

# Actuarial Services and Medicaid Managed Care Rate Books: Overview

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# Review of Managed Care

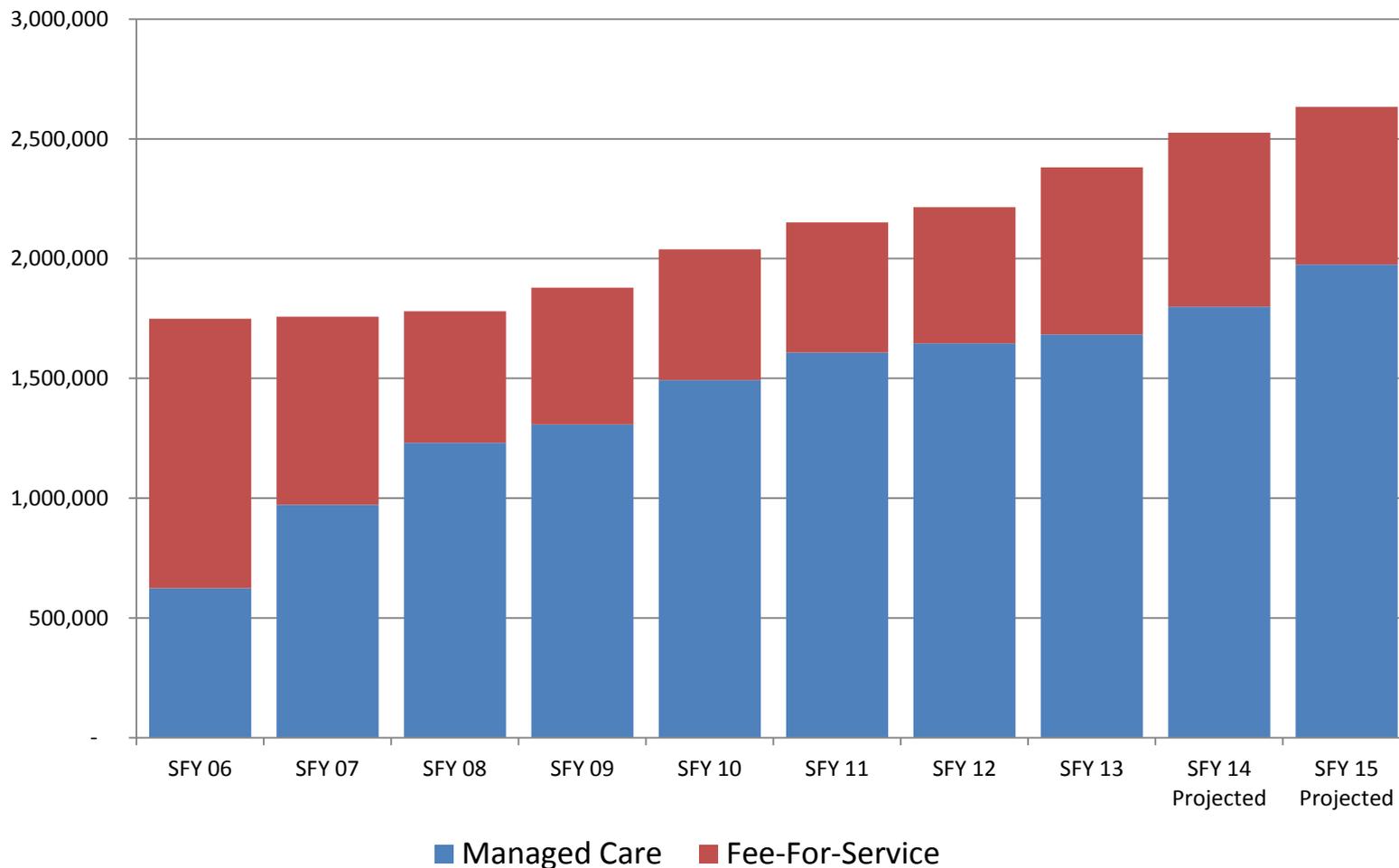
## Capitation Payment

- Ohio Medicaid makes monthly capitation payments (similar to an insurance premium) to its five Medicaid managed care plans. The managed care plans are then responsible for covering the cost of all services for beneficiaries.
- The managed care plan is “at risk” for service costs exceeding the capitation payment and thus the plan is incentivized to control costs and utilization across its entire enrollee population.
- Not all services are covered by Medicaid managed care. Behