

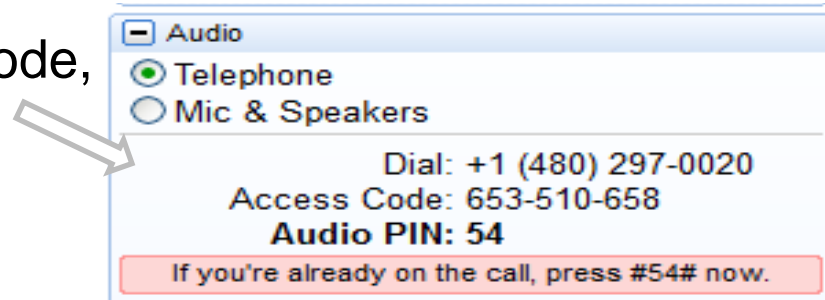
# Washington Chemical Dependency (CD) Rate Setting Methodology Data Book and Draft Rate Development

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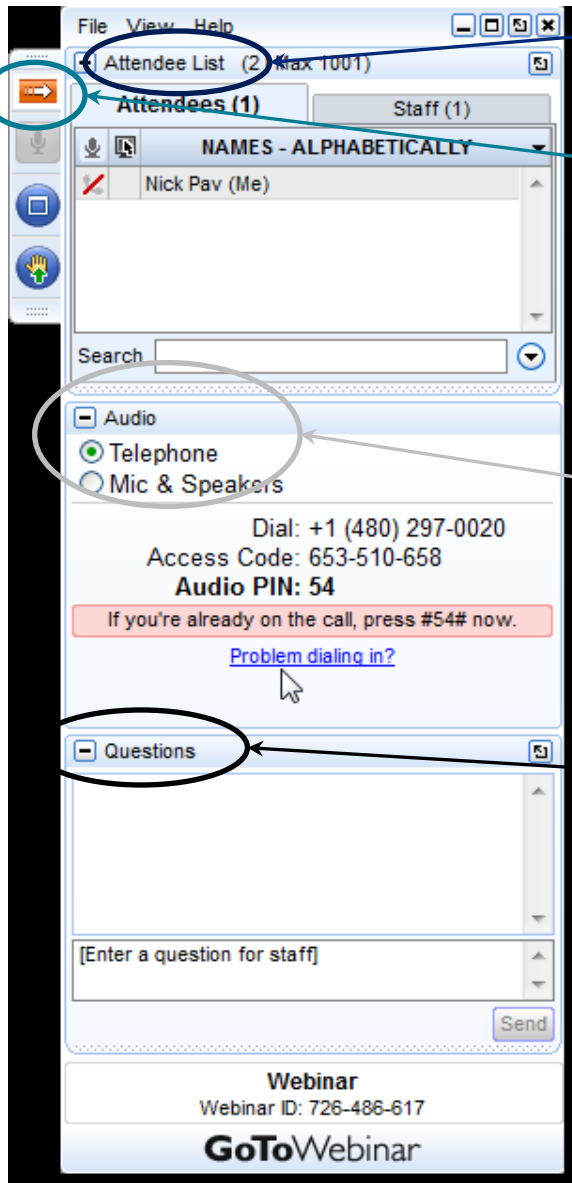
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# Washington CD Rate Setting Methodology

## Agenda

- Program design overview
- Federal rate setting requirements
- Base data development (Data Book)
  - Overview of data sources
  - Data book deliverable
  - Expected claim adjustments
- Managed care rate range development
  - Trend
  - Program changes
  - Managed care efficiency adjustments
  - Administration
- Next Steps: Opportunity for Input from the Community

# Washington CD Rate Setting Methodology

## Program Design Overview - Current Reimbursement Structure

- Overview
  - The current Chemical Dependency program is reimbursed using a Fee For Service (FFS) model where services are paid for by the State or another state agency.
  - Reimbursement rates for each type of service are predetermined using either the State Medicaid fee schedule or county fee schedule.
- Provider One (P1) generally includes paid claims for Medicaid services rendered to Medicaid eligible recipients.
- TARGET Reported Services include both Medicaid and non-Medicaid services provided to individuals regardless of Medicaid eligibility status.

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## Program Design Overview - Managed Care Reimbursement Structure

- Overview of Revised Program Design under Managed Care
  - The State establishes contracts with Behavioral Health Organizations (BHOs) to coordinate care for a specified catchment area.
  - BHOs will subsequently establish contracts with provider organizations to deliver CD services to individuals.
  - For the Managed Care program, the State will issue monthly capitation payments to the BHO to cover the cost of providing CD services to Medicaid eligible members.
  - Capitation payments are a fixed monthly payment that is made for each Medicaid eligible member in the respective catchment area regardless of whether that member presents for a service.
  - A pre-determined set of CD services will be covered under the capitation payment while others will continue to be reimbursed through other funding mechanisms.

