

# Commonwealth Coordinated Care CY 2015 Rate Report February 13, 2015

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The Commonwealth of Virginia, in conjunction with the Centers for Medicare and Medicaid Services (CMS), is releasing the Medicare and Medicaid components of the CY 2015 rates for the Commonwealth Coordinated Care program.

The general principles of the rate development process for the Demonstration have been outlined in the Memorandum of Understanding (MOU) between CMS and Virginia, and in the three-way contract between CMS, the Commonwealth of Virginia and the Participating Plans (Medicare-Medicaid Plans). The components of the capitation rates are based on estimates of what Medicare and Medicaid would have spent on behalf of the enrollees absent the Demonstration, with the agreed upon savings percentage subsequently applied.

Included in this report are final Medicaid rates and Medicare county base rates for calendar year 2015.

## I. Components of the Capitation Rate

The Demonstration began on January 1, 2014. The first voluntary enrollment was effective March 1, 2014, and the Demonstration will continue through December 31, 2017. The Demonstration operates in five regions within the state and CY 2014 enrollment occurred in two phases. Phase I included the Central Virginia and Tidewater regions. Phase II was the Northern Virginia, Southwest/Roanoke, and Western/Charlottesville regions. Both phases began with opt-in enrollment for three months followed by passive enrollment. The last region to phase-in, Northern Virginia, had a passive enrollment date of November 1, 2014. Members who are passively enrolled have the option to disenroll at any time and return to the regular Medicare and Medicaid programs. In these regions, the Demonstration is available to individuals who meet the following criteria, subject to exclusions:

- Age 21 and over;
- Full benefit dual eligibles who are entitled to benefits under Medicare Part A and enrolled under Medicare Parts B and D who receive full Medicaid benefits; and
- Full benefit dual eligibles enrolled in the Elderly or Disabled with Consumer Direction (EDCD) Waiver and those residing in nursing facilities (NF) and those residing in the community and not participating in other home and community-based waiver.

CMS and Virginia will each contribute to the global capitation payment. CMS and Virginia will each make monthly payments to Participating Plans for their components of the capitated rate. Participating Plans will receive three monthly payments for each enrollee: one amount from CMS reflecting coverage of Medicare Parts A/B services, one amount from CMS reflecting coverage of Medicare Part D services and a third amount from Virginia reflecting coverage of Medicaid services.

The Medicare Parts A/B rate component will be risk adjusted using the Medicare Advantage CMS-HCC and CMS HCC-ESRD models. The Medicare Part D payment will be risk adjusted using the Part D RxHCC Model. To adjust the Medicaid component, Virginia's methodology assigns each enrollee to a

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rating category (RC) according to the individual enrollee's nursing facility level of care status, age, and region.

Section II of this document includes information on the Medicaid component of the rate. Section III includes information on the Medicare Parts A/B and Medicare Part D components of the rate. Section IV includes information on the savings percentages and quality withholds.

## II. Virginia Medicaid Component of the Rate – CY 2015

This section presents the development of the capitation rates for the Medicaid portion of the Virginia Medicare-Medicaid Financial Alignment Demonstration (Dual Demonstration) for Calendar Year 2015 effective January 1, 2015 prepared by the Virginia Department of Medical Assistance Services (DMAS). This content includes description of historical base data production details, adjustments applied to the historical base data, and trend factors used to project historical base data forward to the contract period.

The full report titled "Commonwealth of Virginia Department of Medical Assistance Services Dual Demonstration Data Book and Capitation Rates: Medicaid Component Calendar Year 2015 is available for download on the DMAS website for Integrated Care for Medicare-Medicaid Enrollees at [http://www.dmas.virginia.gov/Content\\_pgs/altc-enrl.aspx](http://www.dmas.virginia.gov/Content_pgs/altc-enrl.aspx).

Medicaid capitation rate cells for the Dual Demonstration are as follows:

- Nursing Home Eligible (NHE) Age 21-64. Single rate cell for all enrollees age 21-64 meeting Nursing Facility Level of Care criteria and enrolled in the EDCD waiver or residing in a nursing facility for 20 or more consecutive days; rates will vary for the five Demonstration regions.
- Nursing Home Eligible (NHE) Age 65 and over. Single rate cell for all enrollees age 65 and over meeting Nursing Facility Level of Care criteria and enrolled in the EDCD waiver or residing in a nursing facility for 20 or more consecutive days; rates will vary for the five Demonstration regions.
- Community Well (CW) Age 21-64. Enrollees age 21-64 who do not meet Nursing Facility Level of Care criteria; rates will vary for the five Demonstration regions.
- Community Well (CW) Age 65 and over. Enrollees age 65 and over that do not meet Nursing Facility Level of Care criteria; rates will vary for the five Demonstration regions.

### *Data Sources*

Detailed Medicaid historical fee-for-service claims and eligibility data from the DMAS Medicaid Management Information System (MMIS) for services incurred and months of enrollment during calendar years 2012 and 2013 with claims paid through June 2014 are used. The claims in the historical database include Medicaid paid amounts net of any third party insurance payments, which are primarily Medicare payments, and the amounts for which patients are personally responsible for nursing facility and home and community based services, termed the *patient pay amount*.

Individuals in the base data identified to be eligible for the Demonstration were matched to three other data sources, including: 1) claims associated with consumer-directed personal care services received under the EDCD waiver that are paid through a separate vendor, 2) CMS Infocrossing files

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used to identify and exclude ESRD and Independence at Home beneficiaries, and 3) supplemental non-MMIS claims payments for nursing home cost settlements and pharmacy rebates captured in Virginia's accounting system. Non-MMIS claims payments are not matched to individual eligible members. These costs are allocated to the nursing facility and pharmacy service categories.

All claims, non-claims payment data, and eligibility data for members who are not eligible for the Demonstration were excluded from the historical data used in these calculations. Individuals who meet at least one of the criteria listed below are excluded from the Demonstration:

- Required to "spend down" in order to meet Medicaid eligibility requirements;
- In aid categories which Virginia only pays a limited amount each month toward their cost of care, including non-full benefit Medicaid beneficiaries such as Qualified Medicare Beneficiaries (QMBs), Special Low Income Medicare Beneficiaries (SLMBs), Qualified Disabled Working Individuals (QDWIs) or Qualifying Individuals (QIs);
- Inpatients in state mental hospitals;
- Residents of State Hospitals, ICF/MR facilities, Residential Treatment Facilities, or long stay hospitals;
- Participate in federal Home and Community Based Services waivers other than the EDCD Waiver, such as Individual and Family Developmental Disability Support, Intellectual Disabilities, Day Support, Technology Assisted Waiver, and Alzheimer's Assisted Living waivers;
- Enrolled in a hospice program;
- Receive the end stage renal disease (ESRD) Medicare benefit prior to enrollment into the Demonstration;
- Have other comprehensive group or individual health insurance coverage, other than full benefit Medicare; insurance provided to military dependents; and any other insurance purchased through the Health Insurance Premium Payment Program (HIPPP);
- Have a Medicaid eligibility period that is only retroactive;
- Enrolled in the Virginia Birth-Related Neurological Injury Compensation Program;
- Enrolled in the Money Follows the Person (MFP) Program;
- Reside outside of the Demonstration areas;
- Enrolled in a Program of All-Inclusive Care for the Elderly (PACE)<sup>1</sup>;
- Participate in the CMS Independence at Home (IAH) demonstration identified in the CMS/Infocrossing files.

Claims are limited to those services covered in the approved State Plan and EDCD waiver services. The following is the list of services not covered in the State Plan or EDCD waiver:

- Abortions, induced
- Case management services for participants of Auxiliary Grants
- Case management services for the elderly
- Chiropractic services
- Christian Science nurses and Christian Science Sanatoria
- Dental

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<sup>1</sup> Individuals enrolled in a PACE program may voluntarily elect to disenroll from PACE and enroll in the Demonstration, but they will not be passively enrolled.

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- Experimental and investigational procedures
- Regular assisted living services provided to residents of assisted living families

The following services are in the State Plan but carved out of the Demonstration or are covered in waivers that are not part of the Demonstration:

- Community Mental Retardation Services
- Hospice Care
- Inpatient mental health services rendered in a state psychiatric hospital
- Private duty nursing
- Targeted case management

### *Programmatic and Legislative Adjustments*

As outlined in the Memorandum of Understanding (MOU), rates have been developed based on expected costs for the eligible population had the Demonstration not existed. A number of changes in covered services and payment levels have been mandated by the Virginia Legislature or by changes to the Medicaid State Plan or waivers. The adjustments included below have been made to the historical base data to reflect the benefits and costs that will apply in CY 2015 to fee-for-service dual eligible individuals.

The following table summarizes the adjustment percentages applied to the base data by major service category for each sub-population, with the exception of the administrative adjustment. A more detailed description of each adjustment and the accompanying adjustment value are provided below. As noted below, any adjustments related to changes in SFY 2016 may cause these rates to be revised and additional adjustments for SFY 2016 may also be included based on actions by the General Assembly in the upcoming 2015 session.

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Table 1. Summary of Programmatic and Legislative Adjustments to Medicaid Base Year Expenditures			
Category of Service	NHE - Institutional	NHE - Waiver	Community Well
Inpatient	4.8%	4.8%	4.7%
Outpatient/ER	0.0%	0.0%	0.0%
Physician/Professional	0.0%	0.0%	0.0%
Pharmacy	-3.7%	-3.7%	-4.0%
Nursing Facility	4.3%	4.3%	4.3%
HCBS/Home Health Care	0.3%	--	0.4%
HCBS/Home Health Care – CD Only	--	0.2%	--
HCBS/Home Health Care – without CD	--	0.7%	--
Mental Health/ Substance Abuse	-13.8%	-0.6%	0.0%
Ancillary/Other	-10.5%	-24.8%	-20.9%
Medicare Crossover	0.0%	0.0%	0.0%
Weighted Average	4.2%	-0.1%	0.4%

*Prescription drug co-pay adjustment*

This adjustment is developed to take into consideration differences in pharmacy payment policy for FFS Medicaid and the dual eligible population. Effective January 1, 2013, Medicare Part D began to cover benzodiazepines with no restrictions and barbiturates when used in the treatment of epilepsy, cancer or chronic mental disorders and therefore they are no longer paid by Virginia Medicaid. No adjustment is made for the change in drug coverage because historically the costs are very low for the mostly low cost generic drugs. A 4% rebate that reflects the high proportion of generic and over the counter medicines that are paid by DMAS was applied. As mandated by Federal law, co-payments are not imposed on recipients in nursing homes or in community-based waivers, although a small amount of co-payment was reported in the FFS data and is included in the adjustment for the NHE population. The Demonstration imposes limited cost-sharing for pharmacy services on the CW population. These copayments are excluded from the CW pharmacy base data and there is not any further co-payment adjustment.

This produces an adjustment of -3.7% for the NHE population and -4.0% for the CW population and is applied to the pharmacy claims.

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## Non-emergency transportation adjustment

Non-emergency transportation (NET) services were contracted to a broker during the historical data period under a capitated payment methodology, and utilization is not captured in the DMAS FFS claims. The non-emergency transportation adjustment is based on the full cost, including both the service and administrative costs, of the accepted transportation vendor bid for CY 2015 that are effective October 1, 2014.

The ABAD nursing home population statewide non-emergency transportation rate of \$47.22 PMPM is used for the NHE value and the Other ABAD Age 21 and over rate of \$31.50 PMPM is used for the Community Well value. These rates are added to the overall cost for each sub-population.

## Emergency transportation adjustment

The Virginia General Assembly increased Medicaid emergency transportation rates in FY 2013 to 40% of the applicable Virginia Medicare Ambulance Fee Schedule. Using payments reported for FY 2011, DMAS estimated the current Virginia Medicaid emergency transportation fee schedule at approximately 29% of the Medicare rates. Based on a comparison of historical payments and the estimated dollars required to increase the Medicaid rate to 40% of the CY 2012 Medicare ambulance fee schedule, DMAS calculated a 38.4% increase over current DMAS rates. This increase is included in the base dollar amounts starting July 2012. The proportion value is applied to the first six months of CY 2012 costs for the Dual Demonstration

The adjustment of 9.6% is applied to emergency transportation claims.

## Home and community-based services fee adjustment

The Virginia General Assembly reduced the home and community-based services waiver services fees by 1% effective FY 2012. This reduction applied to personal care services provided both by agencies and under consumer direction, as well as to adult day health care services. Effective FY 2013, fees for personal care services were increased by 1%.

The calculation results in a 0.0% adjustment applied to adult day care claims and a 0.2% adjustment applied to consumer directed and agency personal care services claims.

## Adult day care fee adjustment

This adjustment incorporates a fee increase of \$10 per day effective July 1, 2013. Northern Virginia rates are higher than the rest of the state, therefore the value of the increase is calculated separately for that region.

The calculation results in a 12.3% adjustment for Northern Virginia and a 16.1% adjustment for the other regions and is applied to adult day care claims.

## Hospital inpatient adjustment

Effective FY 2013, the hospital inpatient adjustment includes a 2.6% allowance for a cost per unit increase authorized by the Virginia General Assembly. This increase is applied to the January 2012 to June 2012 portion of the base data.

Effective FY 2014, there was no explicit unit cost increase, but hospital reimbursement rates were rebased resulting in a weighted average cost per unit change of 4.7% for inpatient medical/surgical and -7.4% for inpatient psychiatric. Both years of unit cost changes are applied to the operating cost component. There is no adjustment for FY 2015. The proposed FY 2015 cost per unit increase was

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eliminated in the final budget. For inpatient medical/surgical, the positive adjustment is 4.8%. For inpatient psychiatric in acute care hospitals, the negative adjustment is 4.2%. The inpatient psychiatric factor is applied to Inpatient-Psych service line.

### *Nursing facility adjustment*

Nursing facility payment can include adjustments to the operating and/or the capital component of the rate. The operating component includes two sub-components: the direct operating rate and the indirect operating rate. The base for the calculation uses historical Medicaid and patient payments.

DMAS estimates that 9.7% of the total nursing facility payment is for the capital rent. The Virginia General Assembly reduced the nursing facility capital rental rate to 8.0% for FY 2012 and increased it to 8.5% for FY 2013 and FY 2014. The 8.5% rental rate will decrease 3.2% effective FY 2015.

The Virginia General Assembly authorized a 2.2% inflation increase for the operating component of the rates in FY 2013 and FY 2014 and an additional 1% increase in FY 2013, for a net increase of 2.8% in FY 2013 and 1.1% in FY 2014. There is a 3.2% rebasing adjustment for FY 2015 that increases the operating component that is applied to the full historical base.

There is an additional change to the minimum occupancy requirements from 90% to 88% that affects the indirect operating rate and the capital rate components of nursing facility reimbursement. DMAS estimated an increase in reimbursement of \$1.8 million in FY 2014 that will add 0.17% to total expected payments to nursing homes. Although this was in effect for the last six months of the base period, nursing facility rates were not adjusted and DMAS will recognize the adjustment in the settlements. The full 0.17% value is applied to the base data. The calculation results in a positive 4.3% adjustment and is applied to nursing facility claims.

### *Mental Health Support Services adjustment*

DMAS is implementing a new policy for Mental Health Support Services (MHSS) effective December 1, 2013. This is described in the October 31, 2013 Medicaid Memo to Providers. As a result of this policy change, DMAS expects a 20% reduction in utilization for this service for NHE-I members, a 5% reduction for NHE-W and a 0% reduction for Community Well members. Members enrolled in the Duals Demo will receive MH services through the MMPs and the MMPs are expected to achieve the targeted reduction in utilization.

These reductions are applied to service code H0046 (Mental Health Services, not otherwise specified). The H0046 code was 68.9% of the NHE I OP Mental Health base dollars, 12.0% of the NHE-W OP Mental Health and 72.0% of the CW OP Mental Health base dollars.

The MHSS adjustment is -13.8% on NHE-I, -0.6% on NHE-W and 0.0% on the CW and is applied to the Physician – OP Mental Health service line.

### *Ancillary Other Services Adjustment*

The ancillary and other services adjustment includes adjustments for durable medical equipment, incontinence supplies and laboratory fees.

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### Durable Medical Equipment fee adjustment

The 2014 General Assembly session approved the Governor's Introduced Budget proposal to reduce Medicaid fees for the DME products covered under the Medicare competitive bid program to a level based on the average of the competitive bid prices in the three areas of the state in the Medicare competitive bid program. This was estimated to result in \$4.9 million in total savings. DMAS estimated that the Medicare competitive bid rates for these services are 33% lower than the current FFS Medicaid rates for these services. DMAS provided a list of DME HCPCS codes subject to the Medicare competitive bid program and the average Medicare bid payment rate for three areas in Virginia that participate in the program. These were used to calculate the dollar cost savings per unit and a savings percentage per affected DME code. This information was applied to the historical claims to determine the proportion of DME claims subject to the fee reduction and the average savings percentage based on the mix of DME codes subject to the savings. Overall, 8.0% of NHE-W and 5.8% of CW DME claims dollars were for codes subject to the reduction. Savings on this subset are 33.5% and 31.4% respectively.

This results in adjustment factor reduction of 2.7% for NHE and 1.8% for CW.

### Incontinence supplies fee adjustment

DMAS solicited bids for the cost of high volume incontinence supplies, primarily adult diapers and protection pads. When compared to current DMAS payment rates, the bid prices were estimated to produce nearly \$2.7 million in savings, or 33% of the cost of the mix of those supplies. DMAS provided a list of DME incontinence supplies HCPCS codes subject to the bid program and the bid rate for the items. These were used to calculate the dollar cost savings per unit and a savings percentage per affected DME code. This information was applied to the historical claims to determine the proportion of DME claims subject to the incontinence supplies fee reduction and the average savings percentage based on the mix of DME codes subject to the savings. Overall, 27.2% of NHE-I while about two thirds of the NHE-W and CW DME claims dollars were for incontinence supply codes subject to the reduction. Savings on this subset are 30.8% to 33.8%%

This results in adjustment factor reduction that ranges from 8.4% to 22.2%.

### Lab fee adjustment:

The Virginia General Assembly approved budget includes a 12% reduction to lab fees (\$2.1 million in FFS savings). The 12% reduction was chosen to match the payment rates already in place for the Medallion 3.0 plans. Therefore, this adjustment is applied to any rates based on FFS claims data, including the CCC dual population.

The cumulative effect of these adjustments is a reduction of 10.5% for NHE-I, 24.8% for NHE-W and 20.9% for CW.

### DMAS FFS administrative adjustment

The 0.49% administrative factor is the estimated cost of DMAS staff and monitoring activities for the existing FFS programs that will be transferred to the participating health plans. The percentage is based on the estimated percentage cost of Medicare claims processing included in the Medicare standardized FFS county rates as a proxy for DMAS claims processing costs and the DMAS estimate of Medicaid administrative cost for prior authorizations attributed to the dual eligibles who will

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participate in the Demonstration. Because Demonstration requirements mandate that only current Medicaid expenditures related to the eligible population may be included in the capitation payments, there is no adjustment for costs related to administrative functions that the health plans will perform but are not currently performed by DMAS.

### *Trend Adjustments*

The data used for the incurred but not reported (IBNR) and trend calculations reflect experience for the period CY 2011 through CY 2013. Data for CY 2012 and CY 2013 are used to evaluate the base period trend and an additional year of data, CY 2011 through CY 2013, are used to develop contract period projected trend.

For services with fee increases reflected in the adjustments described in the previous section, the contract period trend is in addition to the planned cost per unit increase. The trend rates used reflect utilization and rate increases when additional legislative cost increases or decreases have been applied and represent PMPM increases otherwise. Specifically, the trend models are adjusted for the fee increases or decreases that occurred during the historical base period. Adjustments to the historical data before the analysis of trend were applied to both the Nursing Home Eligible and the Community Well trends and are presented in the following table.

Table 2. Summary of Adjustments to Trend		
Category of Service	Time Period	Adjustment
Outpatient Hospital	Jan 2011 – Jul 2011	0.950
Nursing Facility	Jan 2011 – Jun 2011	0.990
	Jul 2011 – Jun 2012	1.000
	Jul 2012- Jun 2013	0.969
	Jul 2013 – Jun 2014	0.960
HCBS/Home Health Care	Jul 2011 – Jun 2012	1.010
Mental Health / Substance Abuse	Jan 2011- Nov 2013	0.862 NHE –I 0.994 NHE – W 1.000 CW
Ancillary/Other	Jan 2011 – Jun 2012	1.001

Annual trend rates must be applied to move the historical data from the midpoint of the data period (1/1/2013) to the midpoint of the contract period (7/1/2015). All CCC demonstration regions passed the three-month voluntary enrollment period and the auto-enrollment effective date by November 1, 2014. Therefore, the program is fully implemented for CY 2015. Although there may continue to be changes in enrollment as people continue to be auto-assigned across all regions or may voluntarily opt-out, the midpoint is set to July 1, 2015, for a total trend of 30 months.

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The following tables show the IBNR and trend factors that have been applied to the adjusted historical base data for the two phases and separately for each sub-population. Calculation of applied trend incorporates patient payments for nursing facility and HCBS services. The cost and utilization of drugs that are now covered under Medicare Part D were removed from the pharmacy contract period trend development. Review of the residual Medicaid only Inpatient, Outpatient/ER, Physician/Professional, and Ancillary/Other data showed substantial fluctuation on a small utilization base for all the sub-populations. These Medicaid only data and contract period trends have been set to equal the trends developed for the ABAD population in the Medallion 3.0 program.

Table 3. Summary of IBNR Adjustments			
Category of Service	NHE - Institutional	NHE - Waiver	Community Well
Inpatient	0.4%	1.6%	1.5%
Outpatient/ER	0.2%	1.4%	3.2%
Physician/Professional	0.9%	0.4%	0.6%
Pharmacy	0.0%	0.0%	0.0%
Nursing Facility	0.0%	0.0%	0.4%
HCBS/Home Health Care	0.0%	n/a	0.0%
HCBS/Home Health Care – CD Only	n/a	0.0%	n/a
HCBS/Home Health Care - without CD	n/a	0.0%	n/a
Mental Health/ Substance Abuse	0.0%	0.1%	0.2%
Ancillary/Other	0.2%	0.3%	0.2%
Medicare Crossover	0.4%	0.4%	0.5%
Weighted Average	0.0%	0.1%	0.4%

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Table 4. Summary of Trend Adjustments			
Category of Service	NHE - Institutional	NHE - Waiver	Community Well
	Total Trend Factor	Total Trend Factor	Total Trend Factor
Inpatient	1.0740	1.0740	1.0740
Outpatient/ER	1.0537	1.0537	1.0537
Physician/ Professional	1.2373	1.2373	1.2373
Pharmacy	0.9440	0.9760	0.8620
Nursing Facility	1.0344	1.0344	0.9620
HCBS/ Home Health Care	1.0196	n/a	1.0871
HCBS/Home Health Care – CD only	n/a	1.2850	n/a
HCBS/Home Health Care - without CD	n/a	0.9597	n/a
Mental Health/ Substance Abuse	0.8480	0.9940	1.3703
Ancillary/Other	1.1620	1.1620	1.1620
Medicare Crossover	1.1477	1.0340	1.1091
Weighted Average	1.0359	1.0519	1.2234

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### *Blended Nursing Home Eligible Medicaid Capitation Rates and the Member Enrollment Mix Adjustment*

The NHE population is a combination of the NHE-Institutional and the NHE-Waiver populations. The adjusted and trended rates for these two populations are blended using the eligible member month distribution for July 2014 of 45.9% NHE-I and 54.1% NHE-W. Table 5 presents the NHE blended rates. The blended NHE rates will be revised over the period of the Demonstration to pay health plan specific rates within each region that reflect the actual proportion of NHE-I and NHE-W members enrolled in each plan. This Member Enrollment Mix Adjustment (MEMA) adjustment is intended to minimize the risk due to actual plan enrollment that diverges from the Demonstration population average mix for any one plan and to adjust to the changes in enrollment mix over the course of the Demonstration. DMAS has adopted the MEMA policy recommendations described in a memo dated September 30, 2013. It is available on the DMAS website at [http://www.dmas.virginia.gov/Content\\_atchs/altc/cntct-mmfa\\_cr3.pdf](http://www.dmas.virginia.gov/Content_atchs/altc/cntct-mmfa_cr3.pdf)

Table 5. CY 2015 Blended Nursing Home Eligible-Institutional and Nursing Home Eligible-Waiver							
Sub-Population	Age Group						CY 2015 Average
		Central Virginia	Northern Virginia	Southwest /Roanoke	Tidewater	Western/ Charlottesville	
Nursing Home Eligible-Institutional	Age 21-64	\$4,882.87	\$6,6076.99	\$4,963.36	\$4,916.08	\$4,453.62	\$5,047.02
	Age 65+	\$4,922.31	\$5,947.56	\$4,771.20	\$4,750.58	\$4,824.87	\$4,974.42
Nursing Home Eligible-Waiver	Age 21-64	\$2,423.69	\$3,089.76	\$2,240.67	\$2,428.99	\$2,350.46	\$2,453.79
	Age 65+	\$2,299.28	\$3,158.32	\$2,070.82	\$2,261.18	\$2,018.68	\$2,448.15
Nursing Home Eligible	Age 21-64	\$3,124.49	\$4,202.01	\$3,072.77	\$3,114.10	\$2,939.96	\$3,222.19
	Age 65+	\$3,629.94	\$4,147.33	\$3,812.64	\$3,484.75	\$3,630.43	\$3,724.31
	Average	\$3,516.33	\$4,155.79	\$3,632.43	\$3,390.99	\$3,474.18	\$3,612.35

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### *Base Medicaid Capitation Rates*

The CY15 base capitation rates for the blended NHE and CW prior to the MOU savings are presented in Table 6.

Table 6. CY 2015 Dual Demonstration Base Capitation Rates Prior to 1% MOU Savings							
Sub-Population	Age Group						CY 2015 Average
		Central Virginia	Northern Virginia	Southwest /Roanoke	Tidewater	Western/ Charlottesville	
Nursing Home Eligible*	Age 21-64	\$3,124.49	\$4,202.01	\$3,072.77	\$3,114.10	\$2,939.96	\$3,222.19
	Age 65+	\$3,629.94	\$4,147.33	\$3,812.64	\$3,484.75	\$3,630.43	\$3,724.31
	Average	\$3,516.33	\$4,155.79	\$3,632.43	\$3,390.99	\$3,474.18	\$3,612.35
Community Well	Age 21-64	\$437.34	\$373.85	\$476.50	\$361.56	\$292.99	\$403.82
	Age 65+	\$227.77	\$147.78	\$290.98	\$216.42	\$228.12	\$203.15
	Average	\$347.19	\$196.27	\$408.76	\$298.92	\$264.72	\$302.58
Weighted Average		<b>\$1,454.30</b>	<b>\$1,195.75</b>	<b>\$1,521.71</b>	<b>\$1,243.79</b>	<b>\$1,400.04</b>	<b>\$1,353.04</b>

Note: \*NHE rates will be adjusted by MEMA calculations over the time period of the Demonstration.

Final Medicaid rates include the MOU savings adjustment and the PCP supplemental payment.

### *MOU Savings Adjustment*

The MOU signed by the Commonwealth of Virginia and the Centers for Medicare and Medicaid Services establishes annual savings assumptions for the Virginia Medicare-Medicaid Financial Alignment Demonstration. First year savings, to cover the period CY 2014 and CY 2015, are 1%. CY 2016 savings are 2% and CY 2017 savings are 4%. The first year MOU savings of 1% is included in the Medicaid component of the capitation rates.

### *Summary Capitation Rates*

The resulting Medicaid capitation rates for CY 2015 are presented in Table 7. These incorporate the 1% MOU savings. All averages are weighted by the distribution of member months in June 2014.

The NHE Age 21-64 and Age 65 and Over regional blended rates presented in the table are based on the mix of CCC Duals eligibles as of July 2014 and will be revised to develop health plan specific NHE payment in each region. For Tidewater, Central Virginia, SW/Roanoke and W/Charlottesville, the CCC Duals rates paid in January will be based on each MMP Member Enrollment Mix Adjustment as of January 1, 2015. All CCC Duals regions except Northern Virginia will have been in operation at least three months on or before January 1, 2015. The January 2015 Northern Virginia rates will use the MEMA calculated as of November 2014. A three-month MEMA adjustment will be calculated for Northern Virginia for February. These rates will be in effect through June 30, 2015. A new MEMA will be done effective July 2015 for all regions and establish rates for the remainder of the calendar year.

