

Enforcing tighter Medicaid eligibility and residency standards coupled with some proactive preventive steps could be valuable. Regular contact between Medicaid enrollees and their respective CAO representative fosters better access to current enrollee information that is highly useful to MCOs in our efforts to improve care management and partner with DHS to confirm identification points of our plan members.

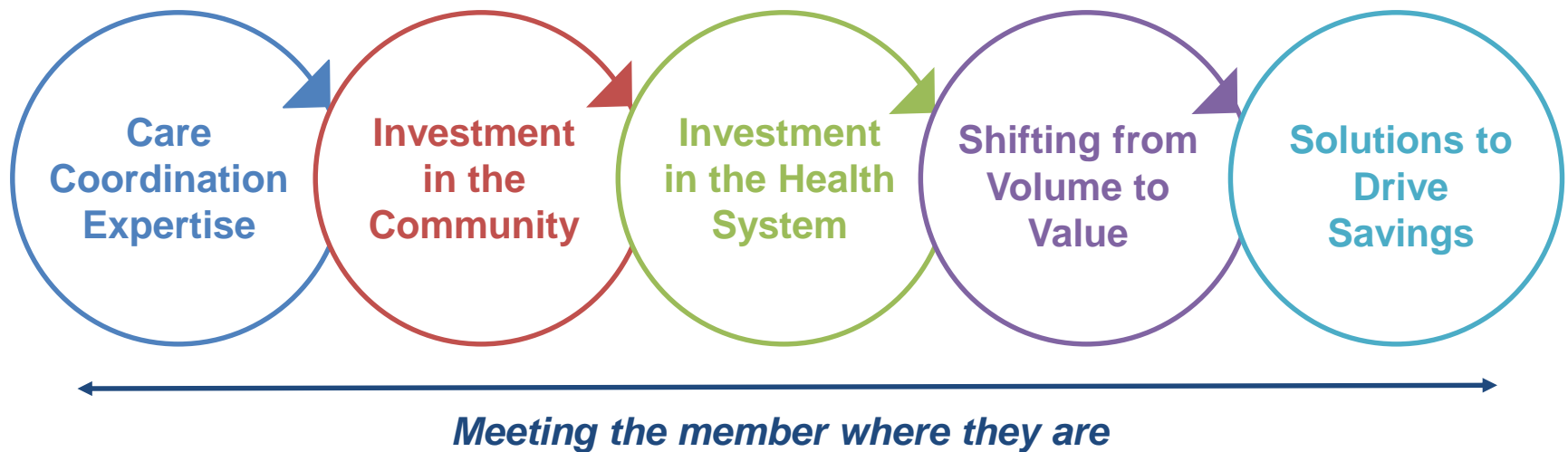
Potential Annualized Savings

Gateway Out of State Members: 996 (Apr. 18)
 Blended Monthly PM/PM Premium: \$425.50
 Gateway Annualized Revenue: \$5.09M
 Annualized MCO State Fund Savings: \$18.85M



Gateway and Pennsylvania Share Common Goals

Gateway is well-positioned to support the Commonwealth of Pennsylvania in achieving better care for consumers and cost savings

