



Attachment 2 February 14, 2024
PacificSource - Norm Varin & Erin Fair Taylor

Coordinated Care Organizations (CCOs)

Impact to Medicaid

Idaho House and Senate Health & Welfare Committees

February 14, 2024

Agenda

- **Brief PacificSource Introduction**
 - Norm Varin, Government Relations
- **Winning by Working with Providers**
- **Overview of Administrative Costs, Shared Savings and Coordinated Care Organizations (CCOs)**
 - Erin Fair Taylor, MPH, JD, Vice President, Medicaid Programs

Introduction to PacificSource

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 January 2024**
 - Total: 619,000
 - Medicaid: 354,000

Winning by Working with Providers

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 Organization (CCO) Model

- Administrative Expenses
- Community Governance & Accountability
- Shared Savings

CCO Administrative Costs & Budget

6-7% Health Plan Admin

- Provider Incentives
- Community Investments
- Capacity Building
- Margin

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

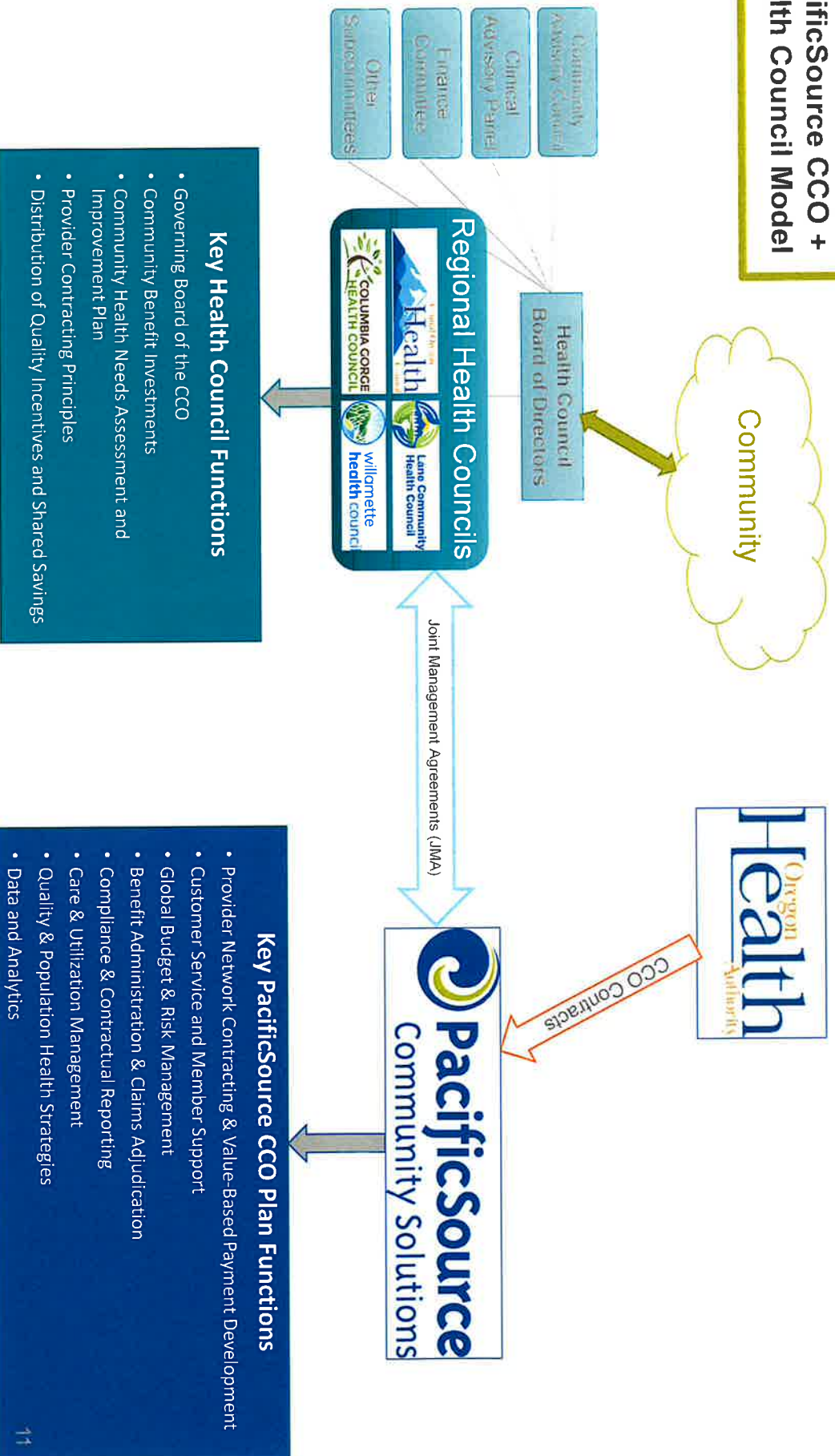
Value Care Organization

- 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

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

PacificSource CCO Shared Savings Model

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

Shared Savings

- PacificSource voluntarily 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

To date, PacificSource has distributed more than **\$85 million** in Shared Savings to Health Councils for community investments

Shared Savings investment examples include:

- Workforce development, recruitment and retention
- Provider training and upskilling
- Developing peer support programs
- Quality improvement programs
- Community Information Exchange platform
- Community infrastructure around housing, playground equipment, and bike paths
- Food, nutrition and exercise programs
- Vocational 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 work**

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