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Table 7. CY 2015 Dual Demonstration Capitation Rates with 1% MOU Savings							
Sub-Population	Age Group						CY 2015 Average
		Central Virginia	Northern Virginia	Southwest /Roanoke	Tidewater	Western/ Charlottesville	
Nursing Home Eligible*	Age 21-64	\$3,093.25	\$4,159.99	\$3,042.04	\$3,082.96	\$2,910.56	\$3,189.97
	Age 65+	\$3,593.64	\$4,105.86	\$3,774.51	\$3,449.90	\$3,594.12	\$3,687.07
	Average	\$3,481.17	\$4,114.24	\$3,596.11	\$3,357.09	\$3,439.44	\$3,576.22
Community Well	Age 21-64	\$432.97	\$370.11	\$471.73	\$357.95	\$290.06	\$399.78
	Age 65+	\$225.49	\$146.30	\$288.07	\$214.26	\$225.84	\$201.12
	Average	\$343.72	\$194.30	\$404.67	\$295.93	\$262.07	\$299.56
Weighted Average		<b>\$1,439.76</b>	<b>\$1,183.79</b>	<b>\$1,506.49</b>	<b>\$1,231.36</b>	<b>\$1,386.04</b>	<b>\$1,339.51</b>

Note:

\*NHE rates will be adjusted by MEMA calculations over the time period of the Demonstration.

A list of the Demonstration counties by region follows in Table 8.

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Table 8. Dual Demonstration County Listing by Region				
Phase	Region	County		
Phase I	Central Virginia	Amelia County	Greensville County	Northumberland County
		Brunswick County	Hanover County	Nottoway County
		Caroline County	Henrico County	Petersburg City
		Charles City County	Hopewell City	Powhatan County Prince
		Chesterfield County	King George County	Edward County Prince
		Colonial Heights City	King William County	George County Richmond
		Cumberland County	King and Queen	City Richmond County
		Dinwiddie County	County	Southampton County
		Emporia City	Lancaster County	Spotsylvania County
		Essex County	Lunenburg County	Stafford County Surry
		Franklin City	Mecklenburg County	County Sussex County
		Fredericksburg City	Middlesex County	Westmoreland County
	Goochland County	New Kent County		
	Tidewater	Accomack County	Matthews County	Suffolk City
Chesapeake City		Newport News City	Virginia Beach City	
Gloucester County		Norfolk City	Williamsburg City	
Hampton City		Northampton County	York County	
Isle of Wight County		Poquoson City		
James City County		Portsmouth City		
Phase II	Northern Virginia	Alexandria City	Fairfax County	Manassas City
		Arlington County	Falls Church City	Manassas Park City
		Culpeper County	Fauquier County	Prince William County
		Fairfax City	Loudoun County	
	Southwest/ Roanoke	Alleghany County	Floyd County	Patrick County
		Bath County	Franklin County	Pulaski County
		Bedford City	Giles County	Radford City
		Bedford County	Henry County	Roanoke City
		Botetourt County	Highland County	Roanoke County
		Buena Vista City	Lexington City	Rockbridge County
		Covington City	Martinsville City	Salem City
		Craig County	Montgomery County	Wythe County
	Western/ Charlottesville	Albemarle County	Greene County	Orange County
		Augusta County	Harrisonburg City	Rockingham County
		Buckingham County	Louisa County	Staunton City
Charlottesville City		Madison County	Waynesboro City	
Fluvanna County		Nelson County		

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## III. Medicare Components of the Rate – CY 2015

### *Medicare A/B Services*

CMS has developed baseline spending (costs absent the Demonstration) for Medicare A and B services using estimates of what Medicare would have spent on behalf of the enrollees absent the Demonstration. With the exception of specific subsets of enrollees as noted below, the Medicare baseline for A/B services is a blend of the Medicare Fee-for-Service (FFS) Standardized County Rates and the Medicare Advantage projected payment rates for each year, weighted by the proportion of the target population that would otherwise be enrolled in each program in the absence of the Demonstration. The Medicare Advantage baseline spending includes costs that would have occurred absent the Demonstration, such as quality bonus payments for applicable Medicare Advantage plans.

Both baseline spending and payment rates under the Demonstration for Medicare A/B services are calculated as PMPM standardized amounts for each Demonstration county. Except as otherwise noted, the Medicare A/B portion of the baseline will be updated annually based on the annual FFS estimates and benchmarks released each year with the annual Medicare Advantage and Part D rate announcement, and Medicare Advantage bids for the applicable year for products in which potential Demonstration enrollees would be enrolled absent the Demonstration.

*Medicare A/B Baseline Incorporating Medicare A/B FFS Baseline and Medicare Advantage Component:* The rates represent the weighted average of the CY 2015 FFS Standardized County Rates, updated to incorporate the adjustments noted below, and the Medicare Advantage projected payment rates for CY 2015 based on the expected enrollment of beneficiaries from Medicare FFS and Medicare Advantage in CY 2015 at the county level. The rates weight the FFS and Medicare Advantage components at the same weighting as used to set 2014 rates. However, CMS has updated the Medicare Advantage component based on 2015 Medicare Advantage bids for products that serve (or would have served) potential Demonstration enrollees.

*Applying the Savings Percentage:* The savings percentage (1% in Demonstration Year One) described in Section IV is applied to the final Medicare A/B baseline (blending the final Medicare A/B FFS baseline and the Medicare Advantage rate components).

*Medicare A/B Component Payments:* CY 2015 Medicare A/B Baseline County rates are provided below.

The Medicare A/B component of the rate includes the following adjustment:

- The FFS component of the CY 2015 Medicare A/B baseline rate has been updated to reflect a 1.71% upward adjustment to account for the disproportionate share of bad debt attributable to Medicare-Medicaid enrollees in Medicare FFS (in the absence of the Demonstration). This 1.71% adjustment applies for CY 2015 and will be updated for subsequent years of the Demonstration.

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The FFS component of the CY 2015 Medicare A/B baseline rates has been updated to fully incorporate the most current hospital wage index and physician geographic practice cost index. In contrast to Demonstration rate-setting for 2014, when CMS made an adjustment specific to the Demonstration, these adjustments are fully included in the 2015 standardized FFS county rates. As such, no Demonstration-specific adjustment is necessary for 2015.

*Coding Intensity Adjustment:* CMS annually applies a coding intensity factor to Medicare Advantage risk scores to account for differences in diagnosis coding patterns between the Medicare Advantage and the Original Fee-for-Service Medicare programs. The adjustment for CY 2015 in Medicare Advantage is 5.16%. For CY 2014, based on the special enrollment processes for Commonwealth Coordinated Care, CMS established the FFS component of the Medicare A/B baseline in a manner that did not lead to lower amounts due to this coding intensity adjustment.

As described in the three-way contract, in CY 2015 CMS will apply a coding intensity adjustment based on the anticipated proportion of Demonstration enrollees in CY 2015 with prior Medicare Advantage experience and/or Demonstration experience based on the Demonstration's enrollment phase-in as of September 30, 2014. CMS' calculations take into account planned passive enrollment and rates of opt-out and engagement in the passive enrollment process. For Commonwealth Coordinated Care, the applicable 2015 coding intensity adjustment is 2.07%.

Operationally, due to systems limitations, CMS will still apply the full coding intensity adjustment factor to the risk scores but has increased the FFS component of the Medicare A/B baseline for non-ESRD beneficiaries and the Medicare A/B baseline for beneficiaries with an ESRD status of functioning graft to offset this (by increasing these amounts by a corresponding percentage). The coding intensity factor will not be applied to risk scores for enrollees with an ESRD status of dialysis or transplant during the Demonstration, consistent with Medicare Advantage policy.

After 2015, CMS plans to apply the full prevailing Medicare Advantage coding intensity adjustment.

*Impact of Sequestration:* Under sequestration, for services beginning April 1, 2013, Medicare payments to providers for individual services under Medicare Parts A and B, and non-exempt portions of capitated payments to Part C Medicare Advantage Plans and Part D Medicare Prescription Drug Plans are reduced by 2%. These reductions are also applied to the Medicare components of the integrated rate. Therefore, under this Demonstration CMS will reduce non-exempt portions of the Medicare components of the integrated rate by 2%, as noted in the sections below.

