

# Washington Chemical Dependency (CD) Rate Setting Methodology Data Book Discussion

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**Brad Diaz, FSA, MAAA**  
**Jon Marsden, FSA, MAAA**

# Washington CD Rate Setting Methodology

## Agenda

- Meeting Objectives
- Overview of the Centers for Medicare and Medicaid Services (CMS) requirements
- Base data development (Data Book)
  - Overview of data sources
  - Covered populations
  - P1 and TARGET Data adjustments
  - Data Book contents
- Managed care rate range development
  - Trend
  - Program changes
  - Managed care efficiency adjustments
  - Administration

# Washington CD Rate Setting Methodology

## Meeting Objectives

- Discuss Data Book development process and the adjustment logic
- Understand Mercer's rate-setting methodology
  - Adherence to actuarial standards
  - Compliance with CMS regulations
  - Key rate setting considerations to-date
- Discuss process for stakeholder interactions
  - Address questions on methodology and proposed considerations
  - Discuss optional Rate Issues request and intended purpose
  - Review plan for future stakeholder interactions

## Washington CD Rate Setting Methodology

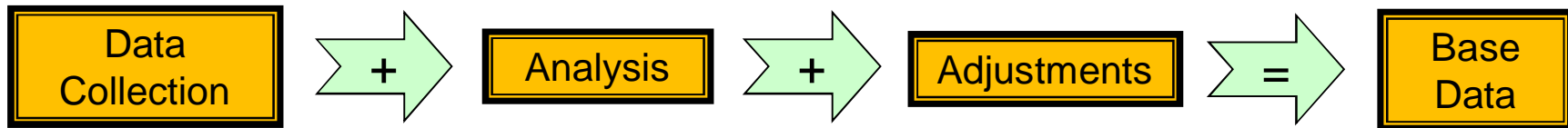
### Overview of CMS Requirements

- In accordance with CMS regulations (42 CFR 438.6(c)) for risk-based contracts:
  - “Rates must be actuarially sound” and developed by a credentialed actuary
    - Appropriate for covered populations and benefit package
    - In accordance with generally accepted actuarial principles and practices
  - Actuarial certification will be submitted at end of the process and reviewed against CMS Rate-setting Checklist
  - The AAA Practice Note, August 2005, “Actuarial Certification of Rates for Medicaid Managed Care Programs,” which proposes the following definition of actuarial soundness:

*“Medicaid benefit plan premium rates are “actuarially sound” if, for business in the state for which the certification is being prepared and for the period covered by the certification, projected premiums, including expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income, provide for all reasonable, appropriate and attainable costs, including health benefits, health benefit settlement expenses, marketing and administrative expenses, any state-mandated assessments and taxes, and the cost of capital.”*

# Washington CD Rate Setting Methodology

## Base Data Development Overview



## Washington CD Rate Setting Methodology

### Base Data Development – Overview

- What is a Data Book?
  - Forms the base data for development of draft rate ranges
  - Represents the existing service utilization and payment structure of the CD program during CY 2012, CY 2013 and 2014 Q1
  - 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 – Overview of Data Sources (Section 1)

- 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

## Washington CD Rate Setting Methodology

### Base Data Development – Covered Medicaid Populations (Section 2)

- Individuals included in the Data Book are limited to those populations considered Medicaid eligible and covered under the capitation payments
- Rate cells are differentiated to reflect significant differences in the cost and utilization of services by different populations
  - Disabled children (ages 0–20 including foster care)
  - Non-disabled children (ages 0–20)
  - Disabled adults (ages 21+)
  - Non-disabled adults (ages 21+)
  - Newly Eligible (effective January 1, 2014)
    - The Newly Eligible rating group includes populations that were identifiable prior to January 1, 2014. These include ADATSA, DL and MN-BD populations.
    - Other non-disabled adults gaining eligibility through the Affordable Care Act (ACA) are only identifiable after January 1, 2014.



## Washington CD Rate Setting Methodology

### Base Data Development – Covered Medicaid Modalities (Section 3)

- Medicaid covered CD Modalities reimbursed through capitation include:
  - Assessments
  - Detox Services (acute and sub-acute)
  - Outpatient Services
  - Opiate Substitution Services
  - Residential Services (long term, short term and intensive inpatient)
  - Therapeutic Childcare services
- Other CD modalities will be reimbursed outside of the capitation payments:
  - Information and Assistance Services
  - Preventive Services
  - ADATSA and DUI Assessment Services

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### Base Data Development – P1 Claim Adjustments (Section 4)

- The following considerations were made as part of the Data Book development:
  - Consolidation of data from P1 and TARGET for CY 2012, CY 2013 and emerging CY 2014 time periods
  - Provider One:
    - Completion factor adjustments to account for services rendered but not yet paid. This results in a 0.5% upward adjustment (on a CY 2013 basis)
    - P1 adjustments were applied to exclude room and board expenses, services not covered by DBHR and services delivered by certain Tribal providers. This results in the removal of 17.5% of P1 claim dollars (on a CY 2013 basis).

## Washington CD Rate Setting Methodology

### Base Data Development – TARGET Claim Adjustments (Section 5)

- The following considerations were made as part of the Data Book development:
  - Additional TARGET records were reviewed to account for additional CD claims not reported in P1.
  - Mercer received a broad TARGET data set and applied exclusions to limit the amounts being added as noted below.
  - TARGET:
    - Exclusion of services or populations that will not be covered under the Medicaid capitation payment (non-Medicaid populations/services, room and board and services delivered by certain Tribal providers)
    - Exclusion of TARGET records that are also reported in P1 (to avoid double counting of claim records)
    - Overall TARGET adjustments result in an additional \$28.0M CD dollars statewide (for CY 2013)

## Washington CD Rate Setting Methodology

### Base Data Development – Unit Cost Development

- The P1 dataset contains detailed service units that have been paid at the State Medicaid fee schedule.
- The TARGET dataset contains detailed service records but does not include information on payment levels.
- Using the individual county and Medicaid fee schedules during the appropriate time period, the State applied the cost per unit to the individual service records.

