



## Office of Director



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January 30, 2019

Governor Asa Hutchinson  
250 State Capitol  
Little Rock, AR 72201

Dear Governor Hutchinson:

I am pleased to submit to you the Department of Human Services' (DHS) Medicaid Transformation Savings Scorecard and Quarterly Report, which covers the second quarter (Q2) of State Fiscal Year 2019. The end of SFY 2019 Q2 marks the half way point to the five year savings target of \$835 million for SFY 2017-2021 you set with the Health Care Task Force (HCTF). I am pleased to report that the cumulative savings for Medicaid Transformation thus far is \$439 million.

The HCTF savings target for SFY 2019 is \$173 million. Actual savings to date in SFY 2019 is \$151 million. We therefore remain on target to meet the Medicaid Transformation savings goals for this year.

In last quarter's report, we noted that savings for behavioral health was likely overstated as a major provider left the state and providers were experiencing difficulties with claims processing with the switch to the new provider manual. We worked with the provider community and the Centers for Medicare and Medicaid Services (CMS) to address these issues. BH spending in Q2 was \$12.6 million higher than in Q1. The number of recipients, member months, and claims were higher than in Q1 which suggests the claims issues appear to have been resolved.

As you know, the independent assessments for the ARChoices waiver were temporarily suspended due to litigation. There was concern this situation might result in an increase in admissions to nursing facilities. This does not appear to be the case as there was a significant reduction in private skilled nursing facilities expenditures in Q2. There were also some billing delays as several facilities experienced a change of owners. Therefore, we may experience modest increases in Long-term Services and Supports (LTSS) expenditures during Q3.

We will reach another milestone in SFY 2019 Q3 as three PASSEs will assume full risk for approximately 40,000 Medicaid members beginning March 1, 2019. The HCTF did not expect the provider-led model would begin to generate savings and revenue from the premium tax until SFY 21. While financial challenges remain, through your leadership, and with the ongoing support of the General Assembly, Medicaid is becoming more financially sustainable while ensuring services for those most in need remain intact.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Gillespie".

Cindy Gillespie  
Director

# Medicaid Transformation Savings Scorecard and Quarterly Report

Q2 – SFY2019

# A Four Section Report to Track Medicaid and Savings

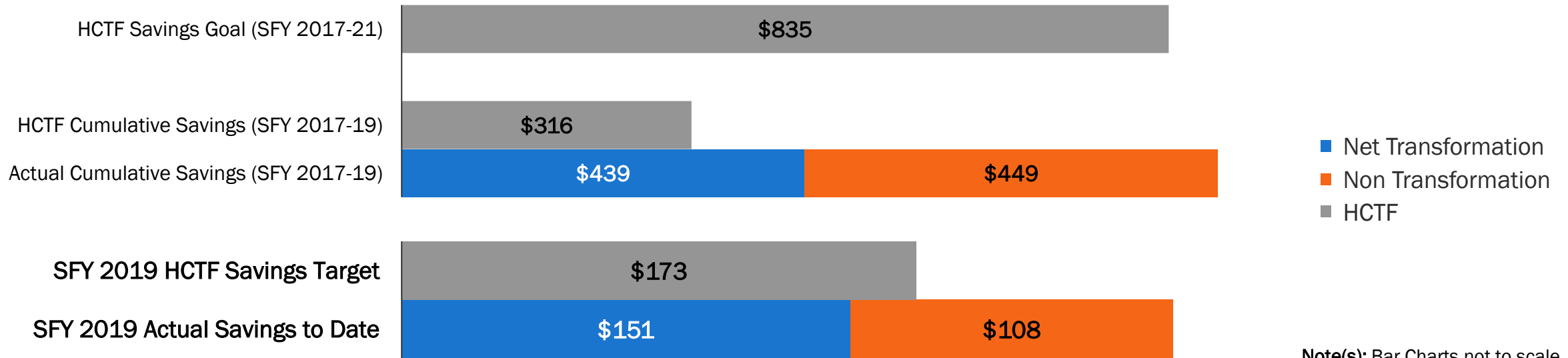
- DHS is obligated to provide a quarterly report beginning with the first quarter of SFY18 that:
  - Includes a dashboard or scorecard to track savings from reforms approved by the Health Care Task Force (HCTF). The reforms target “at least \$835 million” in savings from traditional Medicaid.
  - Reports on all Medicaid programs to monitor spending and savings across the programs.
  - Measures the impact on Medicaid spending and other quality/performance indicators from implementation of provider-led organized care in Arkansas.
- Act 802 requires DHS to submit to the Bureau of Legislative Research an initial report on September 1, 2017, to establish the baseline for the quarterly reports.
- Act 802 further provides:
  - If project (sic) savings in an amount less than five percent (5%) of the goal are not achieved during any two (2) consecutive quarters unrelated to non-claims based performance, the department shall develop additional reforms to achieve the savings goals (emphasis added.)”
  - “If legislative action is required to implement the additional reforms ..., the Department may take the action to the Legislative Council or the Executive Subcommittee of the Legislative Council for immediate action.”
- DHS will submit these quarterly reports to BLR on or before the thirtieth day following the end of a quarter.

# SECTION I: MEDICAID TRANSFORMATION SAVINGS SCORECARD

# Traditional Medicaid Scorecard

## Overall Savings

Savings (\$M)



Note(s): Bar Charts not to scale

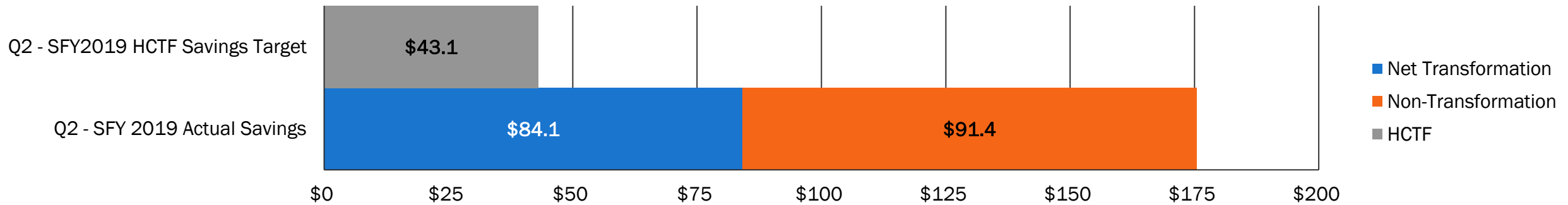
Cumulative Transformation Savings by Program (\$M) (SFY 2017-19)



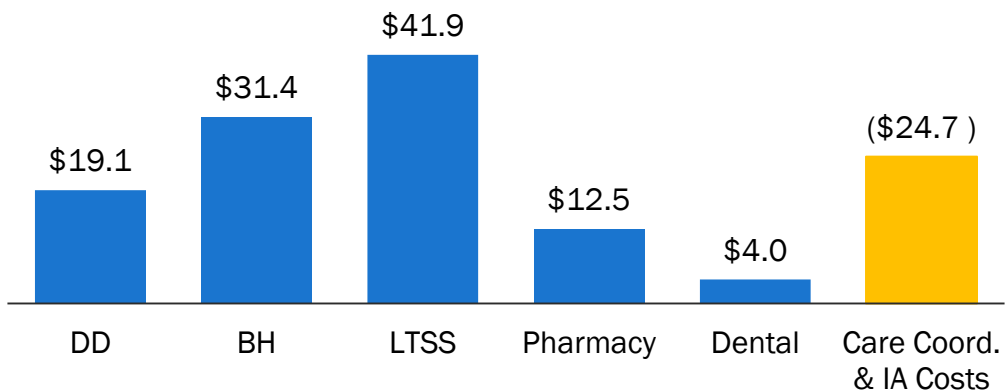
# Traditional Medicaid Scorecard

SFY 2019

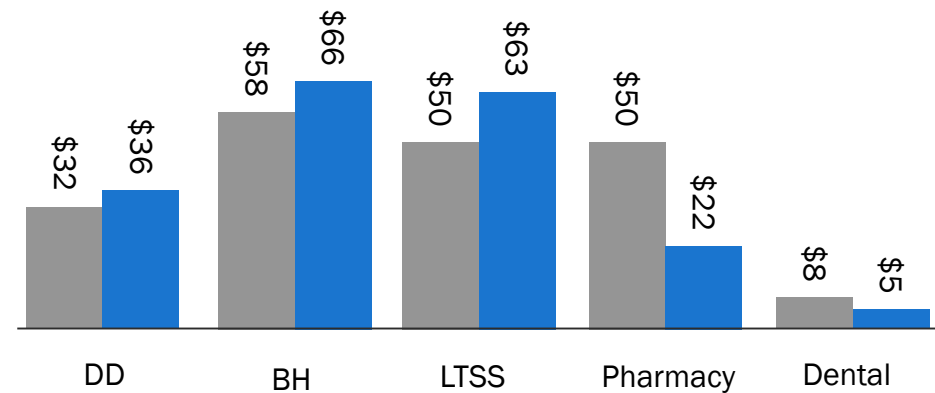
Savings (\$M)



Q2 - SFY 2019 Transformation Savings by Program (\$M)



SFY 2019 Savings to Date by Program (\$M)



# HCTF Baseline Spending Models

Spending by Year & Program Dollars in Millions (\$M)	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2017-21
*HCTF Baseline, Traditional Medicaid	\$5,379	\$5,648	\$5,930	\$6,227	\$6,538	\$29,722
‡HCTF “Current Model” Spending Traditional Medicaid only	\$5,302	\$5,495	\$5,757	\$6,026	\$6,322	\$28,902
‡HCTF “Current Model” Net Fiscal Impact of Reforms	(\$77)	(\$153)	(\$173)	(\$201)	(\$216)	(\$820)
‡HCTF “Current Model” with PASSE	\$5,302	\$5,495	\$5,757	\$6,026	\$6,227	\$28,806
**HCTF Net Fiscal Impact of “Current Model” with PASSE	(\$77)	(\$153)	(\$173)	(\$201)	(\$311)	(\$915)

\* HCTF assumed 5% annual growth in spending

‡ HCTF “Current Model” reflects revised annual spending based on achieving annual savings targets

\*\* HCTF assumed PASSE would not show savings until SFY21

# HCTF Baseline for Net Savings in Targeted Areas

<b>“Current Model” Savings and Costs by Year &amp; Program</b> Dollars in Millions (\$M)	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2017-21
DD Savings – Therapy Caps	\$0	\$18	\$18	\$18	\$18	\$72
DD Savings – Changes to CHMS and DDTCS	\$0	\$14	\$14	\$14	\$14	\$56
DD Savings – Independent Assessment & Tiers/Waiver Changes	\$0	\$0	\$0	\$17	\$17	\$34
DD Cost – Independent Assessment	\$0	\$0	(\$2)	(\$2)	(\$2)	(\$6)
<b>Net DD Savings</b>	<b>\$0</b>	<b>\$32</b>	<b>\$30</b>	<b>\$47</b>	<b>\$47</b>	<b>\$156</b>
BH Savings – Updated Outpatient Benefits Policy	\$12	\$16	\$33	\$33	\$33	\$127
BH Savings – Inpatient	\$0	\$15	\$25	\$35	\$50	\$125
BH Cost – Independent Assessment	\$0	(\$1)	(\$2)	(\$2)	(\$2)	(\$7)
BH Cost – Care Coordination	\$0	(\$15)	(\$21)	(\$21)	(\$21)	(\$78)
<b>Net BH Savings</b>	<b>\$12</b>	<b>\$15</b>	<b>\$35</b>	<b>\$45</b>	<b>\$60</b>	<b>\$167</b>
LTSS (Note: TSG did not model; these numbers were arbitrary)	\$15	\$50	\$50	\$50	\$50	\$215
Pharmacy (These savings were for all FFS, not just Traditional)	\$50	\$50	\$50	\$50	\$50	\$250
Dental Savings – Capitated Managed Care	\$0	\$3	\$5	\$5	\$5	\$18
Dental Premium Tax	\$0	\$3	\$3	\$4	\$4	\$14
<b>Net Dental All-Funds Impact</b>	<b>\$0</b>	<b>\$6</b>	<b>\$8</b>	<b>\$9</b>	<b>\$9</b>	<b>\$32</b>
<b>Net Fiscal Impacts</b>	<b>\$77</b>	<b>\$153</b>	<b>\$173</b>	<b>\$201</b>	<b>\$216</b>	<b>\$820</b>



# Total Traditional Medicaid Spend by Quarter

SFY 2018-19

	Q2 SFY 2018 Actual	Q3 SFY 2018 Actual	Q4 SFY 2018 Actual	Q1 SFY 2019 Actual	Q2 SFY 2019 HCTF Baseline (5% Annual Increase)	Q2 SFY 2019 Actual	Q2 SFY 2019 Difference
Total Hospital/Medical Expenditures	\$901,981,077	\$1,023,582,576	\$1,052,345,571	\$948,288,827	\$1,099,513,821	\$981,597,909	(\$117,915,911)
Total Prescription Drugs Expenditures	\$107,193,167	\$99,689,725	\$107,292,180	\$118,584,950	\$121,752,284	\$108,706,526	(\$13,045,758)
Total Long-Term Care Expenditures	\$224,295,587	\$208,684,919	\$222,140,376	\$213,798,332	\$259,454,895	\$214,947,014	(\$44,507,881)
<b>Total Traditional Medicaid</b>	<b>\$1,233,469,832</b>	<b>\$1,331,957,220</b>	<b>\$1,381,778,127</b>	<b>\$1,280,672,109</b>	<b>\$1,480,721,000</b>	<b>\$1,305,251,449</b>	<b>(\$175,469,550)</b>

Note(s): Includes Contracts and Part D claw backs which are not part of transformation

# Medicaid Transformation Spend by Quarter

SFY 2018-19

	Q2 SFY 2018 Actual	Q3 SFY 2018 Actual	Q4 SFY 2018 Actual	Q1 SFY 2019 Actual	Q2 SFY 2019 HCTF Baseline (5% Annual Increase)	Q2 SFY 2019 Actual	Q2 SFY 2019 Difference
Developmentally Disabled (DD)	\$167,371,939	\$162,508,143	\$194,534,138	\$161,349,272	\$193,890,050	\$174,811,123	(\$19,078,926)
Behavioral Health (BH)	\$95,524,476	\$93,002,034	\$101,254,417	\$71,470,869	\$115,453,297	\$84,081,370	(\$31,371,927)
Long Term Services & Supports (LTSS)	\$247,837,720	\$229,158,090	\$246,166,768	\$236,471,081	\$279,918,459	\$238,068,185	(\$41,850,274)
Pharmacy	\$92,982,688	\$98,602,418	\$89,602,885	\$88,994,409	\$107,244,180	\$94,754,347	(\$12,489,833)
Dental	\$32,568,691	\$39,178,647	\$35,618,779	\$34,765,750	\$38,671,990	\$34,652,437	(\$4,019,553)
<b>Grand Total</b>	<b>\$636,285,514</b>	<b>\$622,449,333</b>	<b>\$667,176,987</b>	<b>\$593,051,381</b>	<b>\$735,177,976</b>	<b>\$626,367,462</b>	<b>(\$108,810,513)</b>

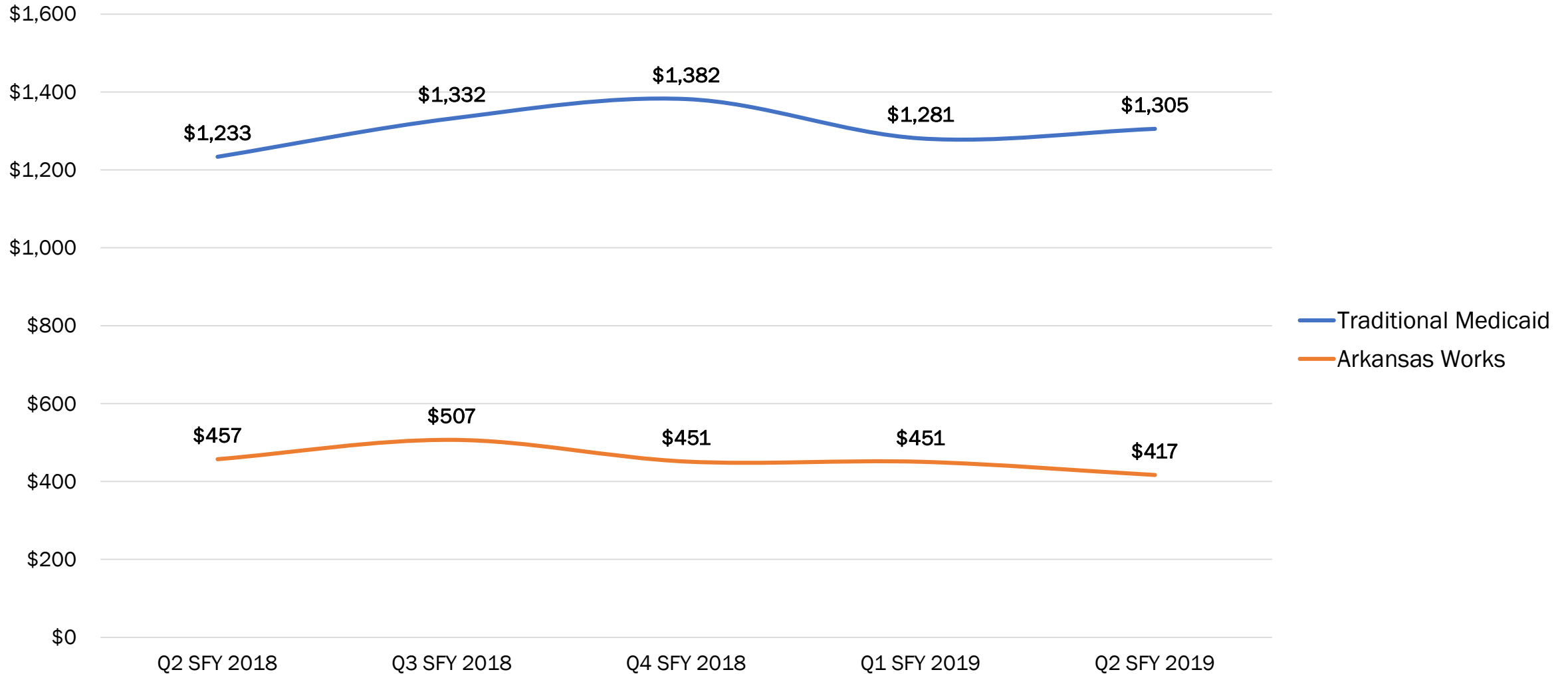
Note(s): (1) Further details of each section can be found in Section III

(2) Long Term Services & Supports numbers contain Assisted Living which was not in last year's Scorecard

# SECTION II: ARKANSAS MEDICAID ENROLLMENT & SPENDING REPORT

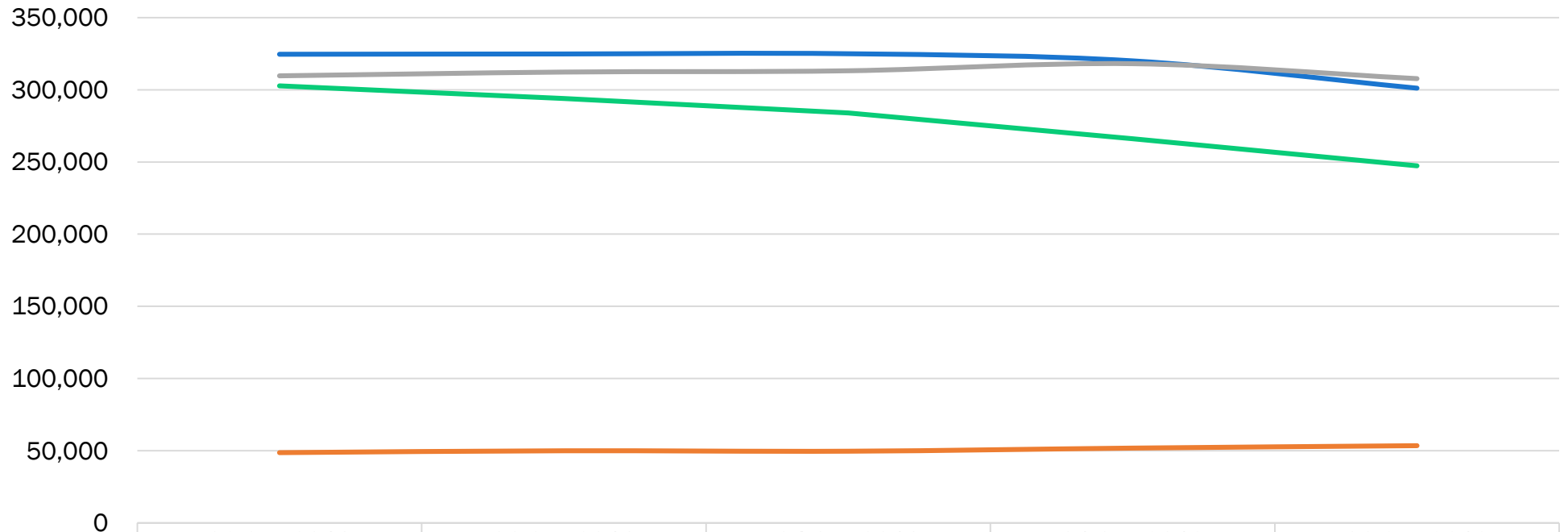
# Overall Medicaid Spend by Quarter (\$M)

SFY 2018-19



# Medicaid Enrollment by Quarter

SFY 2018-19

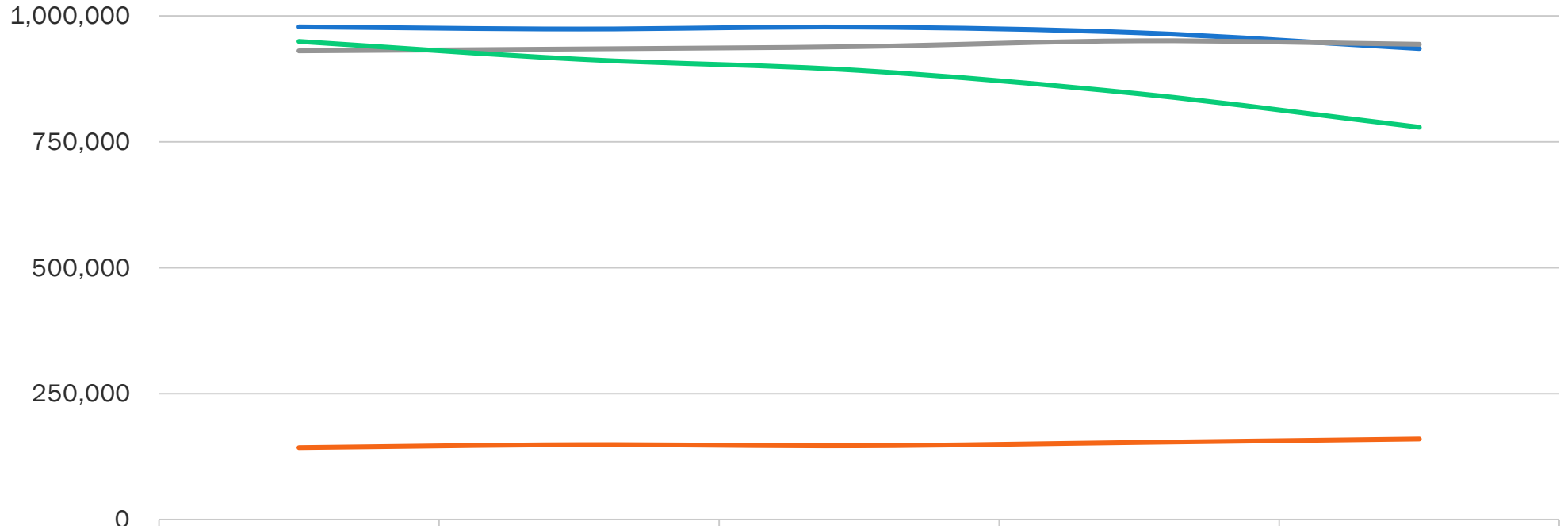


	Q2 SFY 2018	Q3 SFY 2018	Q4 SFY 2018	Q1 SFY 2019	Q2 SFY 2019
— ARKids A	324,560	324,772	324,919	319,984	301,079
— ARKids B	48,624	49,924	49,626	51,781	53,452
— Other Traditional Medicaid	309,677	312,289	313,174	318,081	307,726
— ARWorks	302,655	293,991	284,031	266,091	247,374
Total	985,516	980,976	971,750	955,937	909,631

**Note(s):** This point-in-time report was run on Jan. 15, 2019. Enrollment is counted on the last day of each month. Traditional Medicaid Enrollment includes retro-active eligibility for each month. As a result, Traditional Medicaid Enrollment totals will vary from previous Scorecards. ARWorks enrollment numbers DO NOT include retro-active eligibility for each month and as a result do not change Scorecard to Scorecard.

# Medicaid Member Months by Quarter

SFY 2018-19

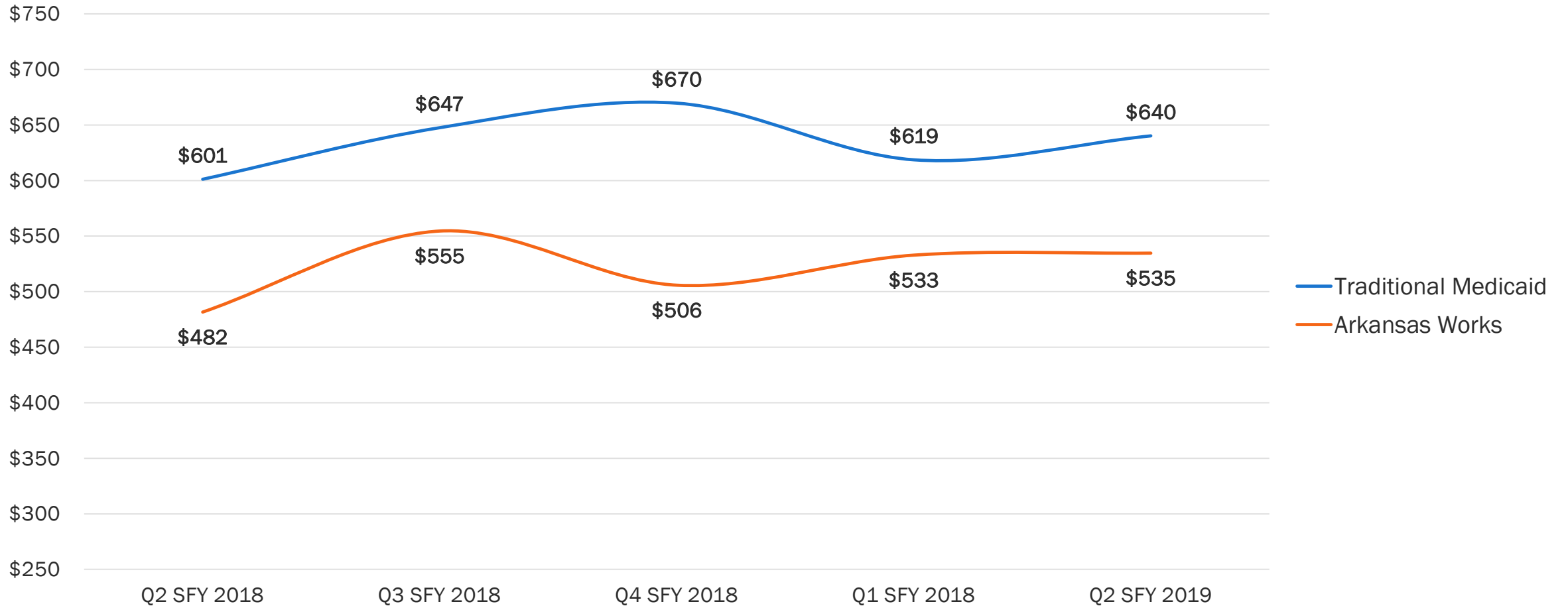


	Q2 SFY 2018	Q3 SFY 2018	Q4 SFY 2018	Q1 SFY 2019	Q2 SFY 2019
AR Kids A	978,258	973,963	977,797	966,480	935,353
AR Kids B	142,812	148,454	146,378	152,980	159,760
Other Traditional Medicaid	930,992	934,692	939,456	950,858	943,935
ARWorks	949,510	914,221	892,027	845,677	779,361
Total	3,001,572	2,971,330	2,955,658	2,915,995	2,818,409

**Note(s):** This point-in-time report was run on Jan. 15, 2019. Enrollment is counted on the last day of each month and includes retro-active eligibility for each month. As a result, these totals will vary from previous Scorecards.

# Medicaid Quarterly Per Member Per Month (PMPM)

SFY 2018-19



**Note(s):** This point-in-time report was run on Jan. 15, 2019. Enrollment is counted on the last day of each month and includes retro-active eligibility for each month. As a result, these totals will vary from previous Scorecards.

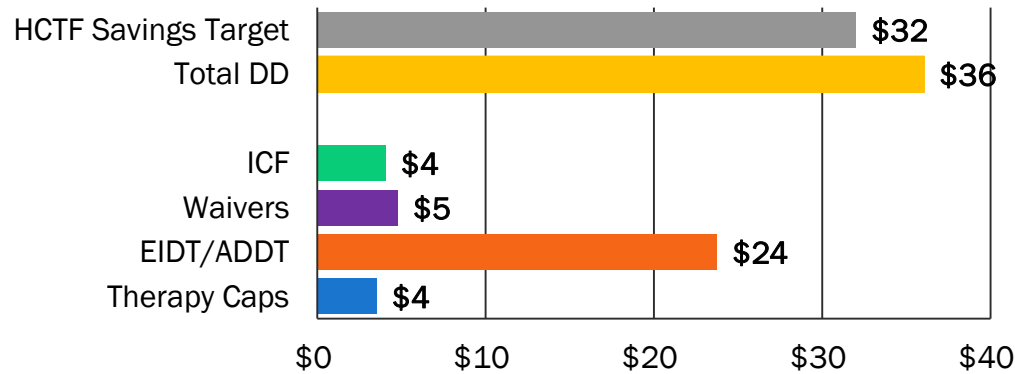
# SECTION III: PROGRAM SCORECARDS



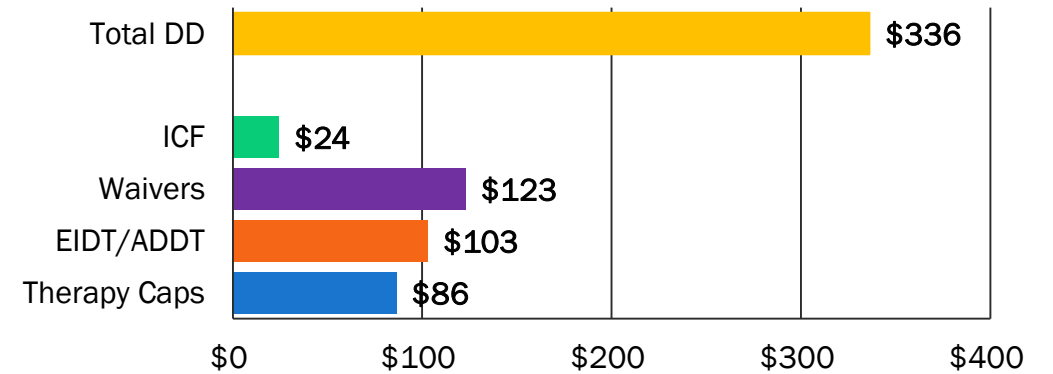
# Developmentally Disabled (DD)

## SFY 2018-19: Quarterly Scorecard

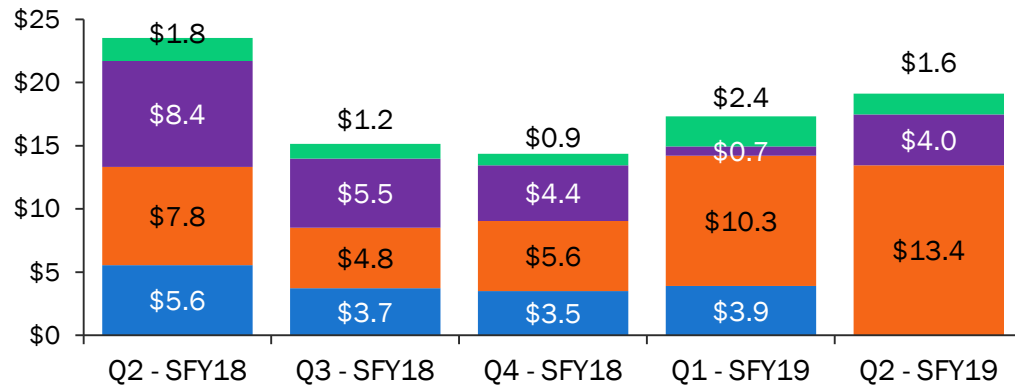
SFY 2019 Savings to Date (\$M)



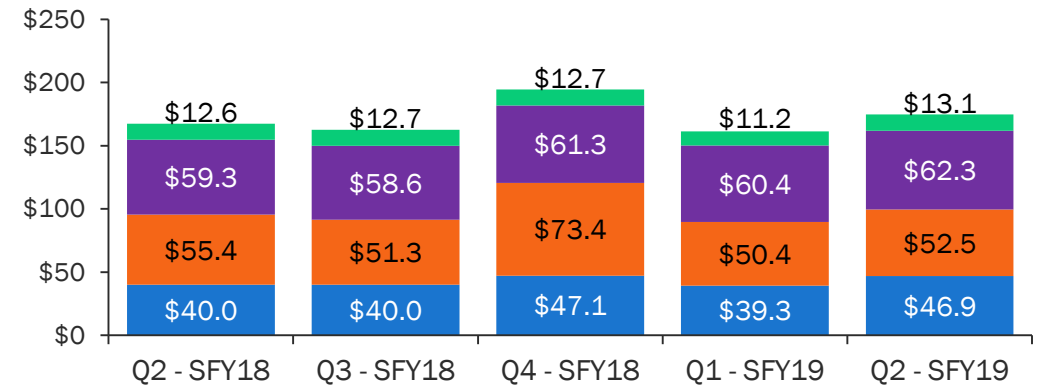
SFY 2019 Spending to Date (\$M)



Savings per Quarter (\$M)



Spending per Quarter (\$M)

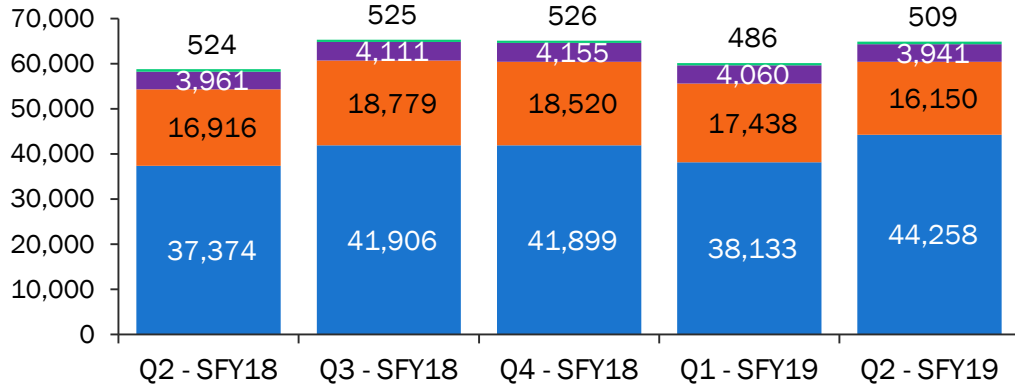


Note(s): EIDT/ADDT was formerly called CHMS/DDTCS in last year's Scorecard

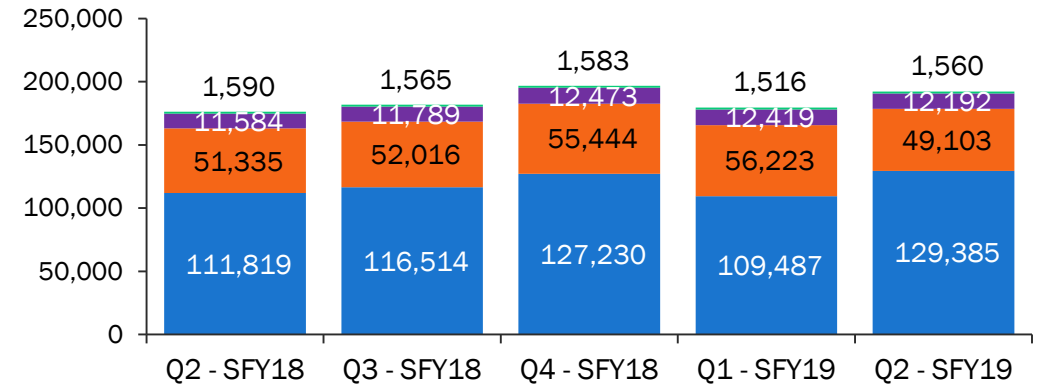
# Developmentally Disabled (DD)

## SFY 2018-19: Quarterly Scorecard

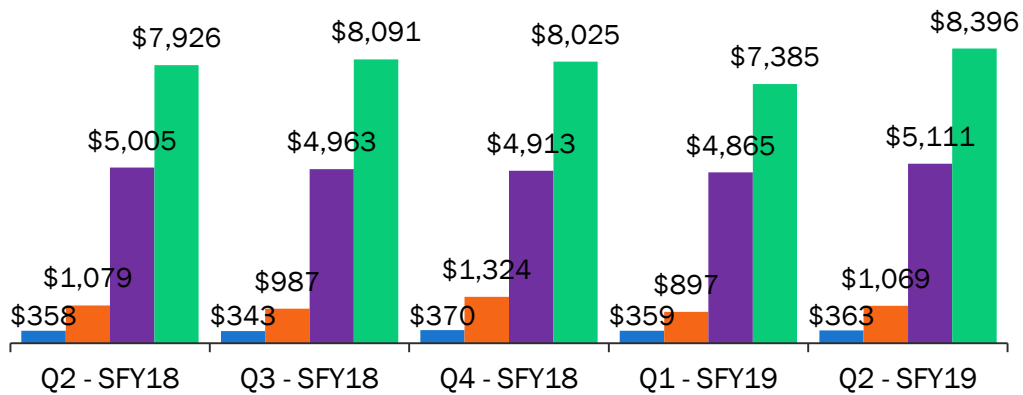
### Recipients per Quarter



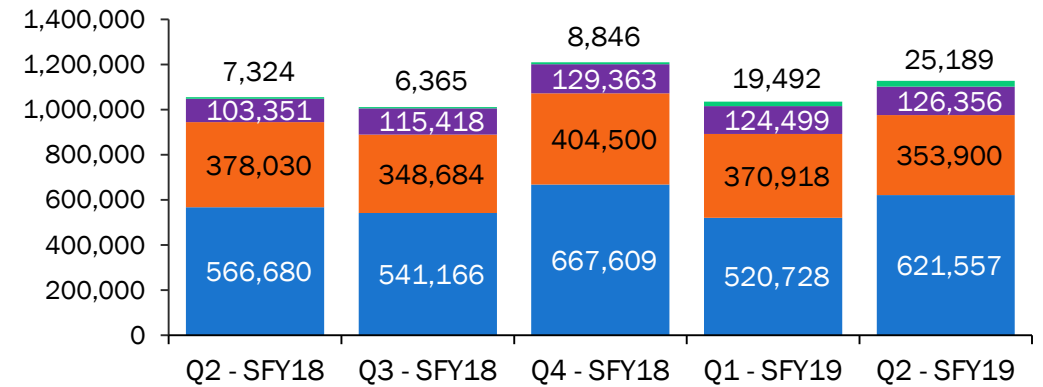
### Member Months per Quarter



### PMPM per Quarter



### Claims per Quarter

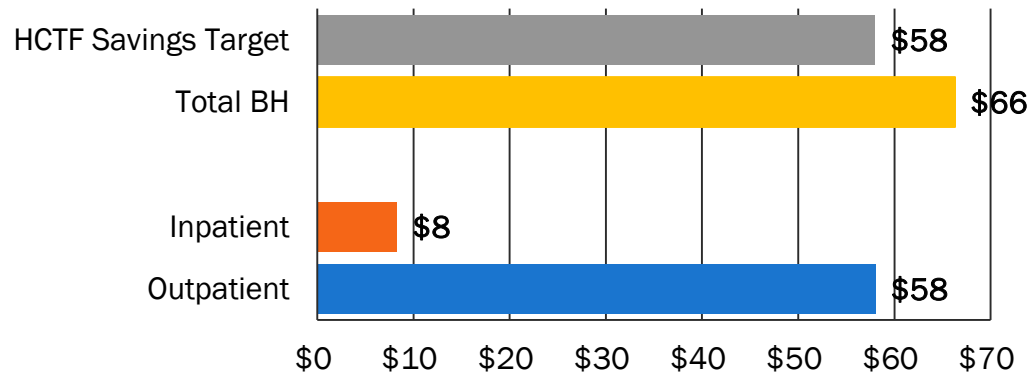


Note(s): EIDT/ADDT was formerly called CHMS/DDTCS in last year's Scorecard

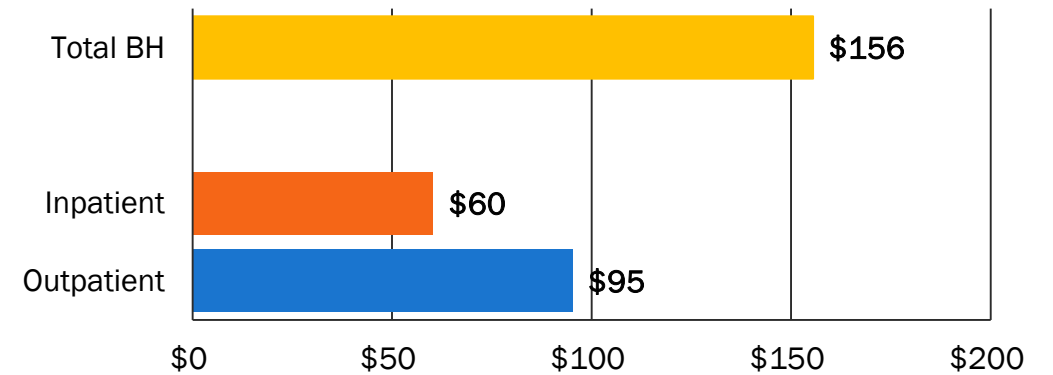
# Behavioral Health (BH)

## SFY 2018-19: Quarterly Scorecard

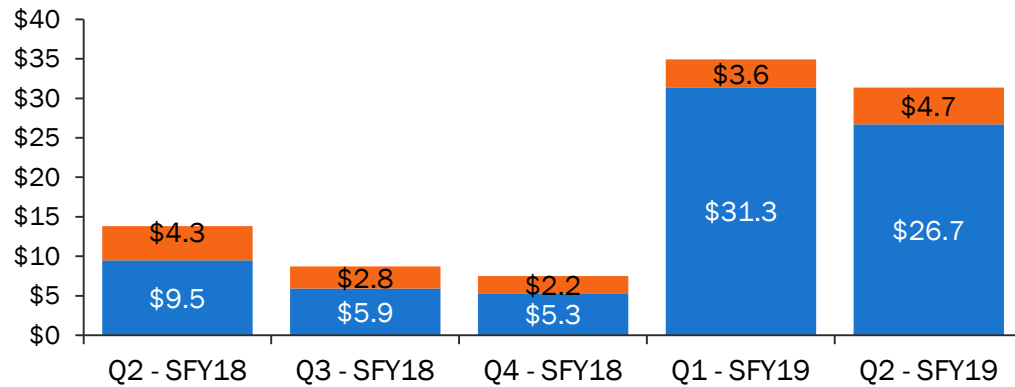
SFY 2019 Savings to Date (\$M)



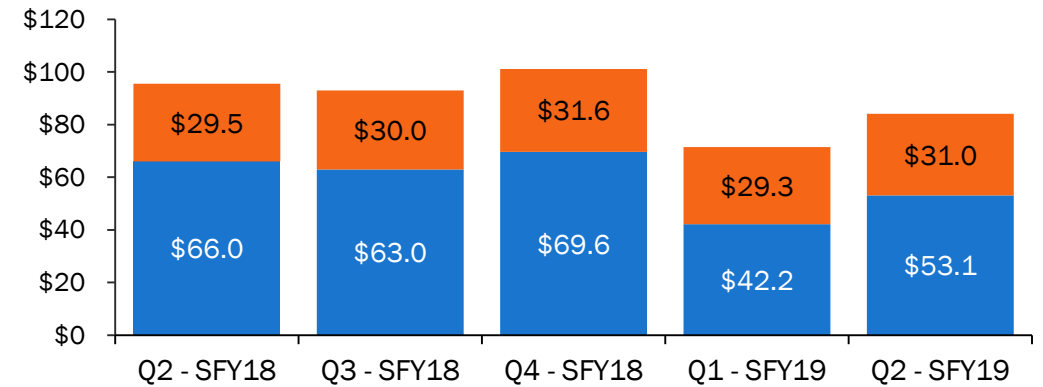
SFY 2019 Spending to Date (\$M)



Savings per Quarter (\$M)



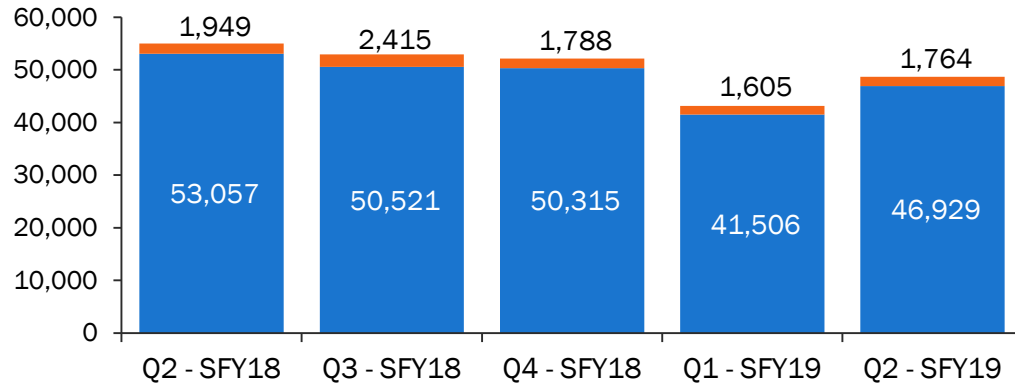
Spending per Quarter (\$M)



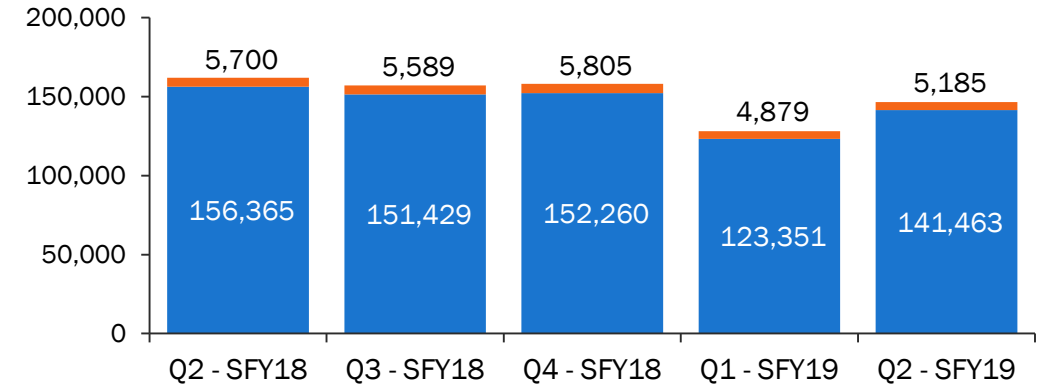
# Behavioral Health (BH)

## SFY 2018-19: Quarterly Scorecard

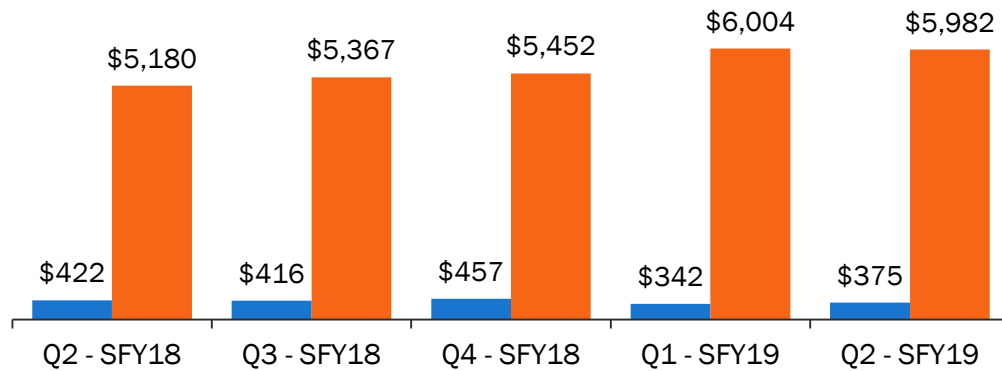
### Recipients per Quarter



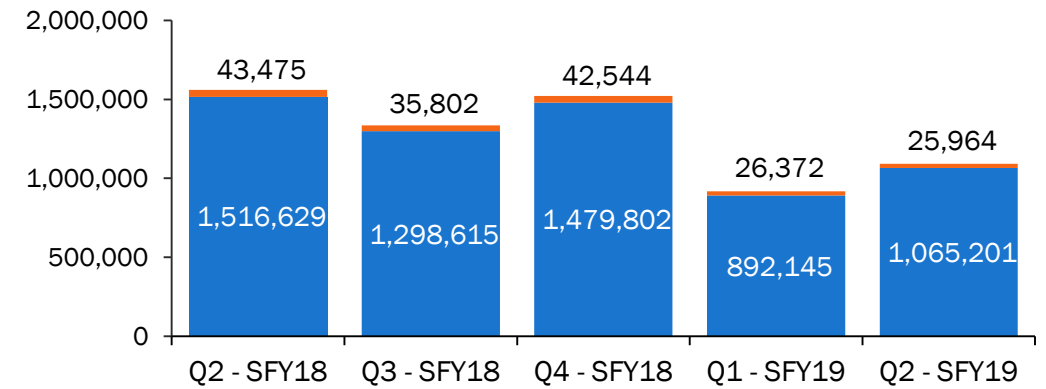
### Member Months per Quarter



### PMPM per Quarter



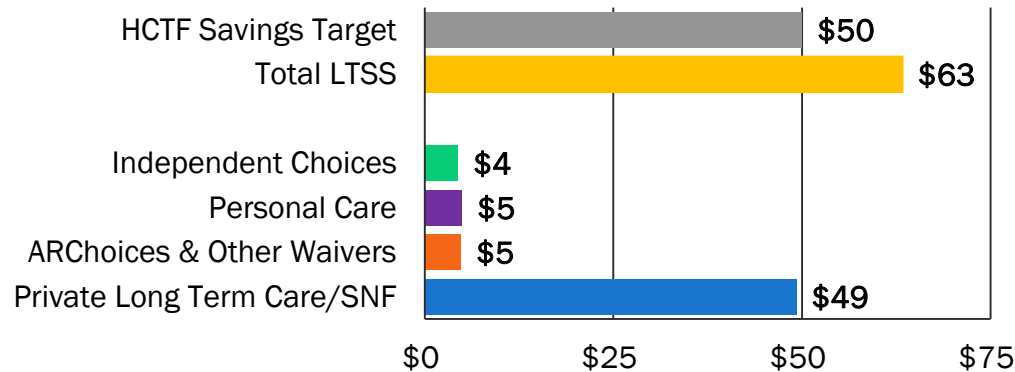
### Claims per Quarter



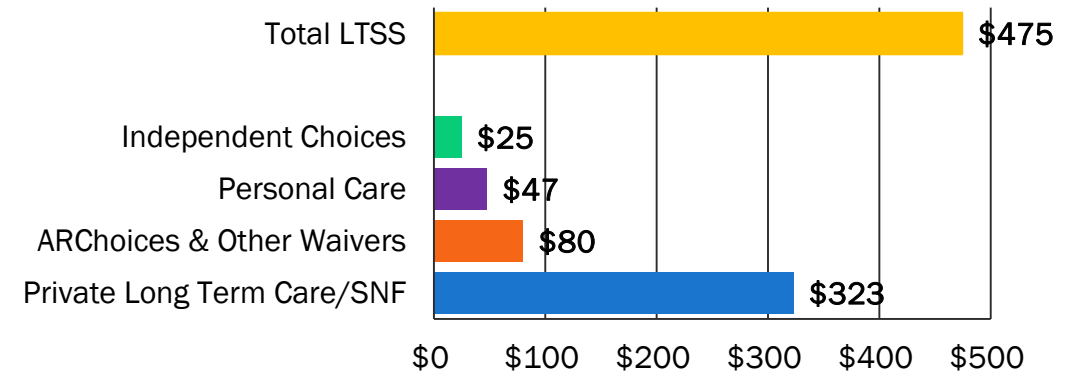
# Long Term Services & Supports (LTSS)

## SFY 2018-19: Quarterly Scorecard

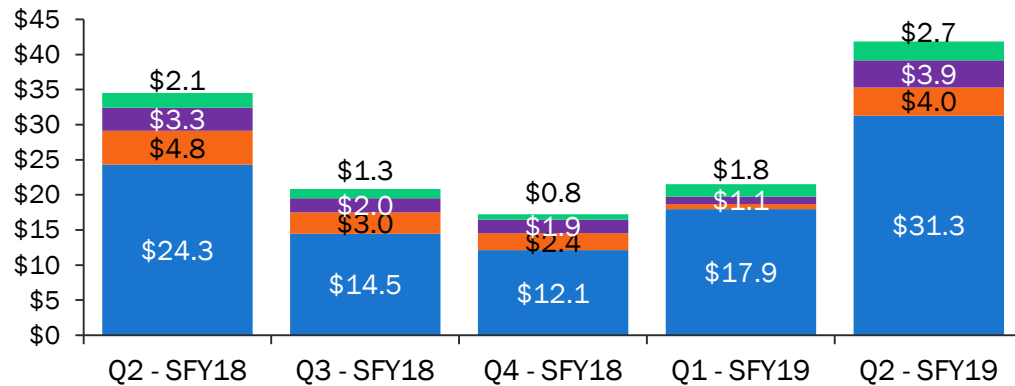
### SFY 2019 Savings to Date (\$M)



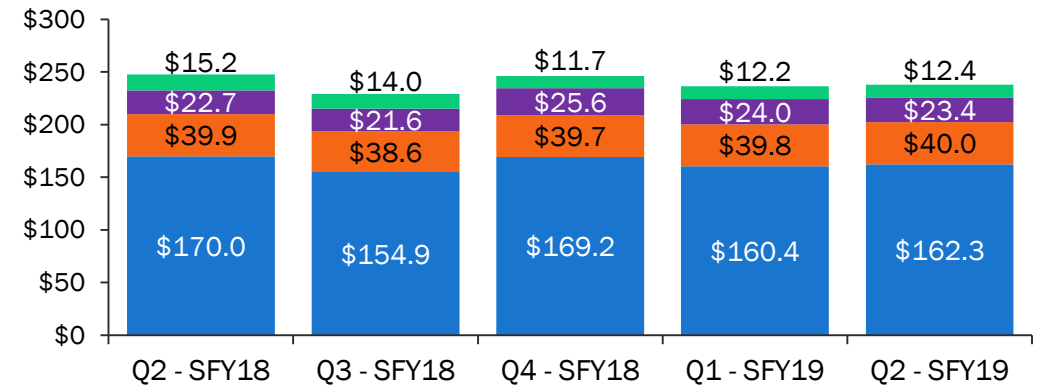
### SFY 2019 Spending to Date (\$M)



### Savings per Quarter (\$M)



### Spending per Quarter (\$M)

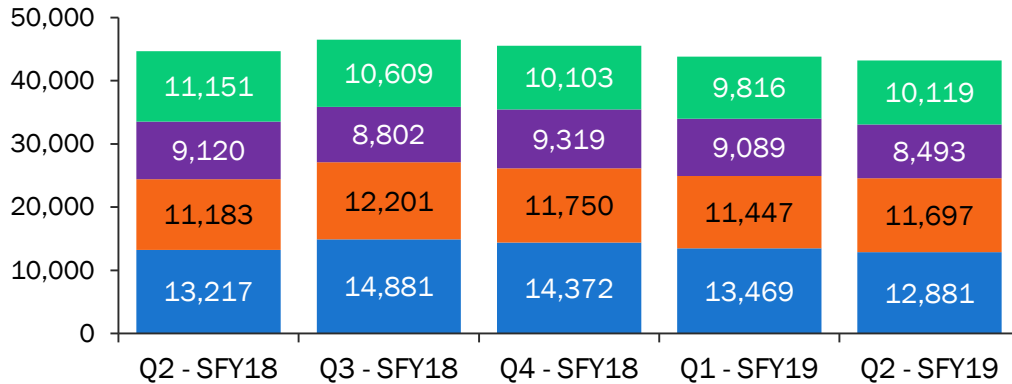


Note(s): During Q3 – SFY18, enrollment of new beneficiaries in ARChoices was frozen due to litigation. Regular enrollment of new beneficiaries did not resume until Q2 – SFY19.

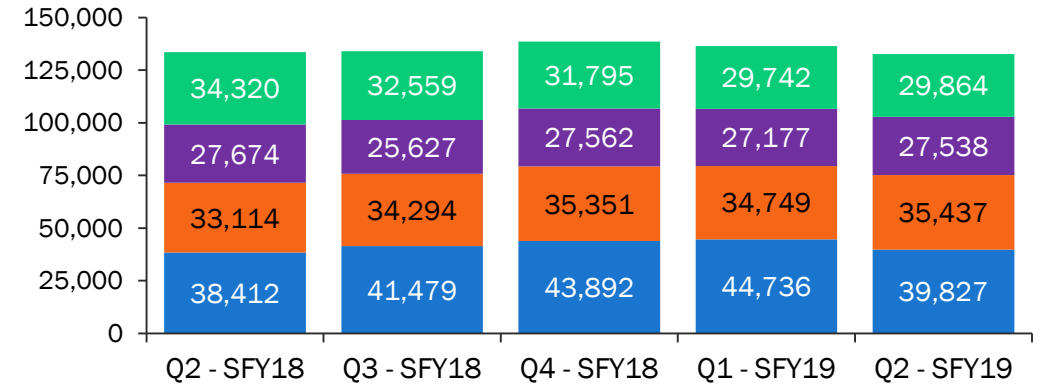
# Long Term Services & Supports (LTSS)

## SFY 2018-19: Quarterly Scorecard

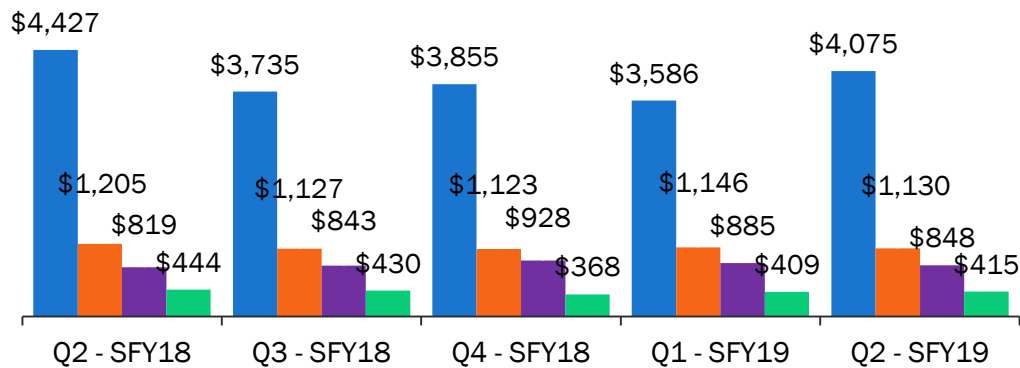
### Recipients per Quarter



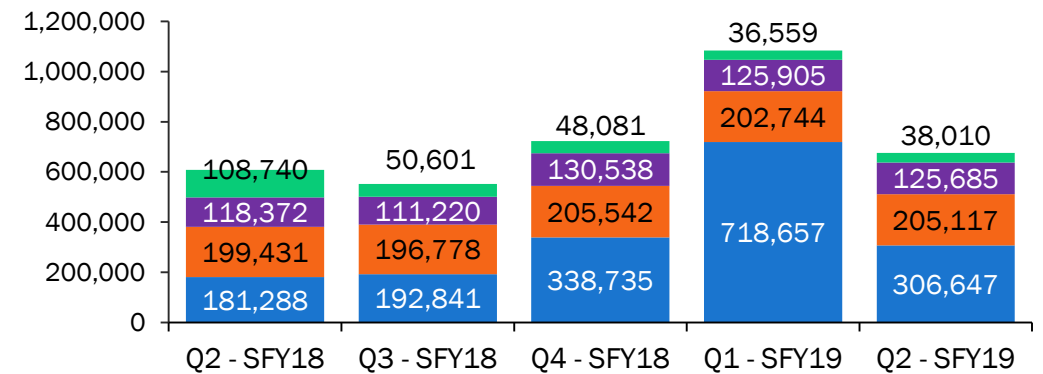
### Member Months per Quarter



### PMPM per Quarter



### Claims per Quarter



- Note(s):**
- (1) During Q3 – SFY18, enrollment of new beneficiaries in ARChoices was frozen due to litigation. Regular enrollment of new beneficiaries did not resume until Q2 – SFY19.
  - (2) The increase in Private Long Term Care/SNF claims in Q1 – SFY19 is due to a mass adjustment of rates for those services

# Pharmacy

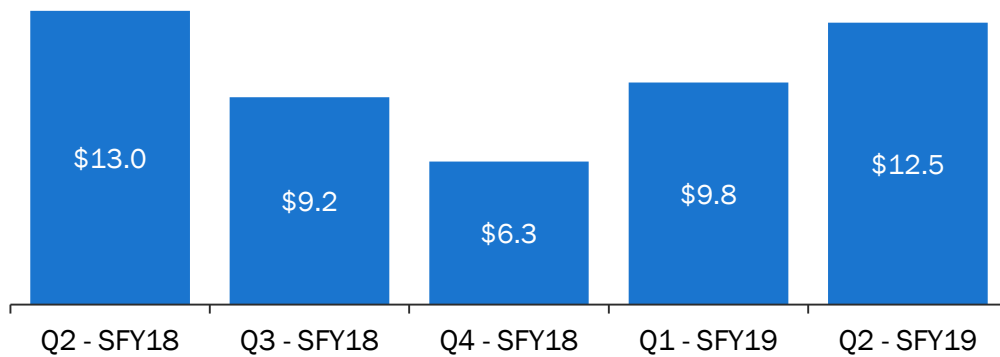
## SFY 2018-19: Quarterly Scorecard

SFY 2019 (\$M)

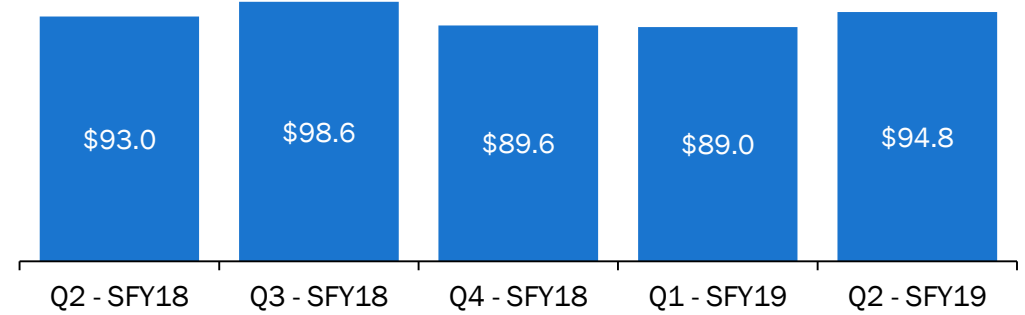


Note(s): Bar Charts not to scale

Savings per Quarter (\$M)



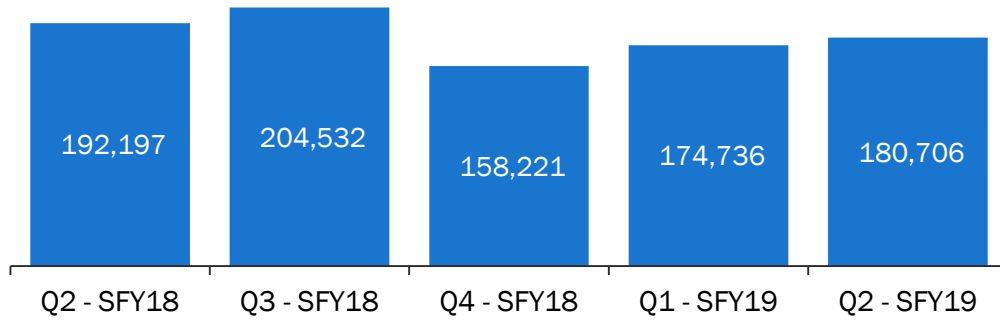
Spending per Quarter (\$M)



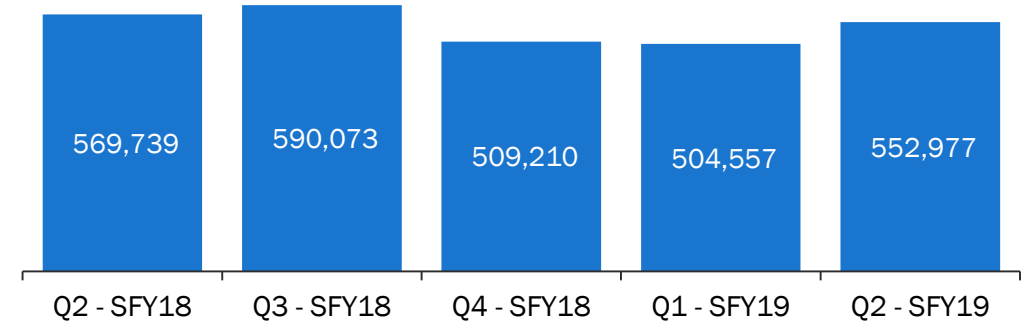
# Pharmacy

## SFY 2018-19: Quarterly Scorecard

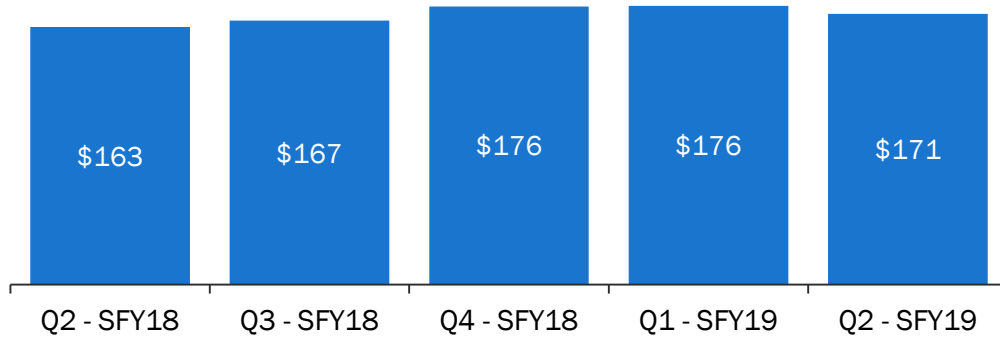
### Recipients per Quarter



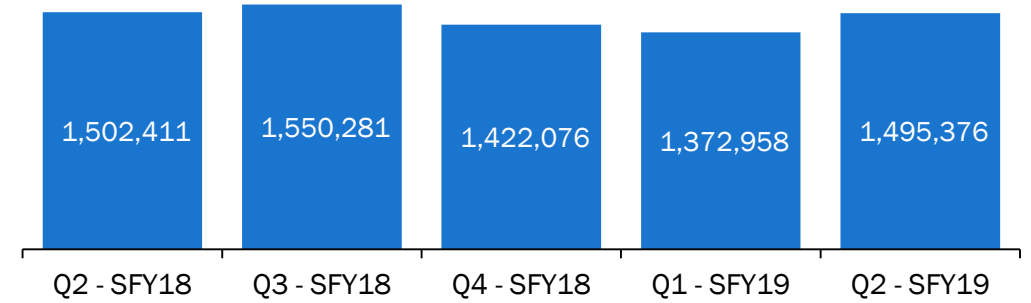
### Member Months per Quarter



### PMPM per Quarter



### Claims per Quarter

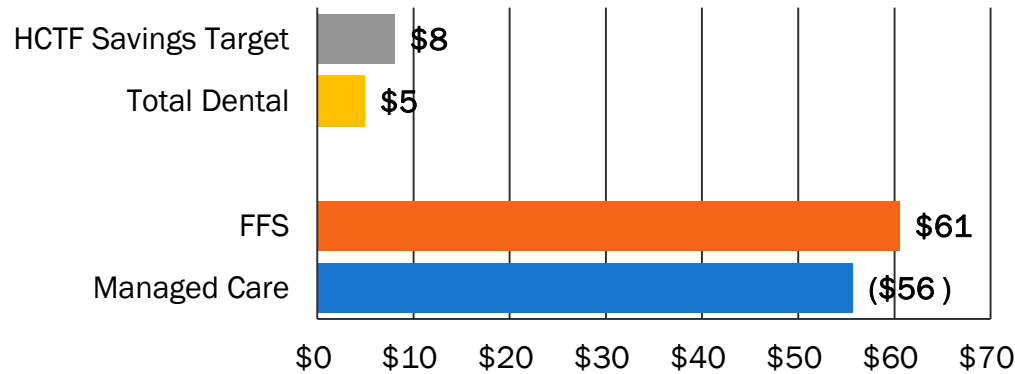




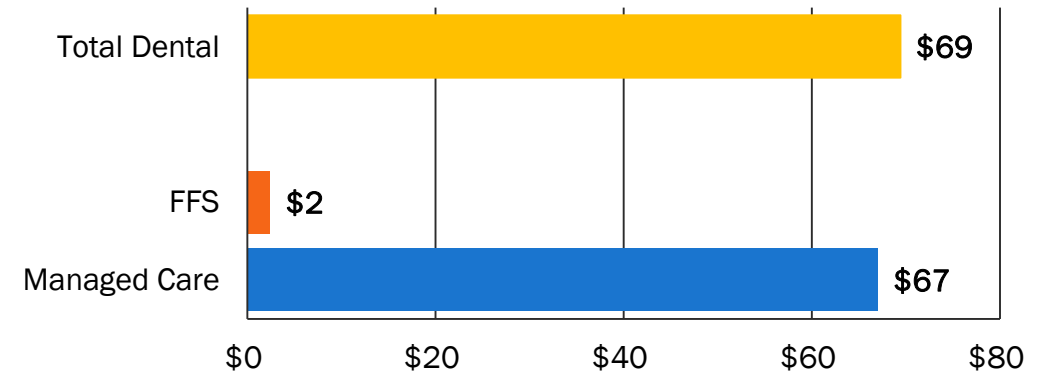
# Dental

## SFY 2018-19: Quarterly Scorecard

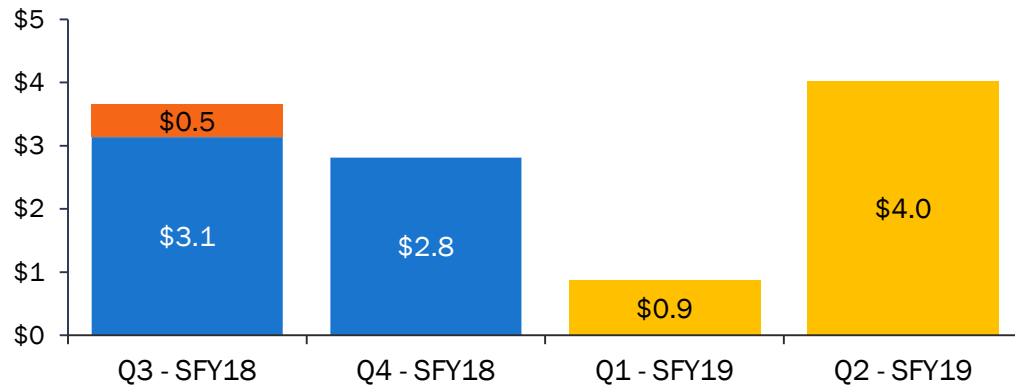
SFY 2019 Savings to Date (\$M)



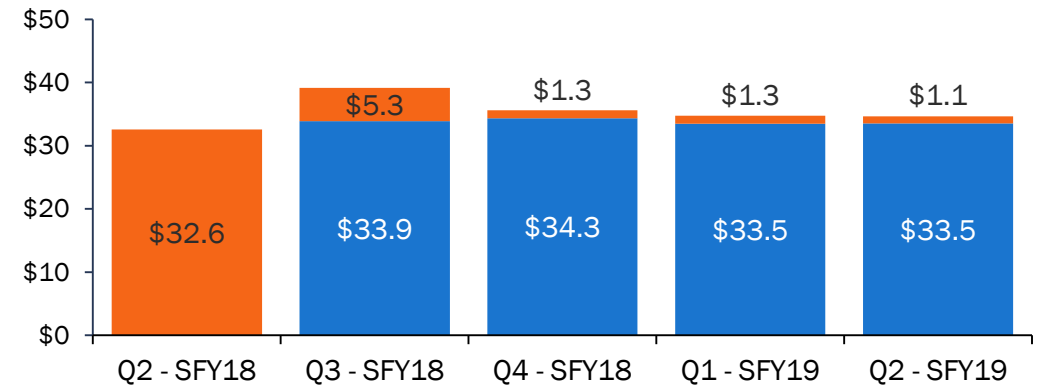
SFY 2019 Spending to Date (\$M)



Savings per Quarter (\$M)



Spending per Quarter (\$M)

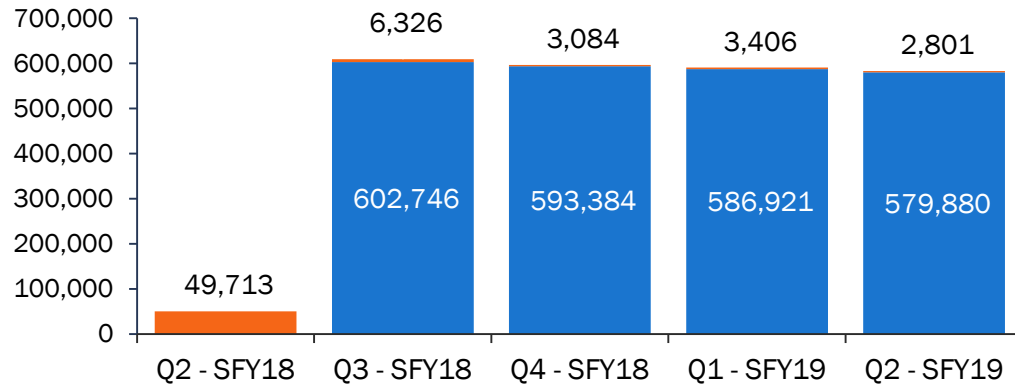


**Note(s):** In SFY19, Managed Care overshot its HCTF savings target by \$28M in both Q1 & Q2. Fee-for-Service had savings of \$29M and \$32M in Q1 and Q2 respectively. Therefore, Dental had a net savings of \$1M for Q1 - SFY19 and \$4M in Q2 - SFY19. See pg. 42 of appendix for more details.

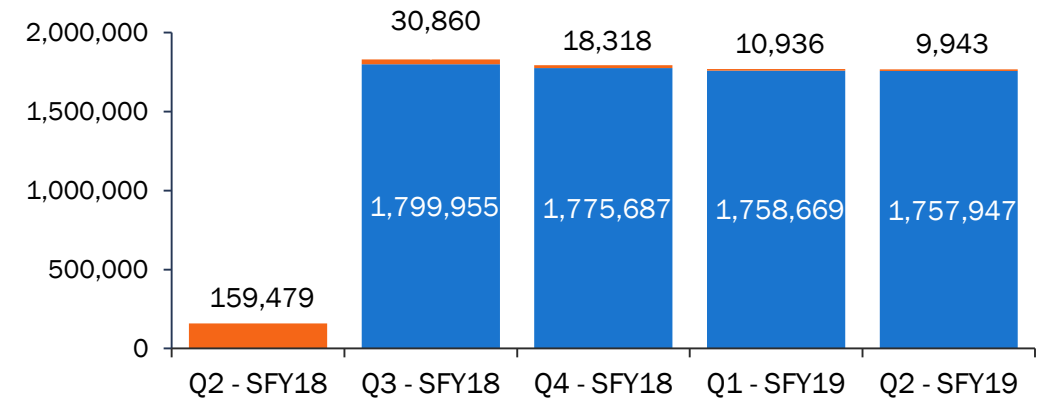
# Dental

## SFY 2018-19: Quarterly Scorecard

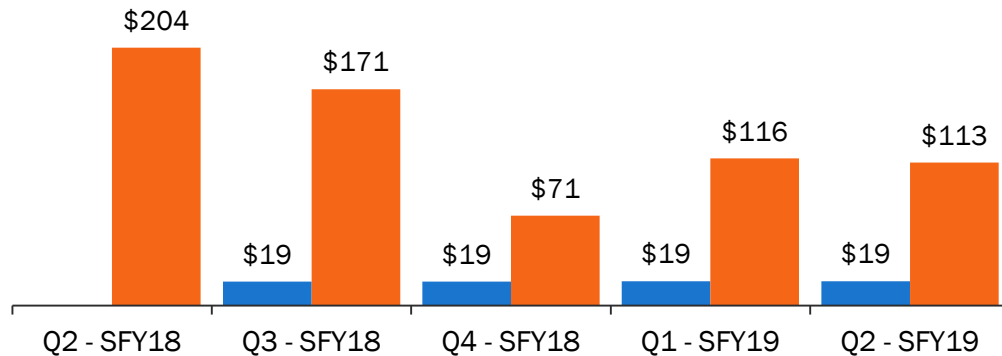
### Recipients per Quarter



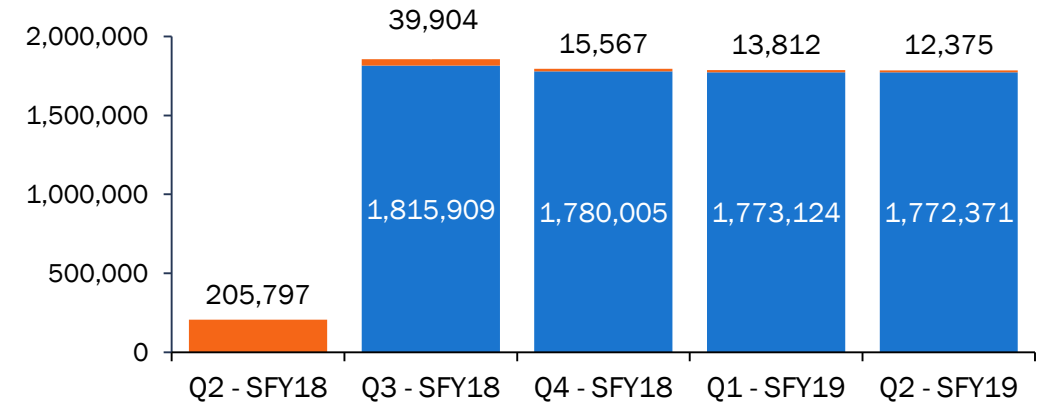
### Member Months per Quarter



### PMPM per Quarter



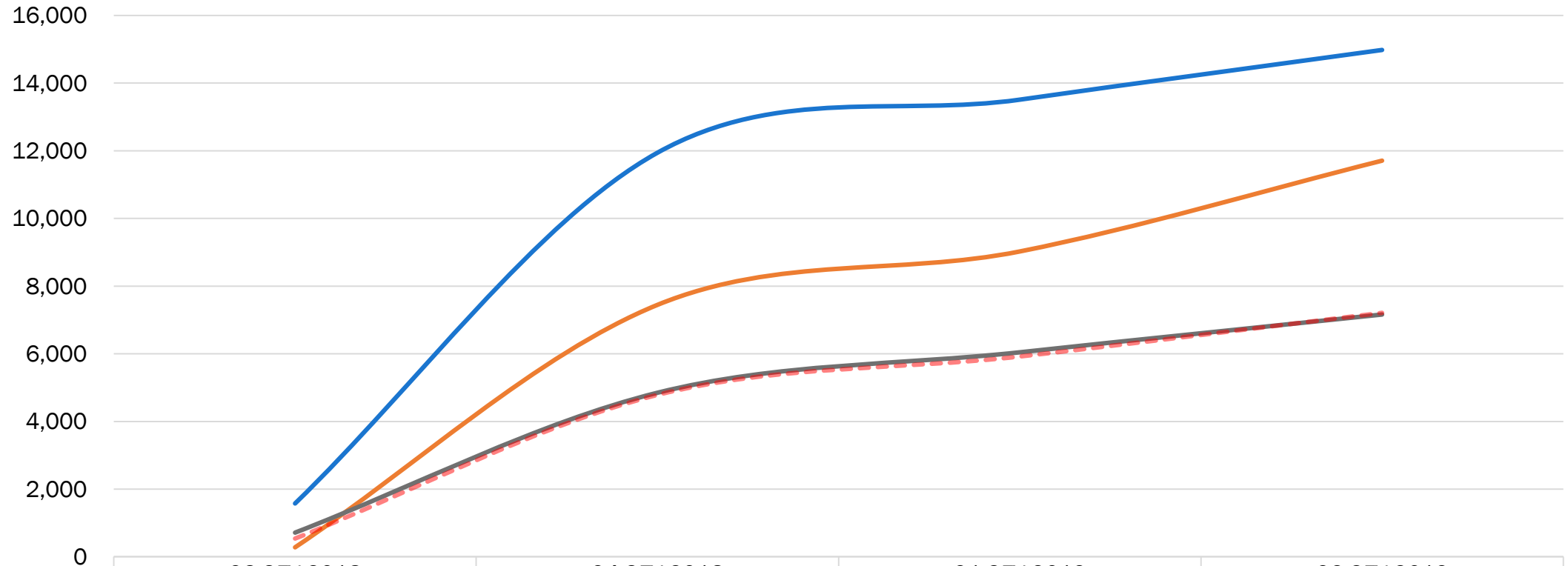
### Claims per Quarter



# SECTION IV: PROVIDER-LED (PASSE) PROGRAM REPORT

# Provider-Lead (PASSE) Enrollment by Quarter

SFY 2018-19

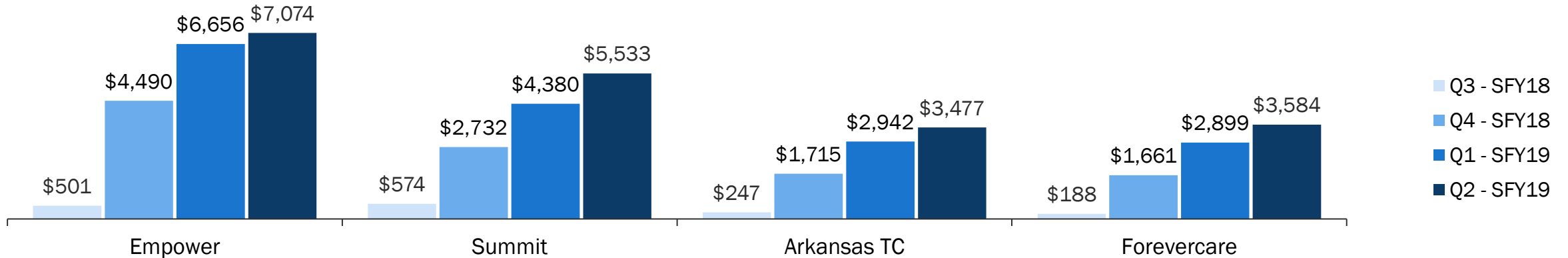


	Q3 SFY 2018	Q4 SFY 2018	Q1 SFY 2019	Q2 SFY 2019
Empower	1,572	11,944	13,514	14,984
Summit	281	7,447	9,026	11,710
Arkansas TC	712	4,849	6,046	7,163
Forevercare	539	4,784	5,919	7,209
Total	3,104	29,024	34,505	41,066

# Provider-Lead (PASSE)

## SFY 2018-19: Quarterly Scorecard

Quarterly Spending by PASSE (\$000)



Member Months by Quarter

	Q3 SFY 2018	Q4 SFY 2018	Q1 SFY 2019	Q2 SFY 2019
Empower	2,652	25,041	39,461	46,666
Summit	281	15,028	25,296	33,625
Arkansas TC	1,337	9,429	16,790	21,622
Forevercare	1,020	9,072	16,383	21,403

PMPM by Quarter

	Q3 SFY 2018	Q4 SFY 2018	Q1 SFY 2019	Q2 SFY 2019
Empower	\$189.08	\$179.32	\$168.67	\$152.25
Summit	\$204.30	\$181.78	\$173.13	\$164.51
Arkansas TC	\$185.05	\$181.91	\$175.22	\$160.79
Forevercare	\$184.72	\$183.14	\$176.97	\$167.44