



Office of Substance Abuse and Mental Health
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May 30, 2025

Senator Ben Gilmore, Senate Chair
Representative Les D. Eaves, House Chair
1 Capitol Mall, Fifth Floor
Little Rock, Arkansas 72201

Dear Senator Gilmore and Representative Eaves:

As directed by section 20-77-2707(e) of the Arkansas Code Annotated, I am reporting to the Arkansas Legislative Council concerning the data reporting required pursuant to this section.

Very respectfully,

Paula Stone
Director, Office of Substance Abuse and Mental Health

PASSE Quarterly Report – Calendar Quarter 1, January – March 2025

Report Requirements

Section 20-77-2707(e) of the Arkansas Code Annotated requires that the Arkansas Department of Human Services provide a quarterly report to the Legislative Council or Joint Budget Committee, if the General Assembly is in session, that includes the following information related to the risk-based provider organization, commonly referred to as the PASSEs¹:

- (1) Risk-based provider organization membership enrollment and distribution;
- (2) Patient experience data; and
- (3) Financial performance, including demonstrated savings.

Section 1: PASSE Overview

The PASSEs are highly regulated under federal managed care rules at 42 CFR 438, Arkansas statutes, the PASSE manual, and the PASSE agreement. These rules provide protections for beneficiaries including network adequacy for all services and performance standards. The PASSEs assumed full risk for the total cost of care for their members beginning March 2019. DHS pays the PASSEs a capitation rate for all services that is updated annually. Rates must be certified as actuarially sound and are reviewed by the Centers for Medicare & Medicaid Services (CMS).

The PASSE program coordinates health care services for beneficiaries with behavioral health diagnoses and intellectual and/or developmental disability diagnoses through care management entities implemented through 1915(i), 1915(b), and 1915(c) federal waivers. PASSE organizations are responsible for integrating physical health, behavioral health, and specialized developmental disability services for individuals who require intensive levels of treatment or care needs due to a serious mental illness, a serious emotional disturbance or an intellectual and/or developmental disability. The PASSE organizations are considered risk-based provider organizations. Each PASSE must maintain at least 51% ownership by enrolled Arkansas Medicaid providers.

Since the beginning of the program, Arkansas Medicaid has used a “risk corridor” each year which provides protection for the PASSEs against excess costs and shared savings between the PASSEs and the state. Since 2019, the state has “reclaimed” \$613 million in payments to the PASSEs to guarantee savings to the taxpayers.

¹ PASSE stands for Provider-Led Arkansas Shared Savings Entity.

The PASSEs are subject to the state premium tax of 2.5% on health insurance plans. Since 2019, the premium tax has generated a total of \$194 million which the state uses as a source of nonfederal matching funds and thus reduces the need for general fund revenues (See Table 2).

The PASSE rates include a monthly amount for care coordination. Care coordination is a vital service that helps ensure beneficiaries receive medically necessary services and home and community-based services (HCBS) on a timely basis. The state Medicaid program must ensure the health and safety of individuals living in the community. Savings are realized when beneficiaries are served in the most appropriate non-institutional setting to meet their needs. Costs to the program reflect the utilization of services as well as price.

Thus, the PASSE program has resulted in significantly lower costs in comparison to what projected Medicaid Fee-for-Service (FFS) expenditures would have been for these populations. Savings by quarter are provided in Section 3. The Department expects to establish a new five-year baseline in the near future.

Section 2: Eligibility and enrollment

The PASSE program includes Medicaid beneficiaries who meet at least one of the following criteria:

- Receives Community and Employment Support waiver services;
- Receives Medicaid State Plan services while on the Community and Employment Support waiver waitlist;
- Lives in a private Intermediate Care Facility for individuals with intellectual or developmental disabilities; or
- Has a behavioral health diagnosis and needs services in addition to counseling and medication management.

There are four PASSE organizations operating within the state: Arkansas Total Care; CareSource; Empower; and Summit. Currently, the PASSE program covers approximately 46,443 beneficiaries. The following demonstrates the enrollment and membership distribution of each PASSE:

	Arkansas Total Care	CareSource	Empower	Summit	Total
Enrollment	12,946	5,267	15,045	13,185	46,443

Patient Experience Data

The PASSE program goals include monitoring beneficiaries' health needs, keeping beneficiaries healthy, and helping beneficiaries reach goals as documented in the care plan. All services

must be delivered based on an individual person-centered service plan (“PCSP”). The PCSP must have measurable goals and specific objectives. These plans are unique to each individual beneficiary and are created by the beneficiary’s PASSE care coordinator in conjunction with the beneficiary, their caregivers, service providers, and other relevant professionals. Based on the importance of the PCSP, a beneficiary’s experience is measured, in part, by timeliness of the PCSP.

The following chart demonstrates the timeliness of the PCSPs for each PASSE as well as the member grievances for this quarter:

	Arkansas Total Care	CareSource	Empower	Summit	Total
PCSP Timeliness	91%	64%	97%	79%	83%
Grievances	6	3	21	22	52

Section 3: Financial Performance, including demonstrated savings

The PASSE program serves some of the highest-need individuals on Arkansas Medicaid with an intellectual or developmental disability, serious mental illness, or serious emotional disturbance behavioral health diagnoses. As such, the PASSE program has a goal of generating savings in the total cost of care by reducing the need for high-cost services like hospitalization, inpatient psychiatric stays, ambulance, etc.