## Washington CD Rate Setting Methodology

### Data Summaries (Section 6)

- Data Book pages
  - Individual data page for each BHO region and rate cell
  - Summary data page for each BHO region across all rate cells
  - Summary data page for all BHO regions by rate cell and in total
- Reported Statistics include member months, dollars and utilization
- Calculated Statistics
  - Utilization per 1,000 =  $((\text{Utilization})/(\text{Member Months})) * 12,000$
  - Unit cost =  $(\text{Paid Claims})/(\text{Utilization})$
  - Per member per month (PMPM) =  $(\text{Paid Claims})/(\text{Member Months})$

## Washington CD Rate Setting Methodology

### Data Summaries (Section 6) – Summary by Rate Cell

- The table below represents statewide PMPMs as reflected in the data book.
- The Newly Eligible rate cell includes identifiable populations as noted below and does not include the other non-Disabled adult population eligible as a result of the ACA Medicaid expansion.

Rate Cell	PMPM	
	2012	2013
Disabled Adults	\$ 10.38	\$ 10.63
Non-Disabled Adults	\$ 8.15	\$ 8.91
Disabled Children	\$ 4.11	\$ 5.05
Non-Disabled Children	\$ 1.56	\$ 1.54
Newly Eligible*	\$ 52.38	\$ 51.04
<b>Total</b>	<b>\$ 5.68</b>	<b>\$ 5.96</b>

\*Includes ADATSA, MN and DL populations

## Washington CD Rate Setting Methodology

### Data Summaries (Section 6) – Summary by Modality

- Modalities include aggregate expenses from P1 and TARGET as documented in the data book.

Modality	PMPM	
	2012	2013
Assessment	\$ 0.14	\$ 0.14
Detox	\$ 0.23	\$ 0.25
Outpatient	\$ 2.51	\$ 2.56
Opiate Substitution Treatment	\$ 1.22	\$ 1.35
Residential	\$ 1.48	\$ 1.58
Therapeutic Childcare	\$ 0.09	\$ 0.09
<b>Total</b>	<b>\$ 5.68</b>	<b>\$ 5.96</b>

## Washington CD Rate Setting Methodology

### Data Summaries (Section 6) – Summary by BHO Region

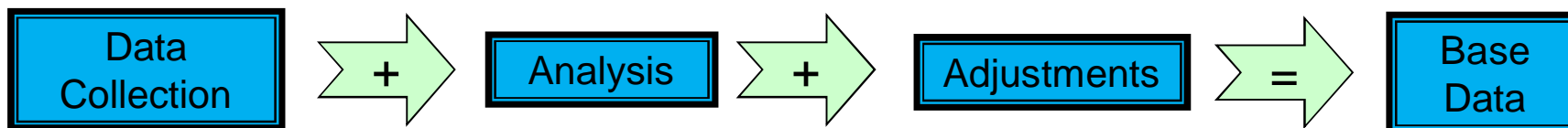
BHO Region	PMPM	
	2012	2013
Chelan Douglas	\$ 2.95	\$ 2.79
Gray's Harbor	\$ 7.15	\$ 6.75
Greater Columbia	\$ 3.59	\$ 3.90
King	\$ 6.25	\$ 6.10
North Sound	\$ 10.02	\$ 11.02
Peninsula	\$ 6.87	\$ 7.38
Pierce	\$ 4.83	\$ 4.73
Southwest	\$ 4.77	\$ 4.94
Spokane	\$ 3.82	\$ 4.51
Thurston Mason	\$ 5.63	\$ 6.10
Timberlands	\$ 4.92	\$ 5.25
<b>Total</b>	<b>\$ 5.68</b>	<b>\$ 5.96</b>

\*BHO region reflects current RSN structure and is subject to change.



# Washington CD Rate Setting Methodology

## Managed Care Rate Development Overview



## Washington CD Rate Setting Methodology

### 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

## Washington CD Rate Setting Methodology

### Managed Care Rate Development Overview – Program Changes

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

## Washington CD Rate Setting Methodology

### Managed Care Rate Development Overview – Program Changes

- Anticipated Program Changes
  - Impact of fee schedule differences between current CD program and expected levels under managed care. This includes a comparison to reimbursement levels in other CD managed care programs.
  - Evaluation of impact of Affordable Care Act provisions
    - Medicaid expansion including potential reimbursement changes under managed care contracts
    - Latent demand (Welcome Mat)
    - Federal insurer fee (if applicable)
  - Changes to classification of IMD residential beds
  - Benefit coverage changes
  - Newly Eligible rate cell considerations

## Washington CD Rate Setting Methodology

### 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 measurable and quantifiable and are not already reflected in the claims data through CY 2013. Considerations should also be limited to those that have an impact on the Medicaid services for Medicaid eligible recipients.
    - See separate handout for detailed Rate Issues request

## Washington CD Rate Setting Methodology

### 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.

## Washington CD Rate Setting Methodology

### 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

## Washington CD Rate Setting Methodology

### Upcoming Timelines

Key milestones in the rate development process are as follows:

- October, 2014: Begin ongoing discussions with CD stakeholders
- Early November, 2014: Initial budget estimate for Washington CD program (no integrated MH/CD rates)
- April, 2015: Finalize draft BHO-specific capitation rate
- April, 2016: Integrated MH/CD managed care program begins

Note: the timelines above are tentative and subject to change.





# Questions?

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

