



MEMORANDUM

to: William Lessard
DMAS Staff

date: January 22, 2015

cc: MCO Health Plans

from: Sandra Hunt
Susan Maerki

subject: FY 2015 FAMIS MOMS Rates Effective
December 1, 2014-June 30, 2015

This memo documents the analysis performed by PwC to determine if the FY 2015 FAMIS MOMS rate is appropriate for the new FAMIS MOMS program restarted on December 1, 2014. We conclude that no rate amendment is necessary for the remainder of FY 2015. We will continue to track the actual enrollment pattern and will factor it into the development of the FY 2016 FAMIS MOMS rate.

Background

As of December 1, 2014, DMAS reinstated the FAMIS MOMS program, which had halted new enrollment since December 31, 2013 because many of these higher income pregnant women are eligible to enroll in the Qualified Health Plans that are available through the Federal Health Benefits Exchange. DMAS has been paying the FY 2015 FAMIS MOMS rate of \$1,319.06 PMPM for the women who remained in the program after January 1, 2014. The current rate was developed using an assumption that the average number of months of coverage was six months, which was supported by the rate setting data. On average, this translates into the birth month and the three months prior to the delivery, plus the two months following the delivery. The delivery represents the highest concentration of costs for the FAMIS MOMS population, and PMPM payment calculations are sensitive to the average length of enrollment.

Because the FAMIS MOMS program had not accepted new enrollees for almost a year, there is a concern that a high proportion of enrollees in the reinstated program would be close to their delivery date, meaning that the average length of enrollment would be shorter than the six month assumption, and, as a result, the existing FAMIS MOMS payment rate would not be sufficient.

FAMIS MOMS Length of Eligibility Cost Sensitivity Test

Because there was no data to guide estimates of the proportion of women who will enroll in their first, second, or third trimester of pregnancy, PwC used historical FAMIS MOMS data to model the cost variation of different enrollment mixes. We developed the model using the base data for the existing FY 2015 FAMIS MOMS rates, which was MCO encounter and enrollment data for FY 2012 and FY 2013, the period from July 1, 2011 to June 30, 2013. This was divided into cohorts of women who enrolled by trimester, as calculated from the date of delivery. It included only data on those who delivered during the base period. (In contrast, the FAMIS MOMS historical data includes women who do not deliver during the time period.) The cohort data was projected using the same methodology used to calculate the existing FAMIS MOMS FY 2015 payment.



The model result is particularly sensitive to the distribution of the late second trimester and the third trimester enrollees due to the concentration of costs at delivery. We tested how total costs and PMPM varied as the proportion of women who enroll in the later months of their pregnancy is increased.

One scenario used the actual distribution in the underlying data to model average monthly costs. In this scenario, more than one third, or 36%, of the women enrolled in the third trimester and nearly 62% enrolled in the second trimester. Applying standard rate setting adjustments, including IBNR and an administrative allowance, to the base cost, we project a FY2015 rate of \$1323 PMPM. This PMPM is only \$4 PMPM, or approximately 0.3%, higher than the current FY 2015 payment and the model methodology captures more of the pre-natal care costs.

In addition, we received data from DMAS on the expected delivery dates for the nearly 200 new FAMIS MOMS enrollees in December 2014 and January 2015. Although we expect this distribution to change over the remainder of FY 2015, the proportion of third trimester pregnancies is less than the proportion identified in the base data. Because the early enrollees are not disproportionately weighted towards women in the last trimester of pregnancy, we do not believe it is appropriate to increase the current FAMIS MOMS payment.

While the proportion of third trimester women is lower for new enrollees compared to the historical experience, the proportion of those who enroll in the second or third trimester is much more similar. As more eligible pregnant women sign up for FAMIS MOMS coverage through the rest of FY 2015, we expect the population to approach the historical enrollment distribution and length of eligibility.

At present, we believe the proportion of third trimester cases in FAMIS MOMS will not exceed 36%. We know that some of the newly enrolled FAMIS MOMS will not deliver by the end of the FY 2015 contract period and therefore will have lower average costs during the period. We also considered the fact that there are seven months remaining in FY 2015 and it is unlikely that the enrollment will build to levels that existed when the program stopped new enrollment at the end of 2013.

Therefore, we conclude the current FAMIS MOMS rate of \$1,319.06 PMPM based on a six month length of eligibility is reasonable for the remainder of the FY 2015 contract year.