

Commonwealth Coordinated Care CY 2014 Rate Report November 25, 2013

The Commonwealth of Virginia, in conjunction with the Centers for Medicare and Medicaid Services (CMS), is releasing CY 2014 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. 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 final Medicare county base rates for calendar year 2014.

I. Components of the Capitation Rate

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

Section II 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.

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II. Medicaid Component of the Rate – CY 2014

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 2014 effective February 1, 2014 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, trend factors used to project historical base data forward to the contract period, and enhanced Medicare PCP supplemental payment calculation.

The full report titled “Commonwealth of Virginia Department of Medical Assistance Services Dual Demonstration Data Book and Capitation Rates: Medicaid Component Calendar Year 2014” 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.

Background

The Demonstration will begin on February 1, 2014. The first voluntary enrollment will be effective March 1, 2014 and the Demonstration will continue until December 31, 2017. The Demonstration will operate in five regions within the state and first year enrollment will occur in two phases. Phase I will include the Central Virginia and Tidewater regions. Phase II will include the Northern Virginia, Southwest/Roanoke, and Western/Charlottesville regions. Both phases will begin with voluntary enrollment followed by passive enrollment. 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 will be 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.

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 EDCCD 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 EDCCD 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.

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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 2011 and 2012 with claims paid through June 2013 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 base care services, termed the *patient pay amount*.

Individuals in the base data identified to be eligible for the Demonstration were matched to two 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, and 2) 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 individuals. 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 (HIPP);
- 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)¹;
- Participate in the CMS Independence at Home (IAH) demonstration identified in the CMS/Infocrossing files.

¹ 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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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
- 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 2014 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 FY15 may be revised and additional adjustments for FY15 may also be included based on actions by the General Assembly in the upcoming 2014 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	8.5%	8.4%	8.2%
Outpatient/ER	-1.2%	-1.2%	-1.2%
Physician/Professional	0.0%	0.0%	0.0%
Pharmacy	0.3%	0.3%	0.0%
Nursing Facility	6.8%	6.8%	6.8%
HCBS/Home Health Care	0.6%	0.9%	0.8%
Mental Health/ Substance Abuse	-2.1%	-2.1%	-13.9%
Ancillary/Other	1.3%	0.0%	0.5%
Medicare Crossover	0.0%	0.0%	0.0%
Weighted Average	6.7%	0.6%	-5.1%

Prescription drug co-pay adjustment

This adjustment is developed to take into consideration differences in pharmacy payment policy for FFS Medicaid and the Dual 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. Standard and supplemental rebates were applied to the base pharmacy data and there is no additional rebate adjustment. 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 will impose 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 a small adjustment of 0.3% for the NHE population and is applied to the pharmacy claims.

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 2014.

The rate for NHE is \$33.37 PMPM and the rate for CW is \$35.67. These rates are added to the overall cost for each sub-population.

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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.

The adjustment of 38.4% is applied to emergency transportation claims.

Home and community-based care fee adjustment

The Virginia General Assembly reduced the home and community-based care 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 -0.2% adjustment applied to adult day care claims and a 0.5% 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 an 18.8% adjustment for Northern Virginia and a 21.9% adjustment for the other regions and is applied to adult day care claims.

Hospital inpatient adjustment

The hospital inpatient base period incorporates a FY 2012 capital reimbursement rate reduction from 75% to 71% of cost (applied to half of the CY 2011 base data). The reduction is applied to the percentage of total inpatient claims that represent the capital component estimated at 9.7%. Effective FY 2013, the hospital inpatient adjustment includes a 2.6% allowance for a cost per unit increase authorized by the Virginia General Assembly. In addition, 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 effective FY 2014. Both years of unit cost changes are applied to the operating cost component. There is also an expected FY 2015 2.5% fee increase to the operating component. Because Phase I passive enrollment in the Demonstration will begin July 1, 2014, the first day of FY 2015, the increase is applied to the full historical data base. This FY 2015 value may be revised as a result of legislative action by the General Assembly.

For inpatient medical/surgical, the positive adjustment is 8.5%. For inpatient psychiatric in acute care hospitals, the negative adjustment is 2.9%.

Hospital outpatient adjustment

The Virginia General Assembly reduced the cost basis for reimbursement of outpatient hospital services from 80% to 77% for FY 2011 (eventually this was limited only to the period from July 1, 2010 through September 30, 2010) and then to 76% for FY 2012, a decrease of 5.0% from the original 80% base.

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The calculation produces a 1.3% reduction on the emergency service claims and a 1.2% reduction on the outpatient other claims.

Nursing facility adjustment

The Virginia General Assembly reduced the nursing facility capital rental rate from 9% in FY 2010 and FY 2011 (except for three months in FY 2011 from July to September where it was 8.75%) to 8.0% for FY 2012, and 8.5% for FY 2013 and FY 2014. The 8.5% rental rate is expected to return to 9% effective FY 2015. Weighting the fiscal year changes for the calendar year rate development represents a net increase of 4.5% from the base period.

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 an expected FY 2015 3.2% rebasing adjustment increase to the operating component. Because Phase I passive enrollment in the Demonstration will begin July 1, 2014, the first day of the FY 2015, the increase is applied to the full historical base data. This FY 2015 value may be revised as a result of legislative action by the General Assembly.

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. This is estimated to add 0.17% to total expected payments to nursing homes in that year.

The calculation results in a positive 6.8% 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. Members enrolled in the Duals Demo will receive MH services through the MMPs and the MMPs are expected to achieve the same 20% reduction in utilization. These reductions are applied to service code H0046. The H0046 code was 10.5% of the NHE OP Mental Health base dollars and 69.6% of the CW OP Mental Health base dollars, resulting in a MHSS adjustment of -2.1% on the NHE and -13.9% on the 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 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.

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Trend Adjustments

The data used for the incurred but not reported (IBNR) and trend calculations reflect experience for the period CY 2010 through CY 2012. Data for CY 2011 to CY 2012 are used to evaluate the base period trend and an additional year of data, CY 2010 through CY 2012, 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
Pharmacy	Jul 2010 – Sep 2010	1.021
Nursing Facility	Jan 2010 – Jun 2010 Oct 2010 – Jun 2011	0.990
	Jul 2010 – Sep 2010	1.019
	Jul 2012 – Feb 2013	0.970
HCBS/Home Health Care	Jan 2010 – Jun 2010 Oct 2010 – Jun 2011	0.990
	Jul 2010 - Sep 2010	1.040

Annual trend rates must be applied to move the historical data from the midpoint of the data period (1/1/2012) to the midpoint of the contract period. Enrollment in the program will occur in two phases and each phase will have a voluntary enrollment period. Demonstration eligible individuals who do not voluntarily enroll will receive a 60-day advance notice and plan pre-assignment prior to the effective date of the passive enrollment. Individuals may decline enrollment prior to the effective date or opt out any time after the enrollment date. It is expected that there will be a low level of enrollment during the voluntary enrollment periods and that such enrollment will be offset by those who opt-out after being passively enrolled. Therefore, the contract trend midpoints are set equal to the midpoint between the effective date of the passive enrollment and the end of the calendar year rate setting period. Phase I passive enrollment begins July 1, 2014 and will enroll eligibles in the Central Virginia and Tidewater regions. That midpoint is set to October 1, 2014, for a total trend of 33 months. Phase II passive enrollment begins October 1, 2014 and will enroll eligibles in the remaining Demonstration regions. That midpoint is set to November 15, 2014, for a total trend of 34.5 months.

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

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applied trend incorporates patient payments. The cost and utilization of drugs that are now covered under Medicare Part D were removed from the pharmacy contract period trend.

Table 3. Summary of IBNR Adjustments			
Category of Service	NHE - Institutional	NHE - Waiver	Community Well
Inpatient	0.6%	0.6%	1.8%
Outpatient/ER	0.7%	1.1%	0.8%
Physician/Professional	-0.6%	0.1%	-0.2%
Pharmacy	0.0%	0.0%	0.0%
Nursing Facility	0.0%	0.0%	0.2%
HCBS/Home Health Care	0.0%	0.0%	0.0%
Mental Health/ Substance Abuse	0.1%	0.1%	0.1%
Ancillary/Other	0.6%	0.2%	0.2%
Medicare Crossover	0.5%	0.5%	0.4%
Weighted Average	0.0%	0.1%	0.3%

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Table 4. Summary of Trend Adjustments						
Category of Service	NHE - Institutional		NHE - Waiver		Community Well	
	Phase I Total Trend Factor	Phase II Total Trend Factor	Phase I Total Trend Factor	Phase II Total Trend Factor	Phase I Total Trend Factor	Phase II Total Trend Factor
Inpatient	1.0792	1.0798	1.0792	1.0798	1.0792	1.0798
Outpatient/ER	1.0363	1.0386	1.0363	1.0386	1.0363	1.0386
Physician/ Professional	1.2161	1.2270	1.2161	1.2270	1.2161	1.2270
Pharmacy	0.9640	0.9640	0.9570	0.9570	0.8390	0.8390
Nursing Facility	1.0341	1.0361	1.0341	1.0361	1.0513	1.0517
HCBS/ Home Health Care	1.0635	1.0673	1.0635	1.0673	1.7970	1.8480
Mental Health/ Substance Abuse	1.3812	1.4015	0.8741	0.8783	1.7213	1.7648
Ancillary/Other	1.1146	1.1197	1.1146	1.1197	1.1146	1.1197
Medicare Crossover	1.0274	1.0278	1.1176	1.1228	1.0813	1.0859
Weighted Average	1.0344	1.0364	1.0469	1.0508	1.3590	1.3781

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 June 2013 of 48.9% NHE-I and 51.1% NHE-W. Table 5 presents the NHE blended rates. The blended NHE rates will be paid at the beginning of the program but the blending proportions will be revised over the period of the Demonstration. DMAS will apply a Member Enrollment Mix Adjustment (MEMA) as measured closer to the Demonstration voluntary and passive enrollment dates to reflect the mix of NHE-Institutional and NHE-Waiver eligibles and the actual plan enrollment mix. This 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 will adopt 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_pgs/altc-enrl.aspx.

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Table 5. CY 2014 Blended Nursing Home Eligible-Institutional and Nursing Home Eligible-Waiver							
Sub-Population	Age Group	Phase I		Phase II			CY 2014 Average
		Central Virginia	Tidewater	Northern Virginia	Southwest/ Roanoke	Western/ Charlottesville	
Nursing Home Eligible-Institutional	Age 21-64	\$4,912.71	\$4,951.40	\$6,065.13	\$4,780.14	\$4,383.97	\$5,027.98
	Age 65+	\$4,878.71	\$4,718.43	\$5,870.29	\$4,785.91	\$4,860.29	\$4,952.37
Nursing Home Eligible-Waiver	Age 21-64	\$2,430.29	\$2,508.76	\$3,107.76	\$2,142.52	\$2,233.06	\$2,454.55
	Age 65+	\$2,337.84	\$2,367.61	\$3,228.13	\$1,994.97	\$1,969.13	\$2,472.31
Nursing Home Eligible	Age 21-64	\$3,184.24	\$3,281.91	\$4,260.83	\$2,965.56	\$2,842.74	\$3,271.28
	Age 65+	\$3,667.89	\$3,584.22	\$4,301.75	\$3,868.09	\$3,711.75	\$3,799.01
	Average	\$3,564.86	\$3,511.11	\$4,295.45	\$3,675.77	\$3,535.43	\$3,688.50

Base Medicaid Capitation Rates

The CY14 base capitation rates for the blended NHE and CW prior to the primary care rate increase adjustment and the savings percentage are presented in Table 6.