*Default Rate:* The default rate will be paid when a beneficiary's address on record is outside of the service area. The default rate is specific to each Participating Plan and is calculated using an enrollment-weighted average of the rates for each county in which the Demonstration Plan participates.

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
Accomack	\$713.30	\$725.50	\$748.63	\$748.56	\$741.08	\$726.26
Albemarle	641.54	652.51	673.32	674.16	667.42	654.07
Alexandria City	755.93	768.86	793.37	793.03	785.10	769.39
Alleghany	688.45	700.22	722.55	722.49	715.27	700.96
Amelia	725.44	737.85	761.37	762.13	754.51	739.42
Arlington	669.99	681.45	703.17	703.34	696.31	682.38
Augusta	617.22	627.77	647.79	653.36	646.83	633.89
Bath	874.37	889.32	917.68	909.56	900.46	882.45
Bedford City	581.55	591.49	610.35	613.47	607.33	595.19
Bedford	623.69	634.36	654.58	655.77	649.22	636.23
Botetourt	634.59	645.44	666.02	672.18	665.46	652.15
Brunswick	671.71	683.20	704.98	705.67	698.61	684.64
Buckingham	635.39	646.26	666.86	667.93	661.25	648.02
Buena Vista City	627.06	637.78	658.12	658.69	652.11	639.06
Caroline	748.92	761.73	786.01	742.28	734.86	720.16
Charles City	612.92	623.40	643.28	648.34	641.85	629.02

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
Charlottesville City	635.46	646.33	666.93	667.36	660.68	647.47
Chesapeake City	678.97	690.58	712.60	718.84	711.65	697.42
Chesterfield	700.92	712.91	735.64	738.07	730.69	716.07
Colonial Heights City	699.11	711.06	733.74	734.07	726.73	712.20
Covington City	614.38	624.89	644.81	644.81	638.36	625.60
Craig	633.52	644.35	664.90	620.68	614.47	602.18
Culpeper	697.95	709.88	732.52	711.69	704.57	690.48
Cumberland	672.65	684.15	705.97	710.90	703.79	689.71
Dinwiddie	697.00	708.92	731.52	732.48	725.15	710.65
Emporia City	614.90	625.41	645.36	650.73	644.22	631.34
Essex	671.16	682.64	704.40	704.93	697.88	683.92
Fairfax City	672.80	684.30	706.12	706.12	699.06	685.08
Fairfax	691.22	703.04	725.46	726.41	719.14	704.76
Falls Church City	804.02	817.77	843.84	841.95	833.53	816.86
Fauquier	702.26	714.27	737.04	715.09	707.94	693.78
Floyd	627.24	637.97	658.31	660.51	653.90	640.82
Fluvanna	642.69	653.68	674.52	674.89	668.14	654.78

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
Franklin City	651.84	662.99	684.13	686.07	679.21	665.62
Franklin	663.67	675.02	696.54	702.10	695.08	681.18
Fredericksburg City	851.87	866.44	894.06	881.82	873.00	855.54
Giles	612.68	623.16	643.03	623.80	617.57	605.21
Gloucester	612.89	623.37	643.25	649.60	643.10	630.24
Goochland	683.92	695.62	717.79	720.44	713.24	698.97
Greene	655.25	666.45	687.70	688.95	682.06	668.42
Greensville	644.17	655.19	676.08	689.27	682.38	668.73
Hampton City	674.95	686.49	708.38	714.45	707.31	693.16
Hanover	705.49	717.55	740.43	740.20	732.80	718.14
Harrisonburg City	567.46	577.16	595.57	597.30	591.32	579.50
Henrico	716.12	728.37	751.59	752.91	745.38	730.47
Henry	643.35	654.35	675.22	683.98	677.14	663.60
Highland	686.52	698.26	720.52	692.81	685.88	672.17
Hopewell City	732.25	744.77	768.52	767.18	759.51	744.32
Isle of Wight	658.62	669.88	691.24	701.34	694.33	680.44
James City	631.37	642.17	662.64	665.60	658.94	645.77

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
King and Queen	680.99	692.63	714.72	708.26	701.18	687.15
King George	787.22	800.68	826.21	817.65	809.47	793.28
King William	702.44	714.45	737.23	737.79	730.41	715.80
Lancaster	603.94	614.27	633.85	636.14	629.78	617.18
Lexington City	577.97	587.85	606.60	600.75	594.74	582.85
Loudoun	698.86	710.81	733.47	733.92	726.58	712.05
Louisa	662.89	674.23	695.72	699.15	692.16	678.32
Lunenburg	660.30	671.59	693.00	678.91	672.12	658.68
Madison	661.93	673.25	694.72	679.36	672.57	659.12
Martinsville City	613.91	624.41	644.32	654.09	647.55	634.59
Manassas City	657.47	668.71	690.03	690.03	683.13	669.47
Manassas Park City	695.70	707.60	730.16	730.16	722.86	708.40
Mathews	627.51	638.24	658.59	662.92	656.29	643.17
Mecklenburg	642.62	653.61	674.45	677.03	670.26	656.85
Middlesex	624.44	635.12	655.37	657.40	650.83	637.81
Montgomery	640.62	651.57	672.35	674.84	668.09	654.73
Nelson	675.55	687.10	709.01	708.41	701.32	687.30

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
New Kent	731.16	743.66	767.37	765.73	758.08	742.92
Newport News City	672.99	684.50	706.32	714.84	707.69	693.53
Norfolk City	659.23	670.50	691.88	698.95	691.96	678.12
Northampton	642.79	653.78	674.63	676.11	669.35	655.97
Northumberland	642.33	653.31	674.14	675.10	668.35	654.99
Nottoway	664.94	676.31	697.87	700.02	693.02	679.16
Orange	692.95	704.80	727.27	727.23	719.96	705.56
Patrick	684.87	696.58	718.79	719.36	712.17	697.93
Petersburg City	697.08	709.00	731.61	734.18	726.84	712.31
Portsmouth City	641.46	652.43	673.23	680.84	674.03	660.55
Poquoson City	651.23	662.37	683.49	684.58	677.73	664.18
Powhatan	708.67	720.79	743.77	744.13	736.69	721.96
Prince Edward	685.62	697.34	719.58	719.88	712.68	698.43
Prince George	728.95	741.42	765.06	742.90	735.47	720.76
Prince William	702.48	714.49	737.27	737.98	730.60	715.98
Pulaski	684.53	696.24	718.44	718.36	711.18	696.95
Radford City	623.04	633.69	653.90	655.22	648.67	635.70

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
Richmond	633.28	644.11	664.65	668.73	662.04	648.80
Richmond City	676.03	687.59	709.51	718.86	711.67	697.44
Roanoke	630.33	641.11	661.55	667.39	660.72	647.51
Roanoke City	636.19	647.07	667.70	674.36	667.61	654.26
Rockbridge	608.91	619.32	639.07	624.73	618.48	606.11
Rockingham	608.23	618.63	638.36	641.06	634.65	621.96
Salem City	611.90	622.36	642.21	646.28	639.81	627.02
Southampton	652.93	664.10	685.27	689.22	682.33	668.68
Spotsylvania	754.40	767.30	791.77	791.42	783.51	767.84
Stafford	761.90	774.93	799.64	799.19	791.20	775.37
Staunton City	616.00	626.53	646.51	649.34	642.84	629.99
Suffolk City	673.42	684.94	706.77	713.69	706.55	692.42
Surry	691.61	703.44	725.87	721.40	714.19	699.90
Sussex	682.18	693.85	715.97	684.90	678.05	664.49
Virginia Beach City	676.81	688.38	710.33	715.39	708.24	694.07
Waynesboro City	596.13	606.32	625.66	631.18	624.87	612.37
Westmoreland	721.89	734.23	757.65	752.58	745.06	730.15