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## Federal Rate Setting Requirements

*Actuarially sound capitation rates* means capitation rates that—

- Have been developed in accordance with generally accepted actuarial principles and practices;
- Are appropriate for the populations to be covered, and the services to be furnished under the contract; and
- Have been certified, as meeting requirements by actuaries who meet the qualification standards established by the American Academy of Actuaries and follow the practice standards established by the Actuarial Standards Board.

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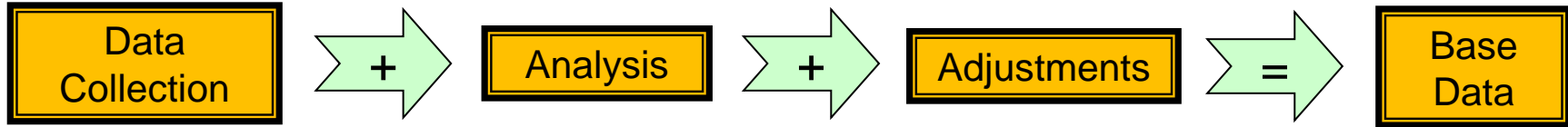
## Federal Rate Setting Requirements (continued)

- Requirements for actuarially sound rates in accordance with CMS regulations (42 CFR 438.6(c)). In setting actuarially sound capitation rates, the State must apply the following elements, or explain why they are not applicable:
  - Base utilization and cost data that are derived from the Medicaid population, or if not, are adjusted to make them comparable to the Medicaid population.
  - Adjustments made to smooth data and adjustments to account for factors such as medical trend inflation, incomplete data, PIHP administration directly related to service provision, and utilization;
  - Rate cells specific to the enrolled population, by—
    - Eligibility category, age, gender, locality/region and risk adjustments based on diagnosis or health status (if used).
  - Other payment mechanisms and utilization and cost assumptions that are appropriate for individuals with chronic illness, disability, ongoing health care needs, or catastrophic claims, using risk adjustment, risk sharing, or other appropriate cost-neutral methods.



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## Base Data Development - Overview



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## Base Data Development – Overview of Data Sources

- Primary Data Sources
  - Calendar Year (CY) 2012 and CY 2013 Fee-for-service (FFS) Provider One (P1) Data
  - CY 2012 and CY 2013 TARGET Utilization Data for Medicaid and non-Medicaid populations
  - CY 2012 and CY 2013 P1 Eligibility Data
  - Medicaid and county-specific fee schedules for pricing TARGET utilization data
- Secondary Data Source
  - Emerging CY 2014 P1, TARGET, and Eligibility experience
  - Fee schedules and utilization in other states

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## Base Data Development – Data Book Deliverable

- What is a Data Book?
  - Forms the base data for development of draft rate ranges
  - Represents the existing payment structure of the CD program during CY 2012 and CY 2013
  - Documents the logic used to summarize the claims into the rate cells and service modalities
  - Provides a data summary for each combination of BHO region and rate cell
  - Does not include consideration for programmatic changes, impact of shifting to Managed Care, cost inflationary factors or contractor administrative expenses

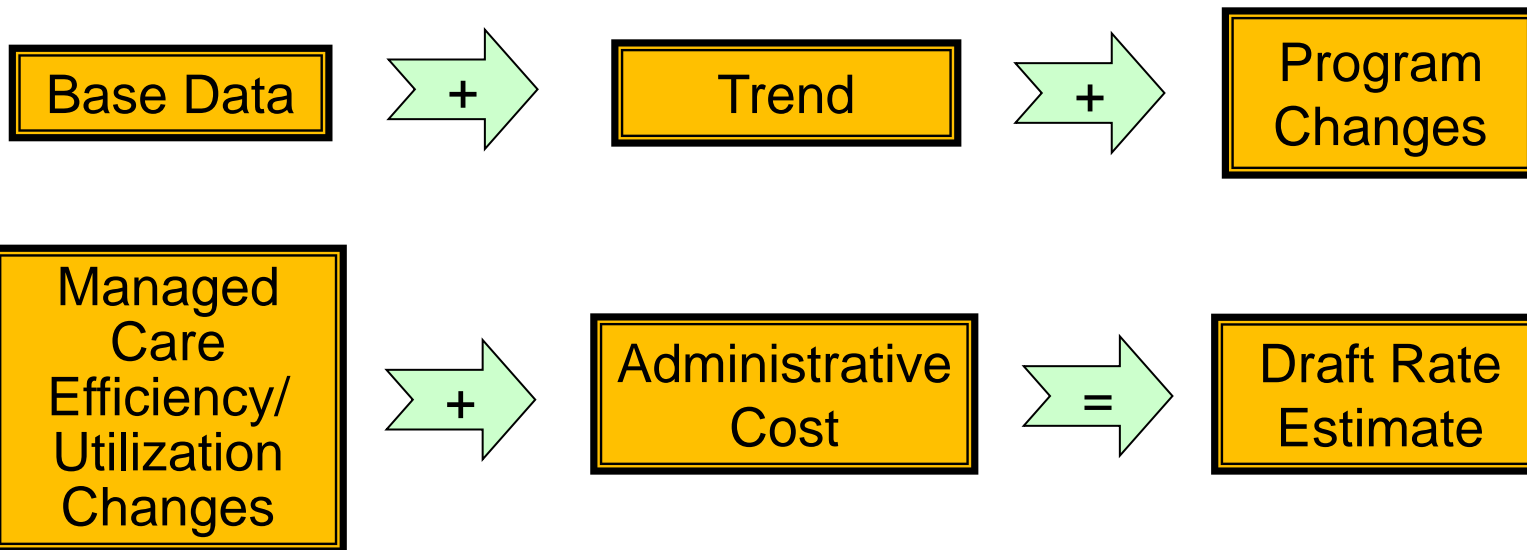
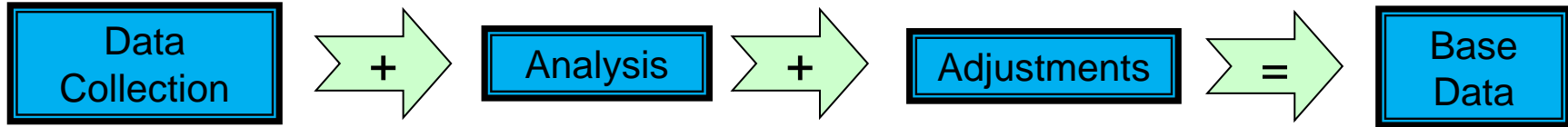
# Washington CD Rate Setting Methodology

