FORECASTING 101

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES (DMAS)
Agenda

- Forecasting 101
- National Context
- Why does the Forecast matter?
- Virginia Consensus Forecast
- The Forecast in Five Steps
- Improvements to the Forecast
Forecasting 101

Forecasting can be done throughout the year for a variety of purposes, contracts, cost estimates, and year end tracking.

**forecast** [fawr-kast, -kahst, fohr-]  
: to calculate or predict (some future event or condition) usually as a result of study and analysis of available pertinent data

*Source: Merriam-Webster dictionary*
National Context

Total National Health Expenditures (US, $ Billions)

1970-2017

- **Source:** Kaiser Family Foundation analysis of National Health Expenditure (NHE) data • Get the data • PNG

<table>
<thead>
<tr>
<th>Category</th>
<th>Medicaid</th>
<th>Medicare</th>
<th>Private Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>4.3% per year</td>
<td>2.8% per year</td>
<td>&lt; 1% per year</td>
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<tr>
<td>Spending per Enrollee</td>
<td>1.6% per year</td>
<td>2.4% per year</td>
<td>4.4% per year</td>
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</table>

Source: Robert Wood Johnson Foundation: “Slow Growth in Medicare and Medicaid Spending Per Enrollee Has Implications for Policy Debates”, February 11, 2019
Why Does the Forecast Matter?

- Provide the Commonwealth with the best possible picture of future medical needs to support the Medicaid program.
- Plan the funding necessary to support Medicaid program medical costs.
- Identify cost drivers so that policy and decision makers can address any issues that arise.
Virginia Consensus Forecast

• What is it?
  ▪ Expected Medical expenditures—*not Administrative*—for the rest of the **current** fiscal year plus the **following two** fiscal years
  ▪ Identifies costs for the Medicaid program as it exists today
Virginia Consensus Forecast

• **Who is it for?**

  - Governor of Virginia
  - Federal Reporting
  - House Appropriations Committee
  - Senate Finance Committee
  - Other Stakeholders
The Forecast in Five Steps

Step 1: Gather data
Late July to Early August

Step 2: DMAS and DPB
Develop Statistical Forecasts
Sept to Early Oct

Step 3: DMAS and DPB
Develop Consensus Forecast
Early to Mid October

Step 4: Complete Forecast
Mid to Late October

Step 5: Communicate Forecast Results
Mid to Late October
STEP 1: GATHER THE DATA
Step 1: Gather the Data
Step 1: Gather the Data

- What is a claim?
  - Must have all these elements

![Health Insurance Claim Form](image)
Step 1: Gather the Data

- **Managed Care (11)**
  - Medallion Series:
    - Adults
    - Children
    - Adoptive Assistance
    - Foster Care
  - CCC+ Series:
    - Developmentally Disabled
    - Nursing Home Eligible
    - Community
    - Technology benefit

- **Fee For Service (85)**
  - Inpatient Hospital
  - Outpatient Hospital
  - Physician/Practitioner
  - Clinic
  - Pharmacy
  - Medicare Premiums
  - Nursing Facilities
  - Personal Care
  - Community Waiver
  - Waiver Support
  - Behavioral Health, Early Intervention, and others
  - Other
1) What is the first step in the DMAS Forecast process? Gather data (data book)

2) What is the trajectory for health care spending nationally? 🔼
STEP 2: DEVELOP STATISTICAL FORECASTS
Step 2: DMAS/ DPB Develop Statistical Forecasts

- Expenditures = (Units \times \text{Cost per unit}) + \text{Non-claims based payments, or addpays}

<table>
<thead>
<tr>
<th># Units</th>
<th>Cost Per Unit</th>
<th>Addpays</th>
<th>Expenditures</th>
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<tr>
<td>10</td>
<td>$90</td>
<td>$100</td>
<td>$1,000</td>
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<tr>
<td>20</td>
<td>$100</td>
<td>$20</td>
<td>$2,020</td>
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- DMAS sends the previous year’s data to DPB
STEP 3: DEVELOP CONSENSUS FORECAST
Step 3: Develop the Consensus Forecast

- DMAS and DPB compare results, discuss differences and identify necessary revisions

- Once all revisions are completed, the two independent forecasts are averaged

DMAS forecast → Consensus forecast → DPB forecast
STEP 4: COMPLETE THE FORECAST
DMAS makes other adjustments to reach total expenditures for forecast:

- **General Assembly (GA) Actions:** Program or policy changes such as new services and new populations (e.g., Medicaid Expansion)

- **Lump sum payments:** To Disproportionate Share Hospitals (DSH), graduate medical education (GME) hospitals, and intergovernmental transfers

- **Pharmacy rebates**

- **Managed Care (MC) rate change estimates**
Step 4: DMAS Completes Forecast

- Add it all up

**Consensus + GA Actions + MC Rate Changes**

- Compare to current appropriations
- Analyze the changes
STEP 5: ANNOUNCE FORECAST RESULTS
Step 5: DMAS Announces Forecast Results

- **OCT 15**: Presentation of preliminary assumptions to DPB and legislative budget staff
- **OCT 22**: Forecast presentation to DPB
- **OCT 25**: Forecast presentation to Governor’s office
- **NOV 1**: Forecast presentation to House Appropriations Committee Staff & Senate Finance Committee Staff
Improvements to the Forecast

• Milliman Rate Setting and Forecasting Review

Review Highlights

Continue
• Developing knowledgeable internal staff
• Education for internal and external stakeholders

Expand
• Monitoring of forecast variances
• Documentation of forecast process and assumptions

Start
• Performing forecast updates more than one per year
• Formalizing layers of internal review
• Being proactive in external communications

Ten recommendations included in report to improve the understanding, communication, and transparency of the forecast
Improvements to the Forecast

Best Practice Forecast Process

- Monitoring actual enrollments and expenditures
- Data collection and validation
- Forecast update
- Summarize key drivers and changes from prior forecast
- Share results with stakeholders
Improvements to the Forecast

• How do we get the **most value** out of every dollar invested in Medicaid?
Improvements to the Forecast

Sample “MOCK” dashboard only. Not actuals.
Improvements to the Forecast

Sample “MOCK” dashboard only. Not actuals.

Enrollment
## Improvements to the Forecast

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<th>DMAS Finance</th>
<th>DMAS Program</th>
<th>DMAS Leadership</th>
<th>Dept. of Planning &amp; Budget</th>
<th>Joint Legislative Audit &amp; Review Commission</th>
<th>Senate Finance &amp; House Appropriations</th>
<th>HHR &amp; Finance Secretariats</th>
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