TAHP
The Texas Association of Health Plans

**Texas Association of Health Plans**
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February 10, 2023

Dear Mr. Joyner,

On behalf of our member Medicaid health plans, thank you for the opportunity to provide input for the development of the state fiscal year (SFY) 2024 managed care rates. We appreciate the opportunity to partner with the state to continuously improve processes, create greater efficiencies, and provide high quality of care.

Below we have outlined the key areas for consideration as you develop SFY 2024 rates. Still at top of mind is that COVID-19 has created an unprecedented impact on the Medicaid program making it difficult to develop rates. We appreciate and recognize this complexity and ask that you take into consideration our recommendations outlined below.

**Impacts of Redetermination**
As HHSC completes redeterminations for the continuous coverage population, we should expect to see acuity return to pre-COVID levels, with potential for additional acuity due to the pent up demand from added churn associated with the accelerated pace proposed by HHSC.

With the recent passing of the Fiscal Year (FY) 2023 Omnibus Appropriation bill, we now know the timeframe during which redeterminations will resume and TX has or will soon provide CMS with their required plans and documentation.

Recommendation: All redetermination documentation and reporting produced by TX for CMS be shared with the MCOs to support a transparent and collaborative approach to redeterminations to ensure optimal outcomes for our members and appropriate rates.

Additionally, we believe that to ensure actuarially sound rates during the rating period a prospective rating adjustment for the anticipated acuity changes related to redeterminations is necessary for the SFY 2024 rates.

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Recommendation: Rudd and Wisdom use a Stayer/Leaver/Joiner cohort analysis that relies on the most recent full year of experience data available, with three months of runout and excluding delivery costs, to assess relative acuity of the cohorts. This analysis should align disenrollment volume and timing with TX's finalized redetermination plans.

We acknowledge that although information is available, actual implementation may not go as planned so uncertainty remains.

Recommendation: Rudd and Wisdom monitor state projections of enrollment loss versus actual results, including the acuity pattern, so that rating assumptions can be updated in a timely manner if material deviations occur. For example, if low or non-utilizers are redetermined quicker than expected that would be noted as a deviation from the plan and, if material, rates would be updated to account for this deviation.

A July 2022 Medicaid and CHIP Payment and Access Commission (MACPAC) study found "after an episode of churn, Medicaid beneficiaries were more than twice as likely to be hospitalized for all four ACSCs [Ambulatory care-sensitive conditions] that we studied, compared to their baseline rate for these measures six months before losing coverage (Figure 1).[1] We observed a similar increase in the rates of ED visits for these conditions (Figure 2)." We have included Figures 1 and 2 from this report below for reference. As you can see from the graphs below "three months after churning, the rates of ED visits and hospitalizations related to the four ACSCs continued to remain higher than the baseline rates.

[1] https://www.macpac.gov/wp-content/uploads/2022/07/Effects-of-churn-on-hospital-use_issue-brief.pdf