## Base Data Development – Expected Claim Adjustments

- The following considerations will be made as part of the Data Book development and adjustments will be applied as necessary:
  - Consolidation of data from P1 and TARGET for CY 2012, CY 2013 and emerging CY 2014 time periods
  - Exclusion of TARGET records that are also reported in P1 (to avoid double counting of claim records)
  - Exclusion of services or populations that will not be covered under the Medicaid capitation payment
  - Consideration for eligible services rendered at Institutions for Mental Disease (IMD) residential facilities

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## Managed Care Rate Development Overview



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## Managed Care Rate Development Overview – Trend

- Medical trend is the projection of utilization and unit cost changes over time
- Trend inflationary factors are necessary to reflect changes in utilization and unit cost between the base time period and the rating period.
- Trend sources
  - Annual trend exhibited in the data from P1 and TARGET
  - National trend indices
  - Trends in other state Medicaid CD programs
  - Clinical consultant review

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## Managed Care Rate Development Overview – Program Changes

- Examples of Program Changes
  - Fee schedule changes
  - Changes to the benefit package
  - Changes to the covered populations (including ACA provisions)
- This is the area where we ensure that program design is consistent with the expected program design during the contract period

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## Managed Care Rate Development Overview – Program Changes

- Anticipated Program Changes
  - Rate Issues
    - The State plans to engage with provider organizations and prospective contractors to collect information on service delivery considerations that may have a material financial impact.
    - These may include service expansions, new providers or new programs.
    - Considerations should be limited to those that are verifiable and quantifiable and are not already reflected in the claim data through CY 2013. Considerations should also be limited to those that have an impact of the Medicaid services for Medicaid eligible recipients.
    - A formal information request containing additional details on required information is forthcoming.



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## Managed Care Rate Development Overview – Managed Care Efficiency

- Utilization Data Review
  - Anticipated changes in utilization patterns as a result of moving from a system with fixed funding levels into managed care.
    - This will include a review of penetration rates and overall utilization levels.
    - Mercer may utilize statistics in comparable CD programs in other states that have moved into managed care
  - Mercer actuaries and clinicians will analyze the utilization data in the claims to determine whether there are opportunities for increased efficiency through use of the most cost effective service setting.

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### Managed Care Rate Development Overview – Administration

- In addition to the development of service costs, Mercer will review the cost for a managed care organization of administering the CD program.
- This includes a comparison of the requirements of these contracts to other state Medicaid programs
- This will also include review of a Mercer model for an efficient CD managed care organization
  - Recognize the cost to administer the program will likely differ between large and small contractors

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## Next Steps: Opportunity for Input from the Community

- First and foremost, all information used for rate setting must be verifiable and quantifiable
- DSHS has formed and is meeting with a “Kitchen Cabinet” of key informants for rates to gather relevant and appropriate information
- DSHS is also intending to meet with a representative group of inpatient and outpatient substance use disorder treatment providers
- Rates will be presented in an open public meeting prior to finalization

# Questions?

May also be directed to  
[BHOtransitions@dshs.wa.gov](mailto:BHOtransitions@dshs.wa.gov)