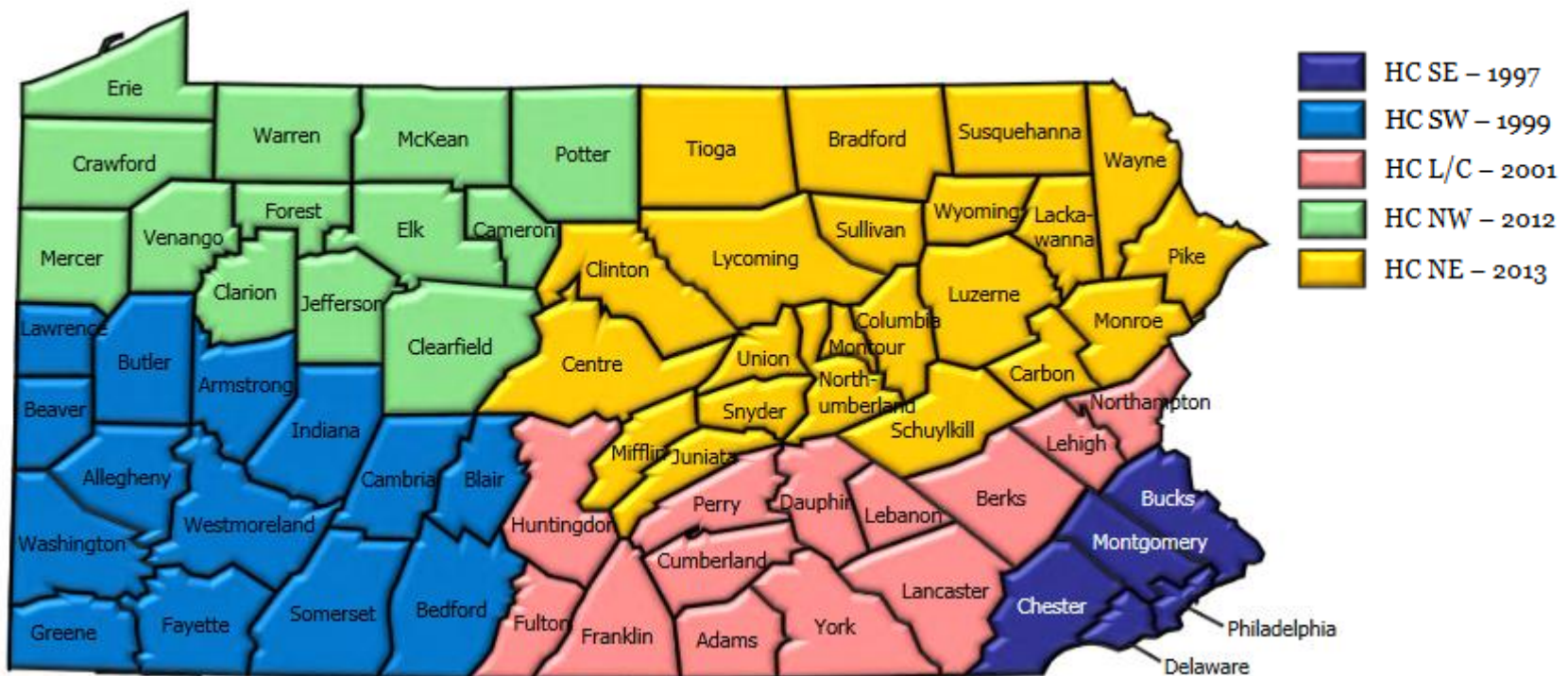




Appendix



HealthChoices Managed Care Regions & Rollout Dates



Managed care regions pertain to the HealthChoices physical health (including maternity services) program.

Behavioral health managed care is contracted by county, not region.

L/C: Lehigh Capital



Milestones in the Pennsylvania HealthChoices Program

1997	1998	2012 – 2013	2015	2018 – 2019
<ul style="list-style-type: none"> • HealthChoices SE Zone debut • Mandatory managed care for most beneficiaries • Acute, primary, some specialty services, and dental care • Behavioral health PIHP MCOs contract on county level 	<ul style="list-style-type: none"> • Living Independence for the Elderly (LIFE) (PA's PACE program) debuts providing the full continuum of acute, primary, and LTSS to aged and disabled adults 55+ 	<ul style="list-style-type: none"> • HealthChoices available in all PA counties and regions • Voluntary managed care (begun in 1972) phased out as of February 2013 	<ul style="list-style-type: none"> • Medicaid expands to individuals with incomes below 138% of the Federal Poverty Level • All Medicaid expansion individuals receive coverage through HealthChoices 	<ul style="list-style-type: none"> • Community HealthChoices (CHC) program for members on both Medicaid and Medicare, or receiving LTSS is live January 2018 for the SW Zone • Anticipated 2019 debut in the SE zone

PACE: Program for the All-Inclusive Care for the Elderly; LTSS: long-term services and supports

PIHP: Prepaid Inpatient Health Plan

HealthChoices program spreads to all 67 Pennsylvania counties by 1997.



