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March 5, 2017

Ms. Deborah H. Fournier, Esq.
Medicaid Director
NH Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301

Re: Responses to House Finance - Division III Requests

Dear Deb,

At your request, we are providing the New Hampshire Department of Health and Human Services (DHHS) with a letter addressing requests from House Finance – Division III. These requests include:

- Summary of optional service users
- Summary of MCM program optional population cost
- Financial impact of prohibition on prior authorization for mental health drugs
- Opportunity for one 'master' rate cell

This letter addresses these four topics and the details supporting our responses.

SUMMARY OF OPTIONAL SERVICE USERS

We estimated the number of Medicaid enrollees who use certain optional services during SFY 2016. We excluded the Medicaid expansion (NHHPP) population. This analysis reflects the most recent MCO encounter data for SFY 2016 as well as FFS data for Step 2 services such as home and community based services (HCBS).

We provided information for the optional services that can be reasonably identified in the data. There are some optional benefits (e.g., "other diagnostic, screening, preventive, and rehabilitative services") that we could not evaluate at this time given the vague description of the benefit. It is possible that using a more precise definition of optional services would produce a different result.

There are additional issues to consider related to any discussion about removing optional Medicaid services. Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) requirements may limit the extent to which DHHS can exclude optional services for children under the age of 21. Additionally, the removal of certain services may create unmet needs (i.e., CMHC and psychiatric services) or may increase the use of other covered services (i.e., the removal of prescription drugs may increase ER and inpatient service usage).

Table 1 below shows the number of enrollees receiving each service during SFY 2016, separated by children (less than 21 years old) and adult (age 21 and older). We included MCM enrollees and FFS Medicaid beneficiaries in our analysis.

Table 1 New Hampshire Department of Health and Human Services Summary of Optional Medicaid Services - SFY 2016 Medicaid Enrollees Receiving Services			
	Child	Adult	Total
Adult Day Care	3	258	261
CMHC	9,436	9,929	19,365
Dental	62,054	4,918	66,972
Eyeglasses	10,812	7,357	18,169
HCBS	5,148	8,420	13,568
IP Drug and Alcohol Abuse	9	150	159
IP Psychiatric	638	n/a	638
Non-Emergency Transportation	1,998	6,954	8,952
Opioid Treatment	17	1,655	1,672
Personal Care	5	186	191
Preventive Medicine	65,349	15,141	80,490
Prosthetics	3,560	3,670	7,230
PT/OT/ST	12,372	7,707	20,079
Prescription Drugs	67,472	39,463	106,935

Using total enrollee counts of roughly 116,000 and 60,000 for children and adults, respectively, Table 2 shows the percent of enrollees that use each optional service.

Table 2 New Hampshire Department of Health and Human Services Summary of Optional Medicaid Services - SFY 2016 Percent of Medicaid Enrollees Receiving Services			
	Child	Adult	Total
Adult Day Care	0.0%	0.4%	0.1%
CMHC	8.2%	16.6%	11.1%
Dental	53.7%	8.2%	38.2%
Eyeglasses	9.4%	12.3%	10.4%
HCBS	4.5%	14.1%	7.7%
IP Drug and Alcohol Abuse	0.0%	0.3%	0.1%
IP Psychiatric	0.6%	n/a	0.4%
Non-Emergency Transportation	1.7%	11.7%	5.1%
Opioid Treatment	0.0%	2.8%	1.0%
Personal Care	0.0%	0.3%	0.1%
Preventive Medicine	56.5%	25.4%	45.9%
Prosthetics	3.1%	6.1%	4.1%
PT/OT/ST	10.7%	12.9%	11.5%
Prescription Drugs	58.4%	66.1%	61.0%

SUMMARY OF MCM PROGRAM OPTIONAL POPULATION COST

We estimate the total cost of the optional Medicaid population enrolled in the MCM program will be about \$9.8 million per month (federal and state funds combined) in SFY 2018, or about \$118 million on an annual basis. We estimate the optional population to be roughly 28% of the total MCM population. Table 3 below shows the July 2016 enrollment and estimated monthly cost for each optional eligibility group.

Table 3 New Hampshire Department of Health and Human Services Summary of MCM Program Optional Population Cost Estimated SFY 2018 Monthly Cost		
Optional Population	July 2016 Enrollment	Monthly Cost
Low-income Children (MOE)	17,834	\$3,512,000
Optional Targeted Low Income Children (CHIP kids)	12,937	2,256,000
Medically Needy Parent, Pregnant Women & Children	448	196,000
Medically Needy Aged, Blind and Disabled	701	295,000
Home Care For Children with Severe Disabilities	1,247	1,516,000
Pregnant Women (household of 2)	381	350,000
Medicaid for Employed Adults with Disabilities	2,283	1,511,000
Treatment for Breast and Cervical Cancer	136	186,000
All Eligible Populations	35,967	\$9,822,000

We used detailed category of eligibility code information from DHHS to identify the optional populations. We estimated the portion of the enrollment in each MCM rate cell for optional populations. To calculate the fiscal impact of removing the optional population, we used the draft SFY 2018 MCM capitation rates and the enrollment distribution before and after removing the optional populations. Exhibit 1 shows our calculation.

Due to time constraints our analysis does not include the following factors:

- We did not estimate the cost differential between the optional and mandatory population within each rate cell. Therefore, the real impact is likely to differ from our estimate to the extent the optional and mandatory populations within each rate cell have different cost profiles.
- We did not estimate the cost of Step 2 services delivered to optional populations enrolled in the MCM program.
- We did not estimate the cost of optional populations enrolled in the FFS program.
- We did not estimate the cost of individuals receiving family planning services only.

