Strategy template: healthcare_421_mco_pricebid

Priority strategy title: MCO competitive price bidding

Strategy Catalogue unique identifier(s): 421
Submitting organization(s)/agency(ies): DHS
Drafting organization/agency: DHS
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1) This priority strategy addresses the following aspect of the Commission’s charge (select only the one that represents the best fit):

☐ Transform the health and human services system.
☒ Increase administrative efficiencies and improve program simplification within health and human services public programs.
☒ Identify evidence-based strategies for addressing the significant cost drivers of State spending on health and human services.
☒ Reduce waste in administrative and service spending in health and human services.
☐ Advance health equity across geographies, racial and ethnic groups

2) Please describe the populations impacted by this strategy:

Managed care organizations that respond to a request for proposals (RFP) to contract with the Department of Human Services (DHS) to provide services to non-disabled adults, parents, and children enrolled in the Medical Assistance program (PMAP) and enrollees in the MinnesotaCare program. These groups are managed under a single contract referred to as the “Families and Children” contract.

3) Problem statement

a) What is the primary problem the strategy is expected to mitigate or resolve relative to the focus area?

State Medicaid programs are allowed to contract with managed care organizations (MCO) to provide health care services to enrollees. The state has utilized this option for more than 25 years to provide services to certain populations specified by the legislature. In addition, states that have approval to operate a Basic Health Program (BHP) must contract with MCOs to provide services to enrollees covered under that program. MinnesotaCare is operated under this authority. All contracts must be approved by the Centers for Medicare & Medicaid Services (CMS) in order for states to receive their federal matching funds.

Federal regulations governing managed care contracting for Medicaid programs require that states select their MCO vendors through an open, competitive process. That competitive process can, but is not required to, include a competitive price bid where in addition to responding to questions regarding technical proficiency, quality, innovation, and network
In order to curb steadily increasing capitation rates, Minnesota incorporated price bids in three previous procurements as part of the procurement process for the Families and Children contract. These procurements were for selected counties in 2012 and 2014 and as part of a statewide procurement required under law for 2016. In each case, these procurements generated savings to the state’s budget while maintaining access to services and quality care.

Concurrently, DHS has made great strides in the annual MCO rate setting process which has contributed to reducing the annual cost trend associated with the managed care contracts, particularly the Families and Children contract. Current rates remain relatively low and closer to the lower boundary of actuarial soundness. Actuarial soundness means a health plan could reasonably be expected to be able to provide services to enrollees at that rate. An actuary must certify, subject to CMS actuarial review and approval, that the state’s rates paid to MCOs are actuarially sound.

There still remains concern that year over year cost increases are still too high to sustain the program over time, and that there still may be additional administrative and cost efficiencies as well as strategies around care management, improving quality of care, and reduction of waste MCOs could employ that may lead to lower cost.

b) What is the secondary problem(s) the strategy is expected to mitigate or resolve relative to the focus area and/or other focus areas?

Continuing to review the balance of quality/access and cost within the process the state uses to determine which MCOs will receive contracts.

Aligning the aspects of procurement and contracting to overall goals around quality, access, enrollee options, and financial sustainability of the programs.

Increasing transparency into MCO costs for administration and services.

4) Priority Strategy description

a) What is the strategy?

This strategy requires the state to incorporate a limit on the base rates that will be paid to MCOs selected to contract with the state to serve the Families and Children populations. The base rate limit would reflect a projected decrease in the base rates from the previous year. The procurements for the Families and Children contract are for contract year 2022 in greater Minnesota and 2023 for the 7 county metro.

b) What steps are required to implement the strategy?

DHS would need to incorporate the price bid into the upcoming procurements, which requires more data to be supplied to the responders.

MCOs will have to assess whether/how they will provide contracted services and at what cost.

i. Who will need to take them?

DHS staff, DHS’ contracted actuary, and MCOs

ii. When will they need to be taken?

The development of the RFP for greater Minnesota for the 2022 contract year will begin at the end of 2020. The price bid component is developed further along in that development process, but would likely need to be completed by the end of 2020 or early 2021. The RFP for the 7 county metro area for the 2023 contract year will undergo the
same process, but the dates associated with that development would be one year later than greater Minnesota.

iii. How long will implementation take?
Development of a price bid component to a RFP takes about 4 months.

iv. What will be the associated resource requirements?
DHS staff time, additional contracted actuarial resources.

v. What will be the implementation challenges? Does the strategy create an administrative burden or additional costs for the State or for any external stakeholder(s)?
A relatively small increase in actuarial costs, state staff time, time and resources for MCOs to respond.

c) How will the strategy mitigate or resolve the primary problem it is addressing?
The strategy would cause a reduction to the managed care base rates.

d) What are possible unintended consequences this strategy could have?
MCOs may not be able to fully achieve their proposed efficiencies and improvements, which could impact MCO revenue, provider payments, or enrollee access.

Some past practices and policies create potential conflicts with this strategy and would likely limit its impact. Matters such as exempting some MCOs from price bids, paying higher rates to certain MCOs, excluding plans from contracting for certain counties would need to be considered in conjunction with this strategy.

5) Expected results and supporting evidence

a) What are the expected results, and when will their impact be experienced?
The lower rates would be paid starting in January 2022 in greater Minnesota and in 2023 in the 7 county metro.

i. What is the anticipated fiscal impact to the State in the next biennium? (select one)
   □ New costs
   □ Budget neutral
   ☒ Cost savings

ii. If new costs are anticipated, what is the scope of the new costs? (select one)
   □ Small: $1 to $999,999
   ☒ Medium: $1 million to $9,999,999
   □ Large: Greater than $10 million

iii. Will any state investment be required?
   A small increase in actuarial costs would be necessary.

iv. What will be the programmatic and population impacts?
   Nothing changes with respect to what is covered, so enrollees would still have access to the same services. However, some enrollees may have to transition their care if they have to change health plans or choose to change health plans.
In any competitive process, some MCOs receive contracts and others may not, so new or greater relationships may need to be established and fostered between local providers, counties, and advocacy organizations.

v. What are the key results of the equity review?

Establish equitable contractual mechanisms that concentrate on social determinants as a risk factor to coverage

Implement a framework of equitable metrics that address concerns of those who disproportionately rely on managed care for their coverage

Further equity considerations:

How will this strategy advance equitable health outcomes related to care management and quality of care?

Does the strategy make provisions for accountability?

How will the strategy assess community and stakeholder impact?

Embed equitable standards in the contract design, RFP, and selection process

Evaluate best practices across health plans considering access across geographic locations.

Establish a transparent and accountable process.

Establish requirements for procurement with training focused on unconscious bias and cultural sensitivity.

Create an equitable evaluation over time and implement recommendations

b) What evidence supports the strategy’s effectiveness, if any?

The state has successfully utilized price bids on 3 previous occasions, each time helping to reduce the overall costs.