Medicaid Covers Pennsylvania's Most Vulnerable Populations

2.9M Individuals eligible for HealthChoices in February 2018. Individuals covered by PA Medicaid include:

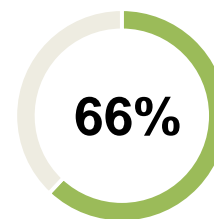
1.2M Children under 21

556K Individuals utilizing outpatient mental health services

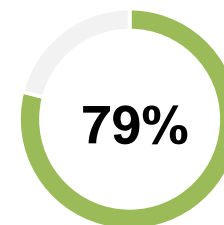
250K Seniors & Chronically Ill

715K Newly-eligible expansion adults

215K Individuals relying on substance use disorder treatment



Adults/children composition of PA Medicaid, CY2015



PA Medicaid spending for aged/disabled, CY2014

HealthChoices provides coverage for some of the most vulnerable individuals in PA such as individuals requiring private duty nursing, individuals with HIV/AIDS, and others with conditions that require individualized, continuous care for complex medical needs

Sources: 1. Kaiser Family Foundation. "Medicaid in Pennsylvania" June 2017. Available [here](#).

2. Pennsylvania DHS Medicaid Expansion report. January 2017. Available [here](#).

3. Monthly Physical Health Managed Care Program Enrollment Report March 2018. Available [here](#).



PA Medicaid Covers Individuals At or Below 133% of the Federal Income Poverty Guidelines (FPIG), Which Equates to \$15,800



\$15,800 is comparable to what an individual working full-time at minimum wage makes per year

Pennsylvania Medicaid covers:

Low-income adults (at or below 133% FPL, or \$32,319 in household income for a family of 4)

Aged (65 and older), blind, and disabled children and adults

Families with children under age 21

Special Medical Assistance conditions (e.g., individuals with HIV/AIDS, Breast and Cervical Cancer, or individuals requiring private duty nursing)

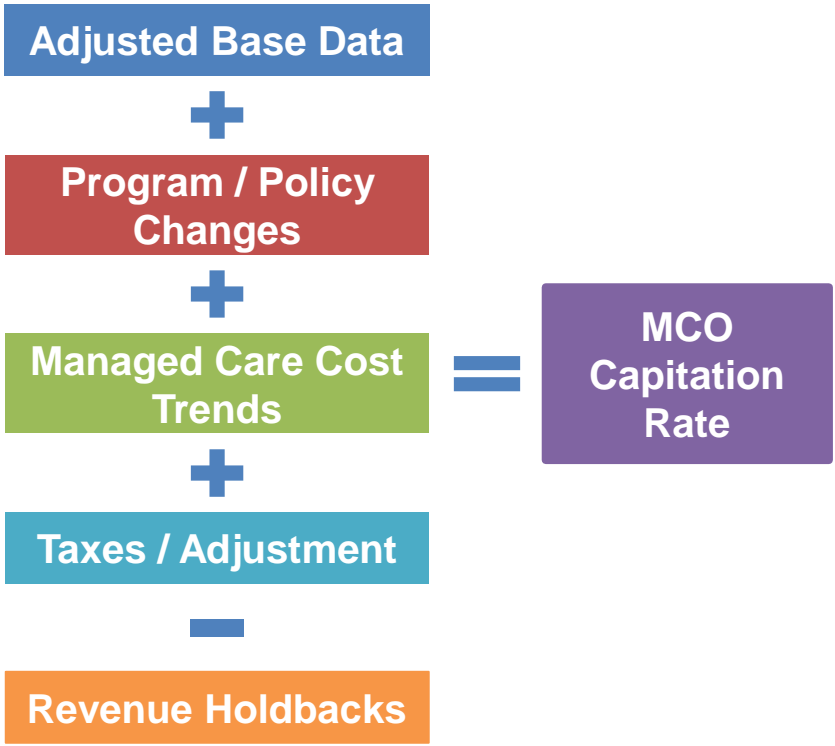
TANF - MAGI

FPL: Federal Poverty Level

TANF – MAGI: Temporary Assistance for Needy Families – Modified Adjusted Gross Income