The following Table 1 tracks savings due to PASSE cost avoidance compared to FFS baseline projections since SFY 2020:

Table 1: PASSE Cost Avoidance 2020-2025

SFY	QTR	Baseline PMPM	Quarterly Cost Actuals	Actual PMPM	PMPM Difference	Quarterly Enrollment	PMPM Difference X Enrollment	Risk Corridor Adjustments	PASSE Cost Avoidance By Quarter
SFY2020	Q1	\$ 2,390	\$ 402,462,789	\$ 2,978	\$ (587)	135,166	\$ (79,357,844)	\$ (78,664,893)	\$ (692,951)
	Q2	\$ 2,390	\$ 351,705,061	\$ 2,598	\$ (207)	135,389	\$ (28,067,049)	\$ (78,664,893)	\$ 50,597,844
	Q3	\$ 2,390	\$ 298,488,047	\$ 2,403	\$ (12)	124,221	\$ (1,546,365)	\$ (28,823,088)	\$ 27,276,724
	Q4	\$ 2,390	\$ 309,757,939	\$ 2,430	\$ (39)	127,493	\$ (4,994,768)	\$ (28,823,088)	\$ 23,828,321
SFY2021	Q1	\$ 2,498	\$ 323,472,605	\$ 2,420	\$ 78	133,682	\$ 10,465,031	\$ (28,823,088)	\$ 39,288,120
	Q2	\$ 2,498	\$ 336,033,493	\$ 2,407	\$ 91	139,595	\$ 12,674,817	\$ (28,823,088)	\$ 41,497,905
	Q3	\$ 2,498	\$ 320,992,251	\$ 2,235	\$ 263	143,621	\$ 37,773,007	\$ (30,255,019)	\$ 68,028,026
	Q4	\$ 2,498	\$ 331,647,181	\$ 2,233	\$ 265	148,544	\$ 39,415,731	\$ (30,255,019)	\$ 69,670,750
SFY2022	Q1	\$ 2,610	\$ 342,530,860	\$ 2,248	\$ 362	152,361	\$ 55,193,818	\$ (30,255,019)	\$ 85,448,837
	Q2	\$ 2,610	\$ 353,030,229	\$ 2,254	\$ 357	156,649	\$ 55,887,887	\$ (30,255,019)	\$ 86,142,906
	Q3	\$ 2,610	\$ 340,084,610	\$ 2,114	\$ 497	160,909	\$ 79,953,853	\$ (15,707,023)	\$ 95,660,876
	Q4	\$ 2,610	\$ 349,764,535	\$ 2,105	\$ 506	166,180	\$ 84,033,398	\$ (15,707,023)	\$ 99,740,422
SFY2023	Q1	\$ 2,728	\$ 363,929,013	\$ 2,107	\$ 621	172,708	\$ 107,197,418	\$ (15,707,023)	\$ 122,904,441
	Q2	\$ 2,728	\$ 368,751,871	\$ 2,103	\$ 625	175,356	\$ 109,597,983	\$ (15,707,023)	\$ 125,305,006
	Q3	\$ 2,728	\$ 384,566,947	\$ 2,193	\$ 535	175,349	\$ 93,763,811	\$ (4,441,884)	\$ 98,205,695
	Q4	\$ 2,728	\$ 373,843,233	\$ 2,201	\$ 527	169,856	\$ 89,503,289	\$ (4,441,884)	\$ 93,945,174
SFY2024	Q1	\$ 2,851	\$ 360,261,614	\$ 2,303	\$ 548	156,462	\$ 85,754,123	\$ (4,441,884)	\$ 90,196,008
	Q2	\$ 2,851	\$ 331,781,840	\$ 2,357	\$ 494	140,760	\$ 69,473,258	\$ (4,441,884)	\$ 73,915,143
	Q3	\$ 2,851	\$ 354,253,088	\$ 2,636	\$ 215	134,392	\$ 28,849,180	\$ (3,190,060)	\$ 32,039,239
	Q4	\$ 2,851	\$ 367,212,672	\$ 2,672	\$ 179	137,436	\$ 24,566,922	\$ (3,190,060)	\$ 27,756,982
SFY2025	Q1	\$ 2,979	\$ 377,728,488	\$ 2,709	\$ 270	139,424	\$ 37,603,264	\$ (3,190,060)	\$ 40,793,323
	Q2	\$ 2,979	\$ 386,905,863	\$ 2,727	\$ 252	141,886	\$ 35,759,969	\$ (3,190,060)	\$ 38,950,029
	Q3	\$ 2,979	\$ 422,281,136	\$ 2,971	\$ 8	142,140	\$ 1,141,339	\$ -	\$ 1,141,339

*Risk Corridor adjustments for CY2023 and CY2024 are projected settlements and not final

Table 2: PASSE Premium Tax Collections

PASSE Premium Collections	
Description	Total Collections
CY2019	\$ 31,300,751
CY2020	\$ 28,595,670
CY2021	\$ 28,306,440
CY2022	\$ 36,168,323
CY2023	\$ 34,062,523
CY2024	\$ 36,094,189
Total	\$ 194,527,896

IDD Wait List Allocation 50%	\$ 97,263,948.00
Other Services 50%	\$ 97,263,948.00
Total	\$ 194,527,896.00

*Premium Taxes are used as a source of nonfederal matching funds and reduces the need for general revenues.

² PASSE rates are set on a calendar year basis. To hold the savings target constant, savings are calculated by using the composite PMPM from SFY 2020 indexed by 4.5% annual growth. The savings are the difference between the baseline and the actual PMPM multiplied by member months in the quarter. For Q4 SFY2021 an extra capitation payment was captured, which raised the member months. Also, the risk corridor adjustments were paid in the quarter but removed from this calculation of savings.