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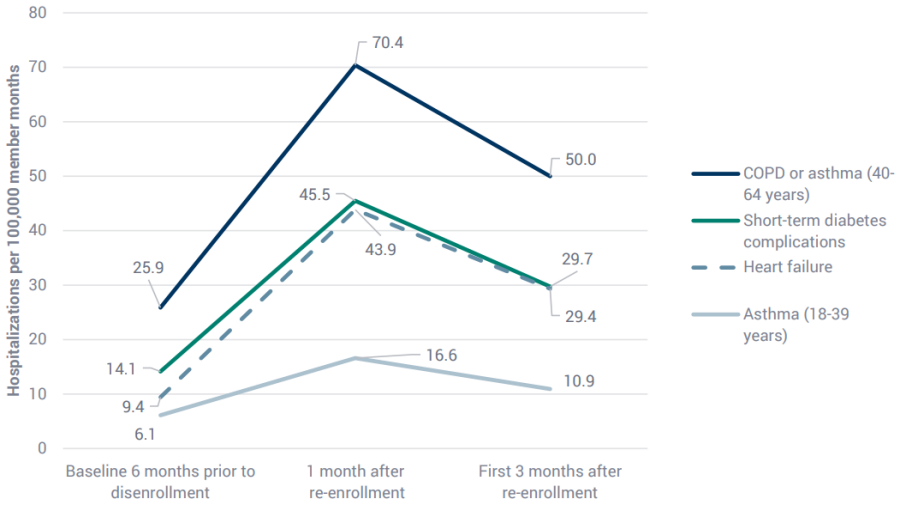
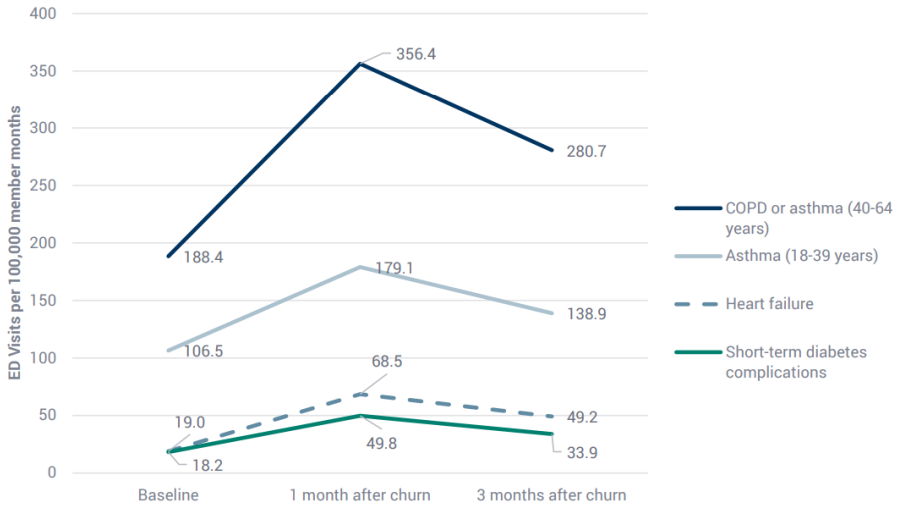
**FIGURE 1.** Rate of Inpatient Admissions for Selected Ambulatory Care Sensitive Conditions Before and After a Gap in Medicaid Coverage, 2017-2019




**Notes:** COPD is chronic obstructive pulmonary disease. Analyses limited to adults age 18 to 64. The analysis excludes nine states (Alabama, Florida, Kentucky, Minnesota, New Jersey, Oklahoma, Pennsylvania, Rhode Island, and Tennessee) due to concerns with data quality in 2017-2019. In three states (Arkansas, Maryland, and Wisconsin) 2017 data are excluded due to data quality concerns.
**Source:** Mathematica, 2022, analysis for MACPAC of T-MSIS data.

**FIGURE 2.** Rate of Emergency Department Visits for Selected Ambulatory Care Sensitive Conditions Before and After a Gap in Medicaid Coverage, 2017-2019




**Notes:** COPD is chronic obstructive pulmonary disease. Analyses limited to adults age 18 to 64. The analysis excludes nine states (Alabama, Florida, Kentucky, Minnesota, New Jersey, Oklahoma, Pennsylvania, Rhode Island, and Tennessee) due to concerns with data quality in 2017-2019. In three states (Arkansas, Maryland, and Wisconsin) 2017 data are excluded due to data quality concerns.
**Source:** Mathematica, 2022, analysis for MACPAC of T-MSIS data.

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Regardless of the acuity of members disenrolling, the increase in churn will increase costs as outlined in the MACPAC study. It will also decrease MCO revenue since health plans will not receive capitation from months when members are disenrolled. It is likely MCOs will cover most of the healthcare costs for members since members typically would have low or no healthcare costs during the months of disenrollment. In other words, MCOs will cover approximately the same costs but will receive fewer capitation payments from the State.

Recommendation: Rudd and Wisdom consider the impact of churn in developing the SFY 2024 rates, since churn is expected to increase after redeterminations restart.

***Experience Rebate***

As experience continues to stabilize following the height of COVID-related impacts, it will become important for MCOs to have the profit opportunities that existed under the prior experience rebate parameters from SFY 2021, such that they are able to fully recognize the returns on their investments in population health and management. MCOs are reliant on their ability to recognize the profit outcomes of their investments to fund future projects and innovation.

While we appreciate the significant uncertainty and challenges that led to the temporary change to the experience rebate parameters for SFY 2022 and SFY 2023, we believe those factors will be significantly mitigated for SFY 2024, resulting in a more stable and predictable experience period.

Recommendation: HHSC reset the SFY 2024 experience rebate parameters to the levels relied upon for the SFY 2021 rating period.

***Base Data***

The pre-COVID March 2019 to February 2020 base period that was used for the SFY 2022 and SFY 2023 rate developments may not be allowable for use in the SFY 2024 rate development per CFR 438.5(c)(2)[2]. Recognizing this requirement may require

[2] CFR 438.5(c)(2) states “States and their actuaries must use the most appropriate data, with the basis of the data being no older than from the 3 most recent and complete years prior to the rating period, for setting capitation rates.”

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Rudd and Wisdom to use a COVID-impacted base period in developing the SFY 2024 rates, there are several ways in which the SFY 2024 experience is expected to deviate materially from what would be inherent in a COVID-impacted base period. Significant reductions in utilization and costs were observed during the height of COVID, but have since increased from those heavily suppressed levels.

Recommendation: If SFY 2022 or another COVID-impacted experience period is selected as the base period for developing the SFY 2024 rates, we recommend Rudd and Wisdom review the utilization levels and patterns in the selected base period experience in comparison to pre-COVID levels and make appropriate adjustments to ensure the projected utilization levels and patterns are reflective of the experience expected in SFY 2024. This utilization review and potential adjustment is needed in addition to the acuity considerations addressed earlier in the *Impacts of Redetermination* section.

***Trend Development***

Similarly, we believe trend data after February 2020 is significantly impacted by varying levels of utilization suppression and shift, and population acuity over time. These varied impacts over time on experience trends observed after February 2020, mean that these trends are not appropriate for projecting costs to SFY 2024 without significant adjustments. ASOP 49 and the CMS Rate Development Guide dictate that trend development should include appropriate adjustments for other factors that may affect projected benefit cost trends.

Recommendation: If trend experience after February 2020 is considered in the SFY 2024 trend development calculations, that those trends be reviewed in comparison to trends from experience prior to February 2020 and appropriate adjustments be made to ensure the trend assumptions used are appropriate for projecting experience into SFY 2024.

**Acuity of CHIP Population**

The declining CHIP population has driven increasing PMPM claims in recent periods. This increased acuity is expected to continue as long as the CHIP membership remains depressed, as the remaining membership is expected to represent the most acute members from the population present in the base period. While the restart of

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redeterminations is expected to result in some CHIP membership returning, it is likely the increased PMPM costs will persist, at least in part, into the beginning of SFY 2024, and could have a material impact on SFY 2024 CHIP experience.

Recommendation: Rudd and Wisdom adjust for the difference in acuity of the CHIP population between the base period experience selected and the SFY 2024 rating period, and document their assumed monthly CHIP enrollment and acuity levels.

**Administrative Expense Assumptions**

Administrative costs in SFY 2022 would not be reflective of costs expected in SFY 2024 on a PMPM basis. SFY 2022 administrative costs on a PMPM basis are dampened compared to prior years due to higher levels of enrollment, and we expect SFY2024 PMPM administrative costs to increase as fixed administrative expenses increase with inflation across lower enrollment expected due to the redetermination of the continuous coverage population. Additionally, we note that the US Bureau of Labor and Statistics published the Employment Cost Index which showed that compensation costs have increased by 4.0% in CY2021 and 5.1% in CY 2022 for all Private, State, and Local Government Industries and 4.4% in CY 2021 and 5.2% in CY 2022 for private industry[33]. MCOs continue to feel the impacts of high inflation as they face challenges hiring and retaining the necessary staff to administer the program.

Recommendation: Rudd and Wisdom consider the impacts of fixed costs spread over a smaller enrollment base and utilize an administration trend that reflects the current wage and inflation environment in setting assumptions for the SFY 2024 rates.