Pennsylvania's Rate Setting Formula Includes Quality and Efficiency Adjustments



PA requires MCOs to incorporate quality, efficiency, and value-based purchasing (VBP) strategies in managed care and holds plans accountable to goals

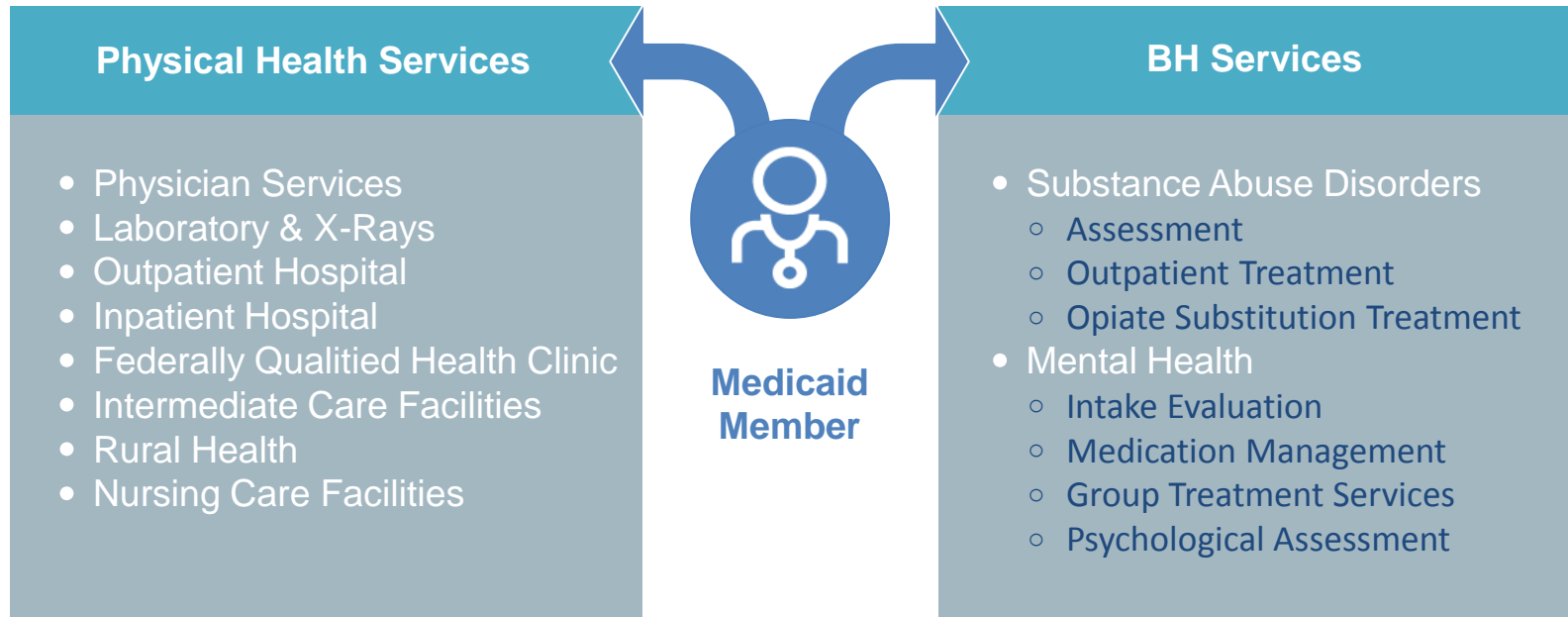
Year	Required Medical Expenditure in VBP
2017	7.5%
2018	15%
2019	30%

MCO: Managed Care Organization



Integrating Physical and Behavioral Health Services Can Improve Health Outcomes and Reduce Costs

Historically, physical and behavioral health (BH) services (including substance abuse disorders) have been financed and delivered separately requiring Medicaid enrollees to interact with multiple health plans and providers. This fragmentation impedes access to care and results in poor health status, and increased costs





BEHAVIORAL HEALTH SERVICES COVERED UNDER ACUTE CARE MCO CONTRACTS IN ALL 50 STATES AND DC, AS OF JULY 1, 2017

States	Specialty OP Mental Health	Inpatient Mental Health	Outpatient SUD	Inpatient SUD
Alabama	--	--	--	--
Alaska	--	--	--	--
Arizona	Varies	Varies	Varies	Varies
Arkansas	--	--	--	--
California	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Colorado	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Connecticut	--	--	--	--
DC	Always Carved-In	Always Carved-In	Always Carved-out	Always Carved-In
Delaware	Varies	Always Carved-In	Always Carved-In	Always Carved-In
Florida	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Georgia	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Hawaii	Always Carved-out	Always Carved-out	Always Carved-In	Always Carved-In
Idaho	--	--	--	--
Illinois	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Indiana	Always Carved-out	Always Carved-In	Always Carved-In	Always Carved-In
Iowa	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Kansas	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Kentucky	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Louisiana	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Maine	--	--	--	--
Maryland	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Massachusetts	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Michigan	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Minnesota	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Mississippi	Always Carved-In	Always Carved-In	Varies	Varies
Missouri	Always Carved-out	Varies	Varies	Varies
Montana	--	--	--	--
Nebraska	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Nevada	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
New Hampshire	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
New Jersey	Varies	Varies	Varies	Varies
New Mexico	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
New York	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
North Carolina	--	--	--	--
North Dakota	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Ohio	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Oklahoma	--	--	--	--
Oregon	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Pennsylvania	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Rhode Island	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
South Carolina	Always Carved-In	Varies	Always Carved-In	Always Carved-In
South Dakota	--	--	--	--
Tennessee	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Texas	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Utah	Always Carved-out	Always Carved-out	Always Carved-out	Always Carved-out
Vermont	--	--	--	--
Virginia	Always Carved-out	Always Carved-In	Always Carved-In	Always Carved-In
Washington	Varies	Varies	Varies	Varies
West Virginia	Always Carved-In	Always Carved-In	Always Carved-In	Always Carved-In
Wisconsin	Varies	Always Carved-In	Always Carved-In	Always Carved-In
Wyoming	--	--	--	--
Always Carved-In	23	26	26	26
Always Carved-out	11	8	8	7
Varies	5	5	5	6

NOTES: OP - Outpatient. SUD - Substance Use Disorder. "--" indicates there were no MCOs operating in that state's Medicaid program in July 2017. For beneficiaries enrolled in an MCO for acute care benefits, states were asked to indicate whether these benefits are always carved-in (meaning virtually all services are covered by the MCO), always carved-out (to PHP or FFS), or whether the carve-in varies (by geography or other factor). "Specialty outpatient mental health" refers to services utilized by adults with Serious Mental Illness (SMI) and/or youth with serious emotional disturbance (SED) commonly provided by specialty providers such as community mental health centers.

SOURCE: Kaiser Family Foundation Survey of Medicaid Officials in 50 states and DC conducted by Health Management Associates, October 2017.

Acronyms

- CMS:** Centers for Medicare & Medicaid Services
- CSHCN:** Children with Special Health Care Needs
- FFS:** Fee-for-Service
- FPIG:** Federal Income Poverty Guidelines
- MA:** Medical Assistance
- MCO:** Managed Care Organization
- NCQA:** National Committee for Quality Assurance
- PCP:** Primary Care Physician
- PMPM:** Per Member Per Month
- SMI:** Severe Mental Illness
- TANF:** Temporary Assistance for Needy Families
- TEFRA:** Tax Equity and Fiscal Responsibility Act
- VBP:** Value-based Purchasing