Fiscal and Operations Division
Tina Kotek, Governor

Oregon Health Authority

421 SW Oak Street
Portland, OR 97204

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From: Dave Baden, Interim CFO

To: Senate Health Care Committee

Subject: Risk Adjusted Rates of Growth for 2023

Senate Bill 1041 (2019) requires OHA to publish annually a **risk-adjusted rate of growth** measurement (RAROG) for each Coordinated Care Organization (CCO). The purpose of publishing RAROG is to hold CCOs accountable and to understand statewide spending. Following is a summary of the results for 2023, along with an outline of how results are calculated. In addition, OHA also posts all the detailed CCO financial reports on this website: https://www.oregon.gov/oha/FOD/Pages/CCO-Financial.aspx.

What Is risk-adjusted rate of growth?
Rate of growth measurements look at changes in *CCO spending*[1]. CCO spending is considered in setting capitation rates in future years, so a restrained rate of growth helps meet statewide goals on medical spending.

Risk adjustment means changing the rate of growth measurement to account for changes in the health risk of CCOs' membership. Health risk is measured by diagnosis and prescription drug data that indicate the presence of medical conditions. Risk adjustment can be helpful because CCO membership changes each year and adjusting for the changes in membership allows RAROG to focus on underlying cost growth.

While Oregon's Cost Growth Target program also measures CCO spending, the methodology and included expenditures are different from the risk-adjusted rate of growth methodology. The Cost Growth Target program measures total health care expenditures at the CCO level.[2]

RAROG results for 2023
The following table shows each CCO's rate of growth, comparing calendar year 2023 to 2022. The Unadjusted column shows the rate of growth without accounting for the health risk associated with that CCO's membership. The Risk-Adjusted column, however, shows the rate of growth considering the changes in health risk of that CCO's population.

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[1] CCO capitation rates also change from year to year, but those capitation rates represent *OHA spending on CCOs*, or equivalently, *CCO revenue*.
[2] The Cost Growth Target methodology and included expenditures are described in detail in the specification manual: https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/CGT-2-Data-Specification-Manual.pdf

CCO	**Unadjusted** Rate of Growth 2022-2023	**Risk-Adjusted** Rate of Growth 2022-2023	**Annualized** RAROG 2020-2023
Advanced Health, LLC	-2.5%	-3.8%	3.0%
AllCare CCO	16.8%	14.4%	6.4%
Cascade Health Alliance, LLC	9.0%	12.4%	0.6%
Columbia Pacific CCO, LLC	19.8%	18.1%	6.3%
Eastern Oregon Coordinated Care Org., LLC	6.4%	6.8%	6.6%
Health Share of Oregon	7.5%	7.4%	6.0%
InterCommunity Health Network, Inc.	7.5%	6.5%	3.9%
Jackson County CCO, LLC	15.1%	14.6%	6.5%
PacificSource Community Solutions (Central)	9.7%	8.3%	4.2%
PacificSource Community Solutions (Gorge)	4.7%	5.5%	6.9%
PacificSource Community Solutions (Lane)	10.0%	9.1%	4.6%
PacificSource Community Solutions (Marion Polk)	8.4%	6.6%	4.0%
Trillium Community Health Plan, Inc. (Southwest)	18.9%	16.7%	4.7%
Trillium Community Health Plan, Inc. (Tri-County)	14.2%	12.3%	10.5%*
Umpqua Health Alliance	15.9%	14.3%	6.7%
Yamhill Community Care	10.9%	9.4%	7.2%
Statewide Weighted Average	**9.5%**	**8.7%**	**5.4%**

** Only two years of data available*

The statewide weighted averages above show an unadjusted growth rate of 9.5%. After risk-adjusting the growth decreases to 8.7%. Contrary to the last two years of RAROG measurement, the application of risk-adjustment resulted in the statewide rate of growth decreasing as would be expected when adjusting for health status of a gradually aging population. The redetermination process which occurred during 2023 is a likely reason why the trend has reversed in this measurement period. During the COVID public health emergency from 2020-2022, CCO membership continued to expand due to federal law that prevented members from disenrolling which meant that healthy members remained who typically would have disenrolled. The moderate disenrollment of these healthier members resulted in a more typical downward adjustment as seen prior to the PHE.

The resulting 8.7% statewide average is also impacted by program changes, as discussed below. Removing the impact of significant program changes would reduce the statewide risk-adjusted rate of spending growth.

Individual CCO rates of growth can be influenced by many factors. Even after risk adjustment, individual CCO RAROGs can be unusually high or low in a single year and may reflect factors such as changes to local hospital pricing or large individual claims. The final column in the table above shows an average RAROG over the past three years.

Program changes

Some of the increase in spending growth shown above is due to changes in the Medicaid program. These policy changes are decided by OHA or the state legislature but impact the CCOs.

In 2023, behavioral health directed payments were implemented which increased Medicaid behavioral health reimbursement rates by 30% for Medicaid-dominant providers. The resulting impact on the rate of growth was heavily driven by behavioral health (29.1% increase), whereas other lines such as physical health (4.9% increase), dental (2.8%), and maternity (6.5%) saw growth rates closer to Oregon's growth targets.

Also in 2023, CCO payments to DRG hospitals were benchmarked to a policy of 85% of Medicare while in 2022 DRG reimbursement rates were benchmarked to 80% of Medicare. An estimated increase to rates of 0.8% was built into the CY23 CCO rates and a similar impact is likely seen in the RAROG. However, the 0.8% impact is only an estimate and actual contracting impacts may have differed.

Methodology

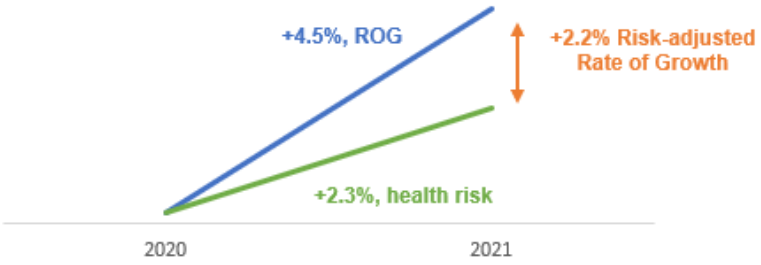
To calculate risk-adjusted rates of growth, OHA analyzes CCOs' spending reports[3], and applies a risk adjustment methodology to physical and behavioral health spending for members in specific eligibility categories[4]. Secondly, OHA adds non-risk adjusted spending categories and other components. The result of these calculations is the total risk adjusted per member per month cost in a base year. After calculating PMPMs for consecutive calendar years, the results are compared to determine the RAROG.

Risk Adjusted Spending: Physical and behavioral health spending for most Medicaid	+	*Other Spending, not adjusted:* Non-risk adj'd members Dental and maternity Incentive payments	=	Total Risk Adjusted Per Member Per Month spending (PMPM)

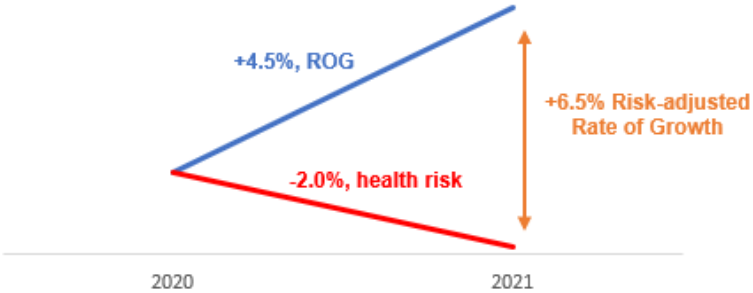
Relation between rates of growth and risk scores

A CCO's rate of growth may be impacted and explained by growth in acuity, or health risk, in their population, such as more members with chronic disease in one year than the other. Following are two examples of the same growth (unadjusted) and the resulting impact to the risk-adjusted rate of growth if the health risk increased or decreased.

CCO with increasing health risk have lower risk-adjusted rate of growth after risk change is included



CCO with decreasing health risk have higher risk-adjusted rate of growth after risk change is included



[3] CCOs submit financial data to OHA on a quarterly basis. These reports contain CCO spending patterns.
[4] Some eligibility categories are not risk adjusted: pregnant women, infants, foster children, breast and cervical cancer patients, and Medicare-eligible members.