**PDL Carve-In and Related Considerations**

By statute, managed care plans are set to fully manage the prescription drug benefit, effective September 1, 2023. Without a final policy for implementation available, it is impossible to know what assumptions HHSC will be using to determine rates, but we have included some things to consider based on our experience with similar transitions:

[3] https://www.bls.gov/news.release/eci.nr0.htm

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- Grandfathering: if certain drugs or classes of drugs are given a grandfathering period during which the new PDL requirements do not apply or are less stringent initially, this could limit the financial impact of this transition during SFY 2024.
- Policy restrictions: if there are provisions that limit the extent to which MCOs can manage the PDL and related policies relative to HHSC's policies (e.g. can't be more restrictive than HHSC), that could potentially limit the savings that MCOs are able to achieve with their PDL management strategies.

Additionally, it is our understanding that HHSC has been encouraging the use of branded stimulant agents as preferred, and the drug Dupixent has recently received several new indications that will expand its utilization amongst members.

Recommendation: Rudd and Wisdom review emerging experience and the potential future impacts of additional stimulant brand and Dupixent utilization, and make appropriate adjustments for the estimated future costs.

**Blended LTSS Rate**

It is our understanding that HHSC is still considering the use of a blended rate for nursing facility and waiver members. If a blended rate for nursing facility and waiver members is introduced, the rates must address differences in member mix amongst MCOs. MCOs are not able to determine the setting where these members receive care in the STAR+PLUS program. As a result, we do not think this change to the rate cell structure would create the incentives that are inherent in other programs that use this approach, and, thus, would not increase the efficiency of the program. If anything, we believe that the lack of homogeneity among a blended risk class, could cause rate revenue for individual MCOs to be inappropriate for the needs of their specific members.

Recommendation: If a blended rate is implemented, HHSC and Rudd and Wisdom consider how to address differences in member mix amongst MCOs throughout the rate period and give the MCOs an opportunity to review and provide feedback on the methodology before it is implemented.

**STAR+PLUS Dual Special Needs Plans (DSNP) PMPM**

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The STAR+PLUS MCOs that have D-SNP contracts with HHSC have received the same $10 PMPM for at least 20 years to cover Medicare cost sharing. We mentioned this in our SFY 2021, SFY 2022, and SFY 2023 rates letters, and the issue still exists. The health plans would like HHSC to review this rate and attempt to align it with the actual cost observed in recent experience. We believe the current run-rate cost is over $40 PMPM, net of administrative costs.

Recommendation**:** HHSC update the STAR+PLUS D-SNP cost share PMPM to reflect the current costs of the program.

**Pharmacy – Specialty**

While pharmacy trends are reviewed by brand, generic, and specialty separately, only a single composite trend factor is applied to the incurred claims during rate development. This methodology does not capture the increasing percentage that specialty drugs have become over the years and, therefore, underestimates total pharmacy expenses.

Recommendation: Base pharmacy experience used for the SFY 2024 rates be separated by brand, generic, and specialty so that appropriate trends can be applied that would result in a more accurate projection of SFY 2024 incurred pharmacy expenses. We would suggest that rate development follow the format used in calculating the different trends. In addition, we suggest that the plans are provided a listing, by drug name, of the utilization and cost that is included in the specialty pharmacy bucket in the trend rate analysis. It would be helpful to understand at a more detailed level which drugs are driving the program.

**Pharmacy Pipeline Drugs**

The below list includes a few high-cost, low-utilization drugs that have been recently approved or will likely be approved before or at the beginning of the SFY 2024 rating period. Given the recency of these approvals, it is unlikely they will be fully reflected in any base period selected for the SFY 2024 rate development.