Table 6. CY 2014 Dual Demonstration Base Capitation Rates Prior to PCP Payments and 1% Savings Percentage							
Sub-Population	Age Group	Phase I		Phase II			CY 2014 Average
		Central Virginia	Tidewater	Northern Virginia	Southwest/ Roanoke	Western/ Charlottesville	
Nursing Home Eligible*	Age 21-64	\$3,184.24	\$3,281.91	\$4,260.83	\$2,965.56	\$2,842.74	\$3,271.28
	Age 65+	\$3,667.89	\$3,584.22	\$4,301.75	\$3,868.09	\$3,711.75	\$3,799.01
	Average	\$3,564.86	\$3,511.11	\$4,295.45	\$3,675.77	\$3,535.43	\$3,688.50
Community Well	Age 21-64	\$425.92	\$357.46	\$395.78	\$523.58	\$329.93	\$414.66
	Age 65+	\$231.90	\$215.02	\$156.53	\$294.35	\$242.42	\$208.22
	Average	\$340.64	\$294.85	\$206.60	\$439.41	\$290.71	\$308.75
Weighted Average		\$1,435.83	\$1,270.66	\$1,156.99	\$1,512.57	\$1,409.40	\$1,345.03

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

Final Medicaid rates include the savings percentage and the PCP supplemental payment.

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Savings Percentage

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 percentage, to cover the period CY 2014 and CY 2105, is 1%. CY 2016 savings percentage is 2% and CY 2017 savings percentage is 4%. The first year savings percentage of 1% is included in the Medicaid component of the capitation rates. The savings percentage is not applied to the PCP supplemental payment.

Medicare PCP Supplemental Payment

Virginia intends to raise its payment rates for primary care in accordance with the Patient Protection and Affordable Care Act (ACA) Section 1202 and has elected to adopt Risk Model 1: Full Risk Prospective Capitation. DMAS will include the enhanced primary care payments prospectively in all managed care capitation rates, with no retroactive adjustments or financial reconciliation.

The majority of eligible claims for the dual eligible population consist of Medicare professional crossover claims. Approximately 10% of the dollars of eligible claims are Medicaid-only paid claims. Draft CY 2014 PCP supplemental payments have been developed by regions, sub-populations, and age categories using data that is currently available. DMAS will revise these PCP supplemental payment amounts when CY 2014 Medicare and Virginia Medicare enhanced rates are available in late 2013.

The draft Enhanced Medicare PCP Supplemental Payment for the dual population is presented in Table 7. These amounts are added to the adjusted and trended base data after the savings percentage is applied. All averages are weighted by the distribution of member months in June 2013.

Table 7. Draft Enhanced Medicare PCP Supplemental Payments							
Sub-Population	Age Group	Phase I		Phase II			CY 2014 Average
		Central Virginia	Tidewater	Northern Virginia	Southwest/ Roanoke	Western/ Charlottesville	
Nursing Home Eligible	Age 21-64	\$2.05	\$1.80	\$1.61	\$1.82	\$1.97	\$1.88
	Age 65+	\$2.20	\$2.08	\$1.73	\$2.08	\$2.66	\$2.11
	Average	\$2.17	\$2.01	\$1.71	\$2.03	\$2.52	\$2.06
Community Well	Age 21-64	\$1.37	\$1.27	\$1.09	\$1.36	\$1.29	\$1.30
	Age 65+	\$1.46	\$1.65	\$1.41	\$1.29	\$1.27	\$1.45
	Average	\$1.41	\$1.44	\$1.34	\$1.33	\$1.28	\$1.38
Weighted Average		\$1.67	\$1.61	\$1.43	\$1.56	\$1.71	\$1.59

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Summary Capitation Rates

The resulting Medicaid capitation rates for CY 2014 are presented in Table 8. These incorporate both the 1% savings percentage and the draft enhanced Medicare PCP supplemental payments. All averages are weighted by the distribution of member months in June 2013.

The NHE Age 21-64 and Age 65 and Over regional blended rates will be revised prior to the 2014 implementation. DMAS will apply the MEMA as measured closer to the Demonstration voluntary dates, in order to reflect the updated mix of NHE-Institutional and NHE-Waiver eligibles, and at the passive enrollment dates, in order to reflect those who voluntarily enroll and those who initially accept passive enrollment assignment. There will be further adjustments to NHE rate over the course of the Demonstration.

Table 8. CY 2014 Dual Demonstration Capitation Rates with PCP Payments and 1% Savings Percentage*							
Sub-Population	Age Group	Phase I		Phase II			CY 2014 Average
		Central Virginia	Tidewater	Northern Virginia	Southwest /Roanoke	Western/ Charlottesville	
Nursing Home Eligible**	Age 21-64	\$3,154.44	\$3,250.88	\$4,219.83	\$2,937.73	\$2,816.28	\$3,240.44
	Age 65+	\$3,633.42	\$3,550.45	\$4,260.46	\$3,831.49	\$3,677.29	\$3,763.13
	Average	\$3,531.38	\$3,478.01	\$4,254.21	\$3,641.04	\$3,502.59	\$3,653.68
Community Well	Age 21-64	\$423.03	\$355.16	\$392.91	\$519.70	\$327.92	\$411.82
	Age 65+	\$231.04	\$214.52	\$156.37	\$292.70	\$241.27	\$207.59
	Average	\$338.64	\$293.34	\$205.88	\$436.35	\$289.08	\$307.04
Weighted Average		\$1,423.14	\$1,259.56	\$1,146.84	\$1,499.01	\$1,397.01	\$1,333.16

Note: *Rates may be revised when the PCP adjustment is finalized for February 1, 2014 and for any changes by the Virginia General Assembly for FY15.