FINANCIAL IMPACT OF PROHIBITION ON PRIOR AUTHORIZATION FOR MENTAL HEALTH DRUGS

Currently, there is a legislative prohibition on prior authorization requirements for mental health prescription drugs. However, this law is scheduled to sunset June 30, 2017. Without an extension of this bill, the two MCOs would be able to implement prior authorization requirements for these prescription drugs as part of their pharmacy benefit management activities. As DHHS and the New Hampshire legislature consider an extension of this law for SFY 2018, it is important to understand the cost of the prohibition on these prior authorizations.

We estimate the cost of prohibiting prior authorization on mental health prescription drugs is roughly \$4.1 million for the MCM program during SFY 2018. This estimate includes both state and federal funds, and reflects the inclusion of MCO administrative costs and margin. However, the annual cost impact drops to a \$1 million increase after factoring in the expected impact on DHHS drug rebate revenue (the higher gross cost drugs also have higher rebates). Please note that we used pharmacy rebate information collected about two years ago for this analysis since it is the most recent information that we have available to us at this time. Therefore, the real impact of pharmacy rebates could be more or less than estimated.

OPPORTUNITY FOR ONE 'MASTER' RATE CELL

House Finance – Division III inquired about the possibility of having one 'master' rate cell instead of the various rate cells currently used in the MCM program. Specifically, there is interest in understanding if this approach would create any financial savings and whether or not the approach would be considered actuarially sound. Rate cells are used to allocate funding across eligibility groups according to their expected costs. They mitigate the risk related to enrollment mix.

Creating one 'master' rate cell for all managed care clients would not create a savings to the General Fund as this one rate cell would essentially need to equal the current composite of all individual rate cells. Additionally, using one rate cell would not be considered actuarially sound due to the potential risk changes that could occur in the population, resulting in underfunded (or overfunded) rates being paid to the MCOs. CMS rate setting standards and Actuarial Standards of Practice would also not allow for a managed care program with only one rate cell.

CAVEATS AND LIMITATIONS ON USE

This letter is designed to assist DHHS with responding to requests from House Finance – Division III related to the New Hampshire Medicaid program. This information may not be appropriate, and should not be used, for other purposes.

The information contained in this letter has been prepared for DHHS. To the extent that the information contained in this letter is provided to third parties, this letter should be distributed in its entirety. Any user of this information must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the information presented.

In preparing this information, we relied on information provided by DHHS and the MCOs. We have not audited this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for DHHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this letter must rely upon their own experts in drawing conclusions about the information presented.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this report.

The terms of Milliman's contract with DHHS dated November 16, 2012 apply to this letter and its use.





Ms. Deborah H. Fournier
NH Department of Health and Human Services
March 5, 2017
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Please call John Meerschaert, Greg Herrle, or me at (262) 784-2250 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Mathieu Doucet".

Mathieu Doucet, FSA, MAAA
Consulting Actuary

MD/laa

Exhibit 1 New Hampshire Department of Health and Human Services Summary of MCM Program Optional Population Cost Cost PMPM and Monthly Cost Using Draft SFY 2018 MCM Capitation Rates			
Eligibility Category	July 2016		
	Enrollment	Cost PMPM	Monthly Cost
Low Income Children - Age 2-11 Months	368	\$223.08	\$82,000
Low Income Children - Age 1-18 Years	28,534	136.14	3,885,000
Low Income Adults	691	408.19	282,000
Foster Care / Adoption	0	291.98	0
Breast and Cervical Cancer Program	126	1,445.28	182,000
Severely Disabled Children	623	1,223.68	762,000
Elderly and Disabled Adults	349	1,009.20	352,000
Dual Eligibles	844	224.19	189,000
Newborn Kick Payment	0	2,953.24	0
Maternity Kick Payment	65	2,945.13	192,000
Nursing Facility Residents - Medicaid Only - Age 0-64	15	\$1,979.69	\$30,000
Nursing Facility Residents - Medicaid Only - Age 65+	18	1,204.57	22,000
Nursing Facility Residents - Dual Eligibles - Age 0-64	21	214.61	4,000
Nursing Facility Residents - Dual Eligibles - Age 65+	411	72.72	30,000
Community Residents - Medicaid Only - Age 0-64	6	2,977.52	18,000
Community Residents - Medicaid Only - Age 65+	3	1,321.93	4,000
Community Residents - Dual Eligibles - Age 0-64	24	1,176.93	28,000
Community Residents - Dual Eligibles - Age 65+	13	367.04	5,000
Developmentally Disabled - Medicaid Only	103	948.39	98,000
Developmentally Disabled - Dual Eligibles	712	264.75	189,000
Developmentally Disabled and In-Home Supports Children	653	1,292.26	844,000
Acquired Brain Disorder - Medicaid Only	2	1,202.62	2,000
Acquired Brain Disorder - Dual Eligibles	33	292.16	10,000
Severe/Persistent Mental Illness - Medicaid Only	70	\$2,209.82	\$156,000
Severe/Persistent Mental Illness - Dual Eligibles	389	1,650.29	642,000
Severe Mental Illness - Medicaid Only	33	1,568.79	52,000
Severe Mental Illness - Dual Eligibles	36	1,017.60	37,000
Low Utilizer - Medicaid Only	2	1,382.45	3,000
Low Utilizer - Dual Eligibles	43	487.22	21,000
Serious Emotionally Disturbed Child	1,844	923.65	1,703,000
Base Population Rate Cells	31,534	\$187.91	\$5,925,000
NF Residents and Waiver Population Rate Cells	2,015	637.08	1,284,000
Behavioral Health Population Rate Cells	2,418	1,080.74	2,613,000
Total	35,967	\$273.10	\$9,822,000