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- Tzield (teplizumab-mzwv)[4]: Approved in November 2022 and Is the first agent approved for delay of onset of Type 1 Diabetes (T1D). Target population is those who have not been diagnosed with T1D, but who are at high risk for developing the disease. **Approximately $232,680 per 14-day course of therapy.**
- Omblastys (omburtamab): Proposed for the treatment of neuroblastoma with central nervous system/leptomeningeal metastases**. Approximately $350k AWP per year.**
- Amvuttra™ (vutrisiran): Approved in June 2022 for treatment of polyneuropathy of hereditary transthyretin-mediated (hATTR) amyloidosis in adults. hATTR amyloidosis is a rare inherited condition caused by variants in the transthyretin (TTR) gene resulting in abnormal build-up of amyloid proteins in the body's organs and tissues (e.g., peripheral nerves, heart, GI tract). **Amvuttra is priced at approximately $463,000 per year.**
- Zynteglo (betibeglogene autotemcel): Approved in August 2022 for the treatment of adult and pediatric patients with β-thalassemia who require regular RBC transfusions. This is a one-time autologous hematopoietic stem cell-based gene therapy designed to treat the underlying genetic cause of beta thalassemia. **The cost of Zynteglo is set at approximately $2.8 million.**
- Skysona (elivadogene autotemcel): Approved in September 2022 and is a one-time gene therapy used to slow the progression of neurologic dysfunction in boys 4-17 years of age with early, active cerebral adrenoleukodystrophy (CALD). **The cost of this one-time treatment will be approximately $3 million.**
- Roctavian™ (valoctocogene roxaparvovec): Anticipated FDA approval in the first quarter of 2023 and the **cost is estimated between $2-3 million per one-time treatment.**
- EntranaDez (formerly called AMT-061): Currently under FDA review for potential approval in November 2023 and is hemophilia B gene therapy proposed for the treatment of adults with severe disease. **The cost is estimated at $3.5 million per one-time treatment.**

Recommendation: The above high-cost, low-utilization drugs be moved to the non-risk based payment. If these drugs are not covered in the non-risk based payments, we recommend Rudd and Wisdom review the expected utilization and cost for these drugs

[4] https://investors.proventionbio.com/2022-11-17-TZIELD-TM-teplizumab-mzwv-approved-by-FDA-as-the-first-and-only-treatment-indicated-to-delay-the-onset-of-Stage-3-type-1-diabetes-T1D-in-adult-and-pediatric-patients-aged-8-years-and-older-with-Stage-2-T1D

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and include an explicit adjustment for them in the SFY 2024 rate development, since they will most likely not be fully reflected in the selected base period experience.

**Private Duty Nursing (PDN) Costs**

Nursing shortages have put particularly high pressure on costs for services such as PDN. All available material on this subject suggests the nursing industry will continue to see higher wages and sign-on bonuses throughout the coming years to meet demand. It is important that Rudd and Wisdom consider the ongoing impacts of inflation and nursing shortages when considering how to set SFY 2024 rates that align with the financial pressures that MCOs face in continuing to ensure access to these services.

Recommendation: Rudd and Wisdom considers the higher unit costs trends that have been observed for PDN services in recent experience and the current need to increase wages for nurses to ensure access to PDN services for members.

**Institutions for Mental Disease (IMD) Funding**

Today HHSC does not reimburse MCOs for IMD stays over 15 days but the plans are still expected to pay for those stays.

Recommendation: HHSC provide guidance on how MCO will be reimbursed for IMD stays that are longer than 15 days.

**Rural Health Clinics (RHCs)**

Section 130 of H.R. 133, the Consolidated Appropriations Act of 2021 (Covid Relief Package) included reforms of the RHC payment methodology aimed at providing a payment increase to capped RHCs (freestanding and provider-based RHCs attached to hospitals greater than 50 beds), the provisions will simultaneously narrow the payment gap between capped and non-capped RHCs. The limit paid to freestanding RHCs and those attached to hospitals greater than 50 beds increased to $126 beginning January 1, 2023.

Recommendation: HHSC should review the impact of this increase in the development of the SFY 2024 rates.

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Thank you for your time and your consideration of these issues. We greatly appreciate the opportunity to discuss them in more detail and gain a better understanding of what is being done to address issues with the experience trend, the fluctuation in member acuity, and new benefits and treatments. We also request your consideration of additional information in the form of a rate data book to provide MCOs the opportunity to analyze and better understand their rates. Please let us know if you have any questions or would like to schedule a meeting to discuss any of our recommendations.

Sincerely,

Jamie Dudensing, RN
CEO
Texas Association of Health Plans