**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 9.

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Table 9. Dual Demonstration County Listing by Region				
Phase	Region	County		
Phase I	Central Virginia	Amelia County Brunswick County Caroline County Charles City County Chesterfield County Colonial Heights City Cumberland County Dinwiddie County Emporia City Essex County Franklin City Fredericksburg City Goochland County	Greensville County Hanover County Henrico County Hopewell City King George County King William County King and Queen County Lancaster County Lunenburg County Mecklenburg County Middlesex County New Kent County	Northumberland County Nottoway County Petersburg City Powhatan County Prince Edward County Prince George County Richmond City Richmond County Southampton County Spotsylvania County Stafford County Surry County Sussex County Westmoreland County
	Tidewater	Accomack County Chesapeake City Gloucester County Hampton City Isle of Wight County James City County	Matthews County Newport News City Norfolk City Northampton County Poquoson City Portsmouth City	Suffolk City Virginia Beach City Williamsburg City York County
Phase II	Northern Virginia	Alexandria City Arlington County Culpeper County Fairfax City	Fairfax County Falls Church City Fauquier County Loudoun County	Manassas City Manassas Park City Prince William County
	Southwest/ Roanoke	Alleghany County Bath County Bedford City Bedford County Botetourt County Buena Vista City Covington City Craig County	Floyd County Franklin County Giles County Henry County Highland County Lexington City Martinsville City Montgomery County	Patrick County Pulaski County Radford City Roanoke City Roanoke County Rockbridge County Salem City Wythe County
	Western/ Charlottesville	Albemarle County Augusta County Buckingham County Charlottesville City Fluvanna County	Greene County Harrisonburg City Louisa County Madison County Nelson County	Orange County Rockingham County Staunton City Waynesboro City

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III. Medicare Components of the Rate – CY 2014

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 consistent with the annual FFS estimates and benchmarks released each year with the annual Medicare Advantage and Part D rate announcement.

Medicare A/B Component Payments: CY 2014 Medicare A/B Baseline County rates are provided below.

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

- The FFS component of the CY 2014 Medicare A/B baseline rates has been updated to fully incorporate the most current hospital wage index and physician geographic practice cost index. This adjustment is applied only to the FFS component of the Medicare A/B baseline and the rate update factor for this change varies by county (see following tables for additional information). The adjustment is applied within the Medicare Advantage component of the Medicare A/B baseline through the phase-in process detailed in the 2014 Medicare Advantage Rate Announcement.
- In addition, the FFS component of the CY 2014 Medicare A/B baseline rate has also been updated to reflect a 1.89% 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 1.89% adjustment applies for CY 2014 and will be updated for subsequent years of the Demonstration.

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 2014 is 4.91%. The majority of new Commonwealth Coordinated Care enrollees will come from Medicare FFS, and CY 2014 Participating Plan risk scores for those individuals will be based solely on prior FFS claims. Therefore, for CY 2014 CMS will establish the FFS component of the Medicare A/B baseline in a manner that does not lead to lower amounts due to this coding intensity adjustment. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but will increase 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

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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.

In CY 2015, CMS will apply an appropriate coding intensity adjustment reflective of all Demonstration enrollees; this will apply the prevailing Medicare Advantage coding intensity adjustment 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. Additional information will be included in the CY 2015 Rate Report.

Medicare A/B Baseline Incorporating Medicare A/B FFS Baseline and Medicare Advantage Component: The rates represent the weighted average of the CY 2014 FFS Standardized County Rates, updated to incorporate the adjustments noted below, and the Medicare Advantage projected payment rates for CY 2014 based on the expected enrollment of beneficiaries from Medicare FFS and Medicare Advantage in CY 2014 at the county level. The rates weight the FFS and Medicare Advantage components based on the CY 2013 distribution of potential Commonwealth Coordinated Care enrollees.

Applying the Savings Percentage: The savings percentage (1% in demonstration year one) described in Section III is applied to the final Medicare A/B baseline (blending the final Medicare A/B FFS baseline and the /Medicare advantage rate components).

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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Table 10. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County*			
County	CY 2014 Medicare A/B Baseline PMPM (after application of repricing**, bad debt and coding intensity adjustments)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (after application of 2% sequestration reduction and prior to quality withhold)
Accomack	\$791.07	783.16	\$767.50
Albemarle	701.56	694.54	680.65
Alexandria	822.49	814.27	797.98
Alleghany	792.02	784.10	768.41
Amelia	788.84	780.95	765.33
Arlington	746.83	739.36	724.58
Augusta	679.01	672.22	658.78
Bath	930.67	921.36	902.93
Bedford City	634.55	628.21	615.64
Bedford	680.70	673.90	660.42
Botetourt	699.38	692.39	678.54
Brunswick	735.47	728.12	713.56
Buckingham	702.33	695.31	681.40
Buena Vista	658.34	651.76	638.73
Caroline	817.76	809.58	793.39
Charles City	678.11	671.33	657.90
Charlottesville	696.62	689.65	675.86
Chesapeake City	753.57	746.03	731.11
Chesterfield	765.88	758.23	743.06
Colonial Heights City	762.59	754.97	739.87
Covington	684.32	677.48	663.93
Craig	692.44	685.51	671.80
Culpeper	761.30	753.69	738.61
Cumberland	739.04	731.65	717.01
Dinwiddie	751.34	743.83	728.95
Emporia City	650.03	643.53	630.66
Essex	710.95	703.85	689.77
Fairfax City	734.53	727.18	712.64
Fairfax	766.41	758.75	743.57
Falls Church City	888.30	879.42	861.83
Fauquier	776.41	768.65	753.27
Floyd	694.06	687.12	673.37
Fluvanna	695.21	688.26	674.49
Franklin City	694.93	687.98	674.22
Franklin	732.47	725.15	710.65
Fredericksburg City	907.30	898.23	880.26

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Table 10. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County*			
County	CY 2014 Medicare A/B Baseline PMPM (after application of repricing**, bad debt and coding intensity adjustments)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (after application of 2% sequestration reduction and prior to quality withhold)
Giles	662.28	655.66	642.55
Gloucester	677.17	670.39	656.99
Goochland	752.18	744.65	729.76
Greene	695.26	688.31	674.54
Greensville	709.77	702.68	688.62
Hampton City	745.63	738.18	723.41
Hanover	763.47	755.83	740.71
Harrisonburg	607.81	601.73	589.70
Henrico	776.74	768.97	753.59
Henry	709.07	701.98	687.94
Highland	728.23	720.95	706.53
Hopewell City	806.55	798.48	782.51
Isle of Wight	722.03	714.81	700.52
James City	688.04	681.16	667.54
King and Queen	740.98	733.57	718.90
King George	838.02	829.64	813.05
King William	754.02	746.48	731.55
Lancaster	654.47	647.93	634.97
Lexington	616.94	610.77	598.56
Loudoun	783.07	775.24	759.74
Louisa	730.49	723.19	708.72
Lunenburg	736.50	729.14	714.55
Madison	724.23	716.99	702.65
Manassas City	739.21	731.82	717.19
Manassas Park City	848.64	840.15	823.35
Martinsville	670.98	664.27	650.99
Mathews	682.52	675.70	662.19
Mecklenburg	705.59	698.54	684.57
Middlesex	669.75	663.05	649.79
Montgomery	704.08	697.04	683.10
Nelson	744.33	736.89	722.15
New Kent	785.84	777.98	762.42
Newport News City	739.86	732.46	717.81
Norfolk City	726.16	718.89	704.52
Northampton	692.22	685.30	671.59
Northumberland	687.61	680.73	667.12

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Table 10. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County*			
County	CY 2014 Medicare A/B Baseline PMPM (after application of repricing**, bad debt and coding intensity adjustments)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (after application of 2% sequestration reduction and prior to quality withhold)
Nottoway	720.05	712.85	698.59
Orange	753.42	745.89	730.97
Patrick	733.28	725.95	711.43
Petersburg City	768.06	760.38	745.18
Poquoson City	725.37	718.11	703.75
Portsmouth City	730.19	722.89	708.43
Powhatan	763.40	755.77	740.65
Prince Edward	750.54	743.03	728.17
Prince George	791.57	783.66	767.98
Prince William	778.24	770.46	755.05
Pulaski	739.15	731.75	717.12
Radford	691.66	684.75	671.05
Richmond	667.66	660.98	647.76
Richmond City	747.25	739.78	724.98
Roanoke City	687.96	681.08	667.46
Roanoke	705.03	697.98	684.02
Rockbridge	661.79	655.18	642.07
Rockingham	653.32	646.79	633.86
Salem	667.78	661.10	647.88
Southampton	706.69	699.63	685.63
Spotsylvania	822.70	814.47	798.18
Stafford	827.46	819.19	802.80
Staunton	676.00	669.24	655.86
Suffolk City	744.15	736.71	721.98
Surry	783.38	775.55	760.04
Sussex	740.38	732.97	718.31
Virginia Beach City	751.24	743.73	728.85
Waynesboro	656.82	650.25	637.24
Westmoreland	777.27	769.49	754.10
Williamsburg City	710.16	703.06	689.00
Wythe	717.43	710.26	696.06
York	726.87	719.60	705.21

*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.

**Repricing to reflect most recent current hospital wage index and physician geographic practice cost index

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re- Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Accomack	\$736.31	0.20%	\$737.77	\$751.71	\$790.53	\$791.07	\$783.16	\$767.50
Albemarle	656.75	-0.56%	653.05	665.40	699.75	701.56	694.54	680.65
Alexandria	771.70	-0.50%	767.83	782.34	822.73	822.49	814.27	797.98
Alleghany	738.46	0.10%	739.17	753.14	792.03	792.02	784.10	768.41
Amelia	731.48	0.39%	734.35	748.23	786.87	788.84	780.95	765.33
Arlington	700.25	-0.50%	696.78	709.95	746.61	746.83	739.36	724.58
Augusta	631.78	-0.65%	627.66	639.53	672.55	679.01	672.22	658.78
Bath	869.67	-0.03%	869.42	885.86	931.60	930.67	921.36	902.93
Bedford City	585.52	0.14%	586.32	597.40	628.24	634.55	628.21	615.64
Bedford	630.46	0.44%	633.21	645.18	678.49	680.70	673.90	660.42
Botetourt	639.59	0.82%	644.85	657.04	690.97	699.38	692.39	678.54
Brunswick	684.63	0.05%	684.96	697.91	733.94	735.47	728.12	713.56
Buckingham	655.76	-0.26%	654.04	666.40	700.81	702.33	695.31	681.40
Buena Vista	613.08	0.04%	613.30	624.89	657.16	658.34	651.76	638.73
Caroline	763.31	0.08%	763.91	778.34	818.53	817.76	809.58	793.39
Charles City	624.10	0.42%	626.71	638.55	671.52	678.11	671.33	657.90
Charlottesville	652.48	-0.56%	648.82	661.08	695.22	696.62	689.65	675.86
Chesapeake City	692.55	0.73%	697.60	710.79	747.49	753.57	746.03	731.11
Chesterfield	706.07	0.41%	708.99	722.39	759.69	765.88	758.23	743.06
Colonial Heights City	707.20	0.42%	710.18	723.60	760.96	762.59	754.97	739.87

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re- Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Covington	637.99	0.10%	638.65	650.72	684.32	684.32	677.48	663.93
Craig	632.80	0.81%	637.91	649.97	683.53	692.44	685.51	671.80
Culpeper	713.33	-0.51%	709.66	723.08	760.41	761.30	753.69	738.61
Cumberland	681.85	0.32%	684.03	696.96	732.94	739.04	731.65	717.01
Dinwiddie	697.12	0.39%	699.82	713.05	749.87	751.34	743.83	728.95
Emporia City	604.49	-0.57%	601.03	612.39	644.01	650.03	643.53	630.66
Essex	661.32	0.19%	662.56	675.08	709.94	710.95	703.85	689.77
Fairfax City	689.19	-0.53%	685.51	698.46	734.53	734.53	727.18	712.64
Fairfax	717.90	-0.51%	714.23	727.73	765.31	766.41	758.75	743.57
Falls Church City	835.04	-0.56%	830.40	846.10	889.78	888.30	879.42	861.83
Fauquier	725.97	-0.40%	723.10	736.77	774.81	776.41	768.65	753.27
Floyd	643.67	0.39%	646.16	658.38	692.37	694.06	687.12	673.37
Fluvanna	650.37	-0.44%	647.50	659.73	693.80	695.21	688.26	674.49
Franklin City	644.93	0.28%	646.76	658.98	693.01	694.93	687.98	674.22
Franklin	670.68	0.86%	676.43	689.22	724.80	732.47	725.15	710.65
Fredericksburg City	849.83	-0.27%	847.53	863.54	908.13	907.30	898.23	880.26
Giles	614.25	0.34%	616.33	627.98	660.40	662.28	655.66	642.55
Gloucester	621.90	0.63%	625.84	637.67	670.59	677.17	670.39	656.99
Goochland	695.09	0.39%	697.79	710.98	747.69	752.18	744.65	729.76
Greene	650.47	-0.61%	646.52	658.74	692.75	695.26	688.31	674.54

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re- Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Greensville	649.29	-0.38%	646.85	659.08	693.11	709.77	702.68	688.62
Hampton City	683.84	0.68%	688.49	701.50	737.72	745.63	738.18	723.41
Hanover	707.91	0.12%	708.74	722.14	759.42	763.47	755.83	740.71
Harrisonburg	574.24	-1.49%	565.68	576.37	606.13	607.81	601.73	589.70
Henrico	717.03	0.42%	720.04	733.65	771.53	776.74	768.97	753.59
Henry	653.41	-0.08%	652.88	665.22	699.57	709.07	701.98	687.94
Highland	680.90	-0.47%	677.72	690.53	726.19	728.23	720.95	706.53
Hopewell City	748.11	0.41%	751.19	765.39	804.91	806.55	798.48	782.51
Isle of Wight	657.01	0.67%	661.40	673.90	708.69	722.03	714.81	700.52
James City	634.98	0.44%	637.77	649.82	683.38	688.04	681.16	667.54
King and Queen	687.99	0.42%	690.90	703.95	740.30	740.98	733.57	718.90
King George	783.53	-0.19%	782.01	796.79	837.93	838.02	829.64	813.05
King William	699.74	0.42%	702.65	715.93	752.90	754.02	746.48	731.55
Lancaster	607.46	0.20%	608.68	620.18	652.21	654.47	647.93	634.97
Lexington	575.11	0.01%	575.16	586.03	616.29	616.94	610.77	598.56
Loudoun	733.93	-0.46%	730.52	744.33	782.76	783.07	775.24	759.74
Louisa	676.79	-0.09%	676.17	688.95	724.52	730.49	723.19	708.72
Lunenburg	684.19	0.27%	686.05	699.02	735.12	736.50	729.14	714.55
Madison	677.72	-0.51%	674.28	687.03	722.50	724.23	716.99	702.65
Manassas City	692.42	-0.37%	689.88	702.92	739.21	739.21	731.82	717.19

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re- Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Manassas Park City	793.17	-0.15%	792.00	806.97	848.64	848.64	840.15	823.35
Martinsville	617.79	-0.08%	617.31	628.97	661.45	670.98	664.27	650.99
Mathews	628.77	0.57%	632.36	644.31	677.58	682.52	675.70	662.19
Mecklenburg	655.30	0.17%	656.40	668.81	703.34	705.59	698.54	684.57
Middlesex	620.73	0.39%	623.15	634.93	667.72	669.75	663.05	649.79
Montgomery	652.76	0.34%	655.00	667.38	701.84	704.08	697.04	683.10
Nelson	697.34	-0.54%	693.60	706.71	743.20	744.33	736.89	722.15
New Kent	726.68	0.43%	729.82	743.61	782.01	785.84	777.98	762.42
Newport New City	675.32	0.68%	679.89	692.74	728.51	739.86	732.46	717.81
Norfolk City	664.42	0.72%	669.22	681.87	717.08	726.16	718.89	704.52
Northampton	643.36	0.21%	644.71	656.90	690.81	692.22	685.30	671.59
Northumberland	639.30	0.18%	640.47	652.58	686.27	687.61	680.73	667.12
Nottoway	666.87	0.26%	668.59	681.22	716.40	720.05	712.85	698.59
Orange	705.21	-0.42%	702.28	715.55	752.50	753.42	745.89	730.97
Patrick	683.66	-0.16%	682.58	695.48	731.39	733.28	725.95	711.43
Petersburg City	710.24	0.40%	713.11	726.59	764.11	768.06	760.38	745.18
Poquoson City	675.30	0.71%	680.09	692.94	728.72	725.37	718.11	703.75
Portsmouth City	662.52	0.74%	667.41	680.02	715.13	730.19	722.89	708.43
Powhatan	705.65	0.42%	708.64	722.03	759.32	763.40	755.77	740.65
Prince Edward	697.54	0.17%	698.70	711.90	748.66	750.54	743.03	728.17

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re- Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Prince George	734.38	0.41%	737.38	751.32	790.11	791.57	783.66	767.98
Prince William	728.22	-0.35%	725.68	739.39	777.57	778.24	770.46	755.05
Pulaski	687.22	0.32%	689.44	702.47	738.74	739.15	731.75	717.12
Radford	641.00	0.46%	643.96	656.13	690.01	691.66	684.75	671.05
Richmond	616.69	0.20%	617.90	629.58	662.09	667.66	660.98	647.76
Richmond City	682.34	0.42%	685.20	698.15	734.20	747.25	739.78	724.98
Roanoke City	628.41	0.86%	633.83	645.81	679.16	687.96	681.08	667.46
Roanoke	643.46	0.89%	649.21	661.48	695.63	705.03	697.98	684.02
Rockbridge	616.87	-0.09%	616.29	627.94	660.36	661.79	655.18	642.07
Rockingham	616.60	-1.60%	606.75	618.22	650.14	653.32	646.79	633.86
Salem	612.65	0.84%	617.82	629.50	662.00	667.78	661.10	647.88
Southampton	652.97	0.27%	654.73	667.10	701.55	706.69	699.63	685.63
Spotsylvania	769.22	-0.24%	767.36	781.87	822.24	822.70	814.47	798.18
Stafford	773.83	-0.25%	771.87	786.46	827.07	827.46	819.19	802.80
Staunton	631.30	-0.52%	628.03	639.90	672.94	676.00	669.24	655.86
Suffolk City	683.76	0.58%	687.73	700.73	736.91	744.15	736.71	721.98
Surry	722.53	0.55%	726.52	740.25	778.47	783.38	775.55	760.04
Sussex	685.36	0.21%	686.83	699.81	735.94	740.38	732.97	718.31
Virginia Beach City	691.48	0.69%	696.28	709.44	746.07	751.24	743.73	728.85
Waynesboro	610.47	-0.51%	607.36	618.84	650.79	656.82	650.25	637.24

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Table 11. CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*

County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county-specific)	CY 2014 Medicare A/B FFS Re-Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating updated Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestration reduction applied prior to the quality withhold)
Westmoreland	725.55	-0.04%	725.25	738.96	777.12	777.27	769.49	754.10
Williamsburg City	659.51	0.49%	662.77	675.29	710.16	710.16	703.06	689.00
Wythe	665.61	0.06%	666.04	678.63	713.67	717.43	710.26	696.06
York	669.91	0.55%	673.61	686.34	721.78	726.87	719.60	705.21

*Rates do not apply to beneficiaries with End-Stage Renal Disease (ESRD). See Section III for information on savings percentages.

**For CY 2014 CMS will establish rates in a manner that does not lead to lower amounts for this coding intensity adjustment. 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; (as above, the CY 2014 Medicare FFS A/B Baseline is divided by (1-the CY 2014 coding intensity adjustment factor of 4.91%) to determine the CY 2014 Final Medicare A/B FFS Baseline

The Medicare A/B PMPMs above will be risk adjusted at the beneficiary level using the existing CMS-HCC risk adjustment model.

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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 will apply to enrollees with ESRD. The Medicare A/B baselines for beneficiaries with ESRD will 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 will be the CY 2014 Virginia ESRD dialysis state rate, updated to incorporate the impact of sequestration-related rate reductions. The CY 2014 ESRD dialysis state rate for Virginia is \$6,511.81 PMPM; the updated CY 2014 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,381.57 PMPM. This will apply 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 will be the CY 2014 Virginia ESRD dialysis state rate updated to incorporate the impact of sequestration-related rate reductions. The CY 2014 ESRD dialysis state rate for Virginia is \$6,511.81 PMPM; the updated CY 2014 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,381.57 PMPM. This will apply 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 will be the Medicare Advantage 3-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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Table 12. CY 2014 Medicare A/B Baseline PMPM, ESRD Beneficiaries in Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	CY 2014 3-Star County Rate (Benchmark)	CY 2014 Final Medicare A/B PMPM Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)*	CY 2014 Sequestration Adjusted Rate (after application of 2% sequestration reduction and prior to quality withhold)
Accomack	\$813.62	\$855.63	\$838.52
Albemarle	774.97	814.98	798.68
Alexandria	816.81	858.98	841.80
Alleghany	788.31	829.01	812.43
Amelia	846.56	890.27	872.46
Arlington	799.33	840.60	823.79
Augusta	745.50	783.99	768.31
Bath	852.28	896.28	878.35
Bedford City	744.07	782.49	766.84
Bedford	743.94	782.36	766.71
Botetourt	816.30	858.45	841.28
Brunswick	807.86	849.57	832.58
Buckingham	773.80	813.75	797.48
Buena Vista	740.06	778.28	762.71
Caroline	810.32	852.16	835.12
Charles City	806.80	848.46	831.49
Charlottesville	769.93	809.69	793.50
Chesapeake City	833.79	876.84	859.30
Chesterfield	857.33	901.60	883.57
Colonial Heights City	826.37	869.04	851.66
Covington	752.83	791.71	775.88
Craig	814.25	856.30	839.17
Culpeper	808.09	849.82	832.82
Cumberland	841.40	884.85	867.15
Dinwiddie	836.94	880.15	862.55
Emporia City	733.06	770.91	755.49
Essex	780.36	820.66	804.25
Fairfax City	832.81	875.81	858.29
Fairfax	835.92	879.08	861.50
Falls Church City	832.11	875.07	857.57
Fauquier	840.92	884.34	866.65
Floyd	759.53	798.75	782.78
Fluvanna	767.44	807.07	790.93
Franklin City	770.47	810.25	794.05
Franklin	835.18	878.30	860.73