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2015 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County <sup>1</sup>						
County	2015 Published FFS Standardized County Rate <sup>2</sup>	2015 Updated Medicare A/B FFS Baseline  (updated by CY 2015 bad debt adjustment)	2015 Medicare A/B Baseline Preliminary  (increased to offset application of modified coding intensity adjustment factor in 2015) <sup>3</sup>	2015 Updated Medicare A/B Baseline  (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	2015 Medicare A/B Baseline PMPM, Savings Percentage Applied  (after application of 1% savings percentage)	2015 Final Medicare A/B PMPM Payment  (2% sequestration reduction applied and prior to quality withhold)
Williamsburg City	659.24	670.51	691.89	691.89	684.97	671.27
Wythe	658.39	669.65	691.00	693.26	686.33	672.60
York	662.02	673.34	694.81	699.35	692.36	678.51

<sup>1</sup>Rates do not apply to beneficiaries with End-Stage Renal Disease (ESRD) or those electing the Medicare hospice benefit. See Section IV for information on savings percentages.

<sup>2</sup>This is fully "repriced," and therefore this rate report does not show the repricing adjustments shown in the CY 2014 rate report.

<sup>3</sup>For CY 2015 CMS has calculated and applied a coding intensity adjustment (the modified CY 2015 coding intensity adjustment factor) proportional to the anticipated proportion of Demonstration Enrollees in CY 2015 with prior Medicare Advantage experience and/or Demonstration experience based on the Demonstration's enrollment phase-in as of September 30, 2014. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but has increased the FFS component of the Medicare A/B baseline for non-ESRD beneficiaries to offset this. Specifically, CMS has increased the Medicare A/B baseline by a corresponding percentage; the CY 2015 Medicare FFS A/B Baseline is divided by [1-(the standard CY 2015 coding intensity adjustment factor of 5.16% minus the Virginia-specific modified CY 2015 coding intensity adjustment factor of 2.07%)] to determine the CY 2015 Final Medicare FFS A/B Baseline.

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The Medicare A/B PMPMs above will be risk adjusted at the beneficiary level using the existing CMS-HCC risk adjustment model. There is a downward movement in the CY 2015 FFS standardized county rates compared to the CY 2014 FFS standardized county rates. However, this downward movement is partly offset by methodological changes CMS made to calculate risk adjustment normalization factors. This update in the methodology has an effect of increasing the risk scores.

For more information on normalization factors, please refer to the Rate Announcement letter from April 07, 2014 located at: <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2015.pdf>

*Beneficiaries with End-Stage Renal Disease (ESRD):* Individuals receiving the end stage renal disease (ESRD) Medicare benefit at the time of enrollment are excluded from the Demonstration; however, an individual who develops ESRD while enrolled in the Demonstration will remain in the Demonstration, unless he/she opts out.

Separate Medicare A/B baselines and risk adjustment apply to enrollees with ESRD. The Medicare A/B baselines for beneficiaries with ESRD vary by the enrollee's ESRD status: dialysis, transplant, and functioning graft, as follows:

- **Dialysis:** For enrollees in the dialysis status phase, the Medicare A/B baseline is the CY 2015 Virginia ESRD dialysis state rate, updated to incorporate the impact of sequestration-related rate reductions. The CY 2015 ESRD dialysis state rate for Virginia is \$6,459.59 PMPM; the updated CY 2015 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,330.40 PMPM. This applies to applicable enrollees in all counties and will be risk adjusted using the existing HCC-ESRD risk adjustment model.
- **Transplant:** For enrollees in the transplant status phase (inclusive of the 3-months post-transplant), the Medicare A/B baseline is the CY 2015 Virginia ESRD dialysis state rate updated to incorporate the impact of sequestration-related rate reductions. The CY 2015 ESRD dialysis state rate for Virginia is \$6,459.59 PMPM; the updated CY 2015 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,330.40 PMPM. This applies to applicable enrollees in all counties and will be risk adjusted using the existing HCC-ESRD risk adjustment model.
- **Functioning Graft:** For enrollees in the functioning graft status phase (beginning at 4 months post-transplant) the Medicare A/B baseline is the Medicare Advantage 3.5-star county rate/benchmark (see table below). This Medicare A/B component will be risk adjusted using the existing HCC-ESRD risk adjustment model.

A savings percentage will not be applied to the Medicare A/B baseline for enrollees with ESRD (inclusive of those enrollees in the dialysis, transplant and functioning graft status phases).

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2015 Medicare A/B Baseline PMPM, Beneficiaries with ESRD Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	2015 3.5-Star County Rate (Benchmark)	2015 Final Medicare A/B PMPM Baseline  (increased to offset application of modified coding intensity adjustment factor in 2015)*	2015 Sequestration-Adjusted Medicare A/B Baseline  (after application of 2% Sequestration reduction)
Accomack	\$745.68	\$769.46	\$754.07
Albemarle	726.37	749.53	734.54
Alexandria City	782.39	807.33	791.18
Alleghany	738.36	761.90	746.66
Amelia	805.24	830.92	814.30
Arlington	743.69	767.40	752.05
Augusta	730.35	753.64	738.57
Bath	861.25	888.72	870.95
Bedford City	706.81	729.35	714.76
Bedford	739.05	762.61	747.36
Botetourt	773.82	798.49	782.52
Brunswick	734.39	757.80	742.64
Buckingham	726.60	749.77	734.77
Buena Vista City	735.31	758.75	743.58
Caroline	775.13	799.85	783.85
Charles City	756.72	780.85	765.23
Charlottesville City	726.60	749.77	734.77
Chesapeake City	804.58	830.23	813.63
Chesterfield	809.67	835.49	818.78
Colonial Heights City	776.01	800.75	784.74
Covington City	728.04	751.26	736.23
Craig	774.36	799.05	783.07
Culpeper	774.72	799.42	783.43
Cumberland	803.66	829.29	812.70
Dinwiddie	819.24	845.36	828.45
Emporia City	728.66	751.89	736.85
Essex	741.32	764.96	749.66
Fairfax City	787.40	812.51	796.26
Fairfax	784.39	809.40	793.21
Falls Church City	791.96	817.21	800.87
Fauquier	792.77	818.05	801.69
Floyd	741.22	764.85	749.55
Fluvanna	726.33	749.49	734.50
Franklin City	743.92	767.64	752.29

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2015 Medicare A/B Baseline PMPM, Beneficiaries with ESRD Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	2015 3.5-Star County Rate (Benchmark)	2015 Final Medicare A/B PMPM Baseline  (increased to offset application of modified coding intensity adjustment factor in 2015)*	2015 Sequestration-Adjusted Medicare A/B Baseline  (after application of 2% Sequestration reduction)
Franklin	797.13	822.54	806.09
Fredericksburg City	839.09	865.84	848.52
Giles	726.03	749.18	734.20
Gloucester	758.01	782.18	766.54
Goochland	814.17	840.13	823.33
Greene	725.86	749.00	734.02
Greensville	782.36	807.31	791.16
Hampton City	807.29	833.03	816.37
Hanover	783.09	808.06	791.90
Harrisonburg City	672.44	693.88	680.00
Henrico	803.87	829.50	812.91
Henry	739.53	763.11	747.85
Highland	731.52	754.84	739.74
Hopewell City	797.41	822.84	806.38
Isle of Wight	794.04	819.36	802.97
James City	772.55	797.18	781.24
King and Queen	806.97	832.70	816.05
King George	817.59	843.65	826.78
King William	806.05	831.75	815.12
Lancaster	715.67	738.49	723.72
Lexington City	684.89	706.73	692.60
Loudoun	775.73	800.47	784.46
Louisa	791.85	817.10	800.76
Lunenburg	736.38	759.86	744.66
Madison	725.61	748.74	733.77
Martinsville City	727.48	750.68	735.67
Manassas City	754.45	778.50	762.93
Manassas Park City	884.49	912.70	894.45
Mathews	769.16	793.68	777.81
Mecklenburg	735.92	759.39	744.20
Middlesex	739.96	763.55	748.28
Montgomery	736.67	760.16	744.96
Nelson	725.10	748.22	733.26
New Kent	814.28	840.24	823.44

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County	2015 3.5-Star County Rate (Benchmark)	2015 Final Medicare A/B PMPM Baseline  (increased to offset application of modified coding intensity adjustment factor in 2015)*	2015 Sequestration-Adjusted Medicare A/B Baseline  (after application of 2% Sequestration reduction)
Newport News City	804.51	830.17	813.57
Norfolk City	781.19	806.10	789.98
Northampton	744.07	767.80	752.44
Northumberland	742.01	765.67	750.36
Nottoway	741.34	764.98	749.68
Orange	724.45	747.55	732.60
Patrick	735.63	759.09	743.91
Petersburg City	789.05	814.21	797.93
Portsmouth City	760.13	784.37	768.68
Poquoson City	787.50	812.61	796.36
Powhatan	797.96	823.40	806.93
Prince Edward	738.03	761.57	746.34
Prince George	813.08	839.01	822.23
Prince William	779.75	804.61	788.52
Pulaski	742.13	765.79	750.47
Radford City	738.30	761.85	746.61
Richmond	744.51	768.25	752.89
Richmond City	805.96	831.66	815.03
Roanoke	770.88	795.46	779.55
Roanoke City	775.34	800.06	784.06
Rockbridge	721.56	744.57	729.68
Rockingham	720.75	743.73	728.86
Salem City	757.44	781.59	765.96
Southampton	742.61	766.29	750.96
Spotsylvania	794.93	820.27	803.86
Stafford	800.18	825.69	809.18
Staunton City	729.96	753.24	738.18
Suffolk City	798.00	823.44	806.97
Surry	767.69	792.17	776.33
Sussex	812.32	838.22	821.46
Virginia Beach City	802.02	827.59	811.04
Waynesboro City	706.41	728.94	714.36
Westmoreland	744.08	767.80	752.44
Williamsburg City	794.34	819.67	803.28

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County	2015 3.5-Star County Rate (Benchmark)	2015 Final Medicare A/B PMPM Baseline  (increased to offset application of modified coding intensity adjustment factor in 2015)*	2015 Sequestration-Adjusted Medicare A/B Baseline  (after application of 2% Sequestration reduction)
Wythe	741.19	764.82	749.52
York	796.66	822.06	805.62

\*For CY 2015 CMS has calculated and applied a coding intensity adjustment (the modified CY 2015 coding intensity adjustment factor) proportional to the anticipated proportion of Demonstration Enrollees in CY 2015 with prior Medicare Advantage experience and/or Demonstration experience based on the Demonstration's enrollment phase in as of September 30, 2014. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but has increased the Medicare A/B baseline for beneficiaries with an ESRD status of functioning graft to offset this. Specifically, CMS has increased the Medicare A/B baseline by a corresponding percentage; as above, the CY 2015 Updated Medicare A/B Baseline is divided by [1-(the standard CY 2015 coding intensity adjustment factor of 5.16% minus the Virginia-specific modified CY 2015 coding intensity adjustment factor of 2.07%)] to determine the CY 2015 Final Medicare A/B Baseline. For beneficiaries with an ESRD status of functioning graft status, the prospective payment will not include the adjustment to offset the application of coding intensity adjustment factor; this payment adjustment will be made on a retrospective basis.

*Beneficiaries Electing the Medicare Hospice Benefit:* If an enrollee elects to receive the Medicare hospice benefit, the enrollee will be disenrolled from the Demonstration.

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### *Medicare Part D Services*

The Part D plan payment is the risk adjusted Part D national average monthly bid amount (NAMBA) for the payment year, adjusted for payment reductions resulting from sequestration applied to the non-premium portion of the NAMBA. The non-premium portion is determined by subtracting the applicable regional Low-Income Premium Subsidy Amount from the risk adjusted NAMBA. To illustrate, the NAMBA for CY 2015 is \$70.18 and the CY 2015 Low-Income Premium Subsidy Amount for Virginia is \$29.47. Thus, the updated Virginia Part D monthly per member per month payment for a beneficiary with a 1.0 RxHCC risk score applicable for CY 2015 is \$69.37. This amount incorporates a 2% sequestration reduction to the non-premium portion of the NAMBA.

CMS will pay an average monthly prospective payment amount for the low income cost-sharing subsidy and Federal reinsurance amounts; these payments will be 100% cost reconciled after the payment year has ended. These prospective payments will be the same for all counties, and are shown below:

- Virginia low income cost sharing: \$169.44
- Virginia reinsurance: \$75.62

The low-income cost sharing and reinsurance subsidy amounts are exempt from mandatory payment reductions under sequestration.

A savings percentage will not be applied to the Part D component of the rate. Part D payments will not be subject to a quality withhold.

Additional Information: More information on the Medicare components of the rate under the Demonstration may be found online at: <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/JointRateSettingProcess.pdf>

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## IV. Savings Percentages and Quality Withholds

### *Savings Percentages*

One of the components of the capitated financial alignment model is the application of aggregate savings percentages to reflect savings achievable through the coordination of services across Medicare and Medicaid. This is reflected in the rates through the application of aggregate savings percentages to both the Medicaid and Medicare A/B components of the rates.

CMS and Virginia established composite savings percentages for each year of the Demonstration, as shown in the table below. The savings percentage will be applied to the Medicaid and Medicare A/B components of the rates, uniformly to all population groups, unless otherwise noted in this report. The savings percentage will not be applied to the Part D component of the joint rate.

Year	Calendar dates	Savings percentage
Demonstration Year 1	April 1, 2014 – December 31, 2015	1%
Demonstration Year 2	January 1 – December 31, 2016	2%
Demonstration Year 3	January 1 – December 31, 2017	4%

In the event that one-third of Participating Plans experience annual losses in Demonstration Year 1 exceeding 3% of revenue over all regions in which those plans participate, based on at least 20 months of data from Demonstration Year 1, the savings percentage for Demonstration Year 3 will be reduced to 3%.

### *Quality Withhold*

In Demonstration Year 1, a 1% quality withhold will be applied to the Medicaid and Medicare A/B components of the rate. The quality withhold will increase to 2% in Demonstration Year 2 and 3% in Demonstration Year 3. More information about the quality withhold methodology is available at: <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/FinancialAlignmentInitiative/Downloads/DY1QualityWithholdGuidance060614.pdf>