



# Coordinated Care Organizations (CCOs) Impact to Medicaid

Idaho Legislature Medicaid Managed Care Taskforce

Sept 11, 2023



# Agenda

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- **Brief PacificSource Introduction**
  - Norm Varin, Government Relations
- **Winning by Working with Providers**
  - Matt Bell, Idaho Market President
- **Overview of Administrative Costs, Shared Savings and Coordinated Care Organizations**
  - Erin Fair Taylor, Vice President, Medicaid Programs

# Introduction to PacificSource

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# PacificSource Health Plans

- **Founded in 1933 as Pacific Hospital Association nearly 90 years ago by a group of physicians and hospitals**
- **Regional Plans In Oregon, Washington, Montana and Idaho**
- **Lines of Business**
  - Commercial: Individual, Group, Self-Funded
  - Government: Medicaid, Medicare
- **Membership as of July 2023**
  - Total: 619,000
  - Medicaid: 364,000

# Winning by Working with Providers

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# Sustainable Provider Relationships

- **Moving to Value from Volume**
  - Value Based Payments as foundation – LAN VBP Framework
  - All lines of business, All markets
  - Leadership role in Value Based Payment Compact
- **Joint Operating Councils**
  - Creates administrative payment support
  - Defines roles and responsibilities
- Assist Providers in transition

# Coordinated Care Model

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- Administrative Expenses
- Shared Savings
- Community Governance & Accountability

# CCO Administrative Costs & Budget

6-7% Health Plan Admin
<ul style="list-style-type: none"><li>• Provider Incentives</li><li>• Community Investments</li><li>• Capacity Building</li><li>• Margin</li></ul>
85% MLR – Floor of what must be spent on medical costs
If a CCO spends less than 85%, it must rebate to the state Medicaid program

- Some administrative costs are fixed due to minimum requirements of Medicaid administration
- For a non-profit health plan, margin is used to ensure prudent reserves are in place, and to invest in maintenance and upgrades of business & support systems



# CCO Administrative Costs

- 6-7% of CCO capitated payments cover health plan administrative expenses
  - Including, but not limited to: claims adjudication, provider contracting, care coordination, analytics, regulatory reporting, customer service
- CCO Governing Boards approve overall Global Budget
  - Any significant shifts in spending must be approved by the community board
- CCOs are held to an 85% minimum medical loss ratio (MLR)
- PacificSource is fully at risk if medical costs exceed premium paid
- By sharing most of any savings generated from the Global Budget, PacificSource creates an incentive to manage costs and keep members healthy

# Key characteristics of VCO and CCO Models

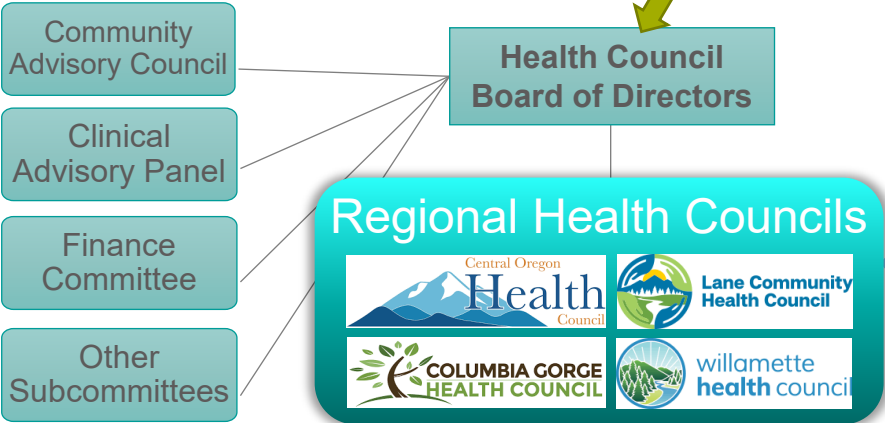
## Value Care Organization

- Medicaid services are integrated and coordinated
  - Focused on primary care and acute care
- Global budget that grows at a fixed rate
  - Based on the Statewide Annual Program Change Factor
- Quality metrics/standards for safe and effective care
  - Quality Performance Program
- Local governance and accountability for health outcomes and budget performance
- Pay for value requirements
  - Value Based Incentive Payment risk agreements

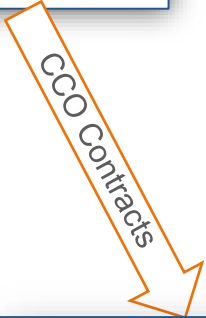
## Coordinated Care Organization

- Medicaid services are integrated and coordinated
  - Includes physical, behavioral and dental care services, Non-emergent medical transportation and social determinants of health
- One global budget that grows at a fixed rate (3.4% rate of growth)
- Quality metrics/standards for safe and effective care
  - CCO Quality Incentive Program
- Local governance and accountability for health outcomes and budget performance
- Pay for value requirements
  - Value Based Payment Roadmaps

# PacificSource CCO + Health Council Model



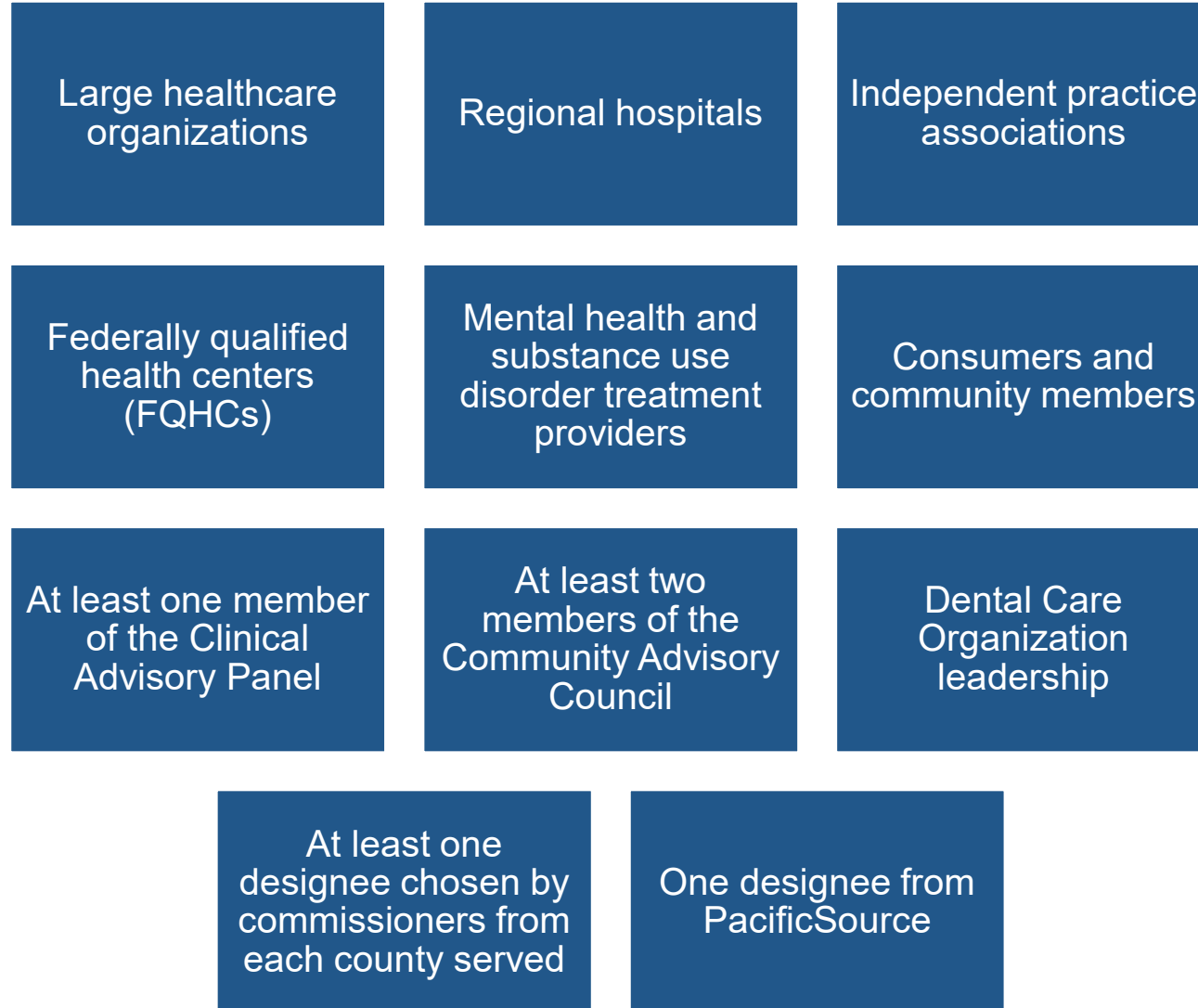
- ### Key Health Council Functions
- Governing Board of the CCO
  - Community Benefit Investments
  - Community Health Needs Assessment and Improvement Plan
  - Provider Contracting Principles
  - Distribution of Quality Incentives and Shared Savings



Joint Management Agreements (JMA)

- ### Key PacificSource CCO Plan Functions
- Provider Network Contracting & Value-Based Payment Development
  - Customer Service and Member Support
  - Global Budget & Risk Management
  - Benefit Administration & Claims Adjudication
  - Compliance & Contractual Reporting
  - Care & Utilization Management
  - Quality & Population Health Strategies
  - Data and Analytics

# Health Council Makeup



# Community Benefit: Shared Savings and HRS-CBI

## PacificSource CCO Shared Savings Model

CCO Net Income  
- [2% of Adjusted CCO Revenue]

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**Shared Savings**

- Health Plan effectively caps its margin
- Shared Savings are then given to the Health Councils to invest
- Creates shared and aligned incentives to invest in prevention, quality and cost savings

## Health-Related Services – Community Benefit Initiatives

- Community-level interventions aimed at improving population health and health care quality
- Driven by Community Advisory Councils and Health Councils

Examples include:

- Community Health Worker growth & development
- Community Information Exchange platform
- Community infrastructure around housing, playground equipment, and bike paths
- Nutrition and exercise programs
- Parenting classes and supports
- Culturally-specific programs

# Key Takeaways

- **Cost savings or net revenue may be earmarked for:**
  - Community-based prevention programs
  - Provider capacity building
  - Education and training
  - Workforce development, recruitment and retention
- **Community governance is a way to ensure that Medicaid payers are accountable to their local communities**
  - Requires transparency re: spending and profits and member experience
  - Shared prioritization and decision-making
  - No single part of the health system drives the agenda

**Thank you for the opportunity to  
share our story**

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