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Table 12. CY 2014 Medicare A/B Baseline PMPM, ESRD Beneficiaries in Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	CY 2014 3-Star County Rate (Benchmark)	CY 2014 Final Medicare A/B PMPM Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)*	CY 2014 Sequestration Adjusted Rate (after application of 2% sequestration reduction and prior to quality withhold)
Fredericksburg City	845.99	889.67	871.88
Giles	724.81	762.23	746.99
Gloucester	808.02	849.74	832.75
Goochland	851.37	895.33	877.42
Greene	767.55	807.18	791.04
Greensville	821.54	863.96	846.68
Hampton City	845.09	888.73	870.96
Hanover	827.32	870.04	852.64
Harrisonburg	677.60	712.59	698.34
Henrico	850.93	894.87	876.97
Henry	771.02	810.84	794.62
Highland	777.93	818.10	801.74
Hopewell City	854.72	898.85	880.87
Isle of Wight	828.68	871.47	854.04
James City	815.65	857.77	840.61
King and Queen	829.13	871.94	854.50
King George	845.43	889.08	871.30
King William	840.18	883.57	865.90
Lancaster	736.45	774.48	758.99
Lexington	678.63	713.67	699.40
Loudoun	808.50	850.25	833.25
Louisa	833.72	876.77	859.23
Lunenburg	807.34	849.03	832.05
Madison	799.71	841.00	824.18
Manassas City	814.09	856.13	839.01
Manassas Park City	1,076.71	1,132.31	1,109.66
Martinsville	728.99	766.63	751.30
Mathews	811.40	853.30	836.23
Mecklenburg	773.25	813.18	796.92
Middlesex	748.79	787.46	771.71
Montgomery	770.26	810.03	793.83
Nelson	796.71	837.85	821.09
New Kent	855.32	899.49	881.50
Newport News City	837.91	881.17	863.55
Norfolk City	807.06	848.73	831.76

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Table 12. CY 2014 Medicare A/B Baseline PMPM, ESRD Beneficiaries in Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	CY 2014 3-Star County Rate (Benchmark)	CY 2014 Final Medicare A/B PMPM Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)*	CY 2014 Sequestration Adjusted Rate (after application of 2% sequestration reduction and prior to quality withhold)
Northampton	759.16	798.36	782.39
Northumberland	775.83	815.89	799.57
Nottoway	786.91	827.54	810.99
Orange	779.26	819.49	803.10
Patrick	806.72	848.37	831.40
Petersburg City	832.06	875.03	857.53
Poquoson City	837.97	881.24	863.62
Portsmouth City	806.35	847.99	831.03
Powhatan	830.99	873.90	856.42
Prince Edward	823.10	865.61	848.30
Prince George	846.52	890.23	872.43
Prince William	823.92	866.46	849.13
Pulaski	810.92	852.79	835.73
Radford	756.38	795.43	779.52
Richmond	745.78	784.29	768.60
Richmond City	840.55	883.95	866.27
Roanoke	810.44	852.29	835.24
Roanoke City	818.93	861.21	843.99
Rockbridge	742.56	780.90	765.28
Rockingham	743.45	781.83	766.19
Salem	802.92	844.38	827.49
Southampton	777.45	817.60	801.25
Spotsylvania	852.65	896.68	878.75
Stafford	840.50	883.89	866.21
Staunton	744.93	783.40	767.73
Suffolk City	826.00	868.65	851.28
Surry	839.36	882.70	865.05
Sussex	844.44	888.04	870.28
Virginia Beach City	832.96	875.97	858.45
Waynesboro	720.35	757.55	742.40
Westmoreland	801.73	843.13	826.27
Williamsburg City	829.64	872.48	855.03
Wythe	785.42	825.97	809.45
York	835.89	879.05	861.47

*For CY 2014 CMS will establish rates in a manner that does not lead to lower amounts for this coding intensity adjustment. Operationally, due to systems limitations, CMS will still apply the coding intensity

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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 2014 Updated Medicare A/B Baseline is divided by (1-the CY 2014 coding intensity adjustment factor of 4.91%) to determine the CY 2014 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.

Medicare Part D Services

The Part D plan payment will be 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 2014 is \$75.88 and the CY 2014 Low-Income Premium Subsidy Amount for Virginia is \$29.34. 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 2014 is \$74.95. 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: \$140.61
- Virginia reinsurance: \$70.94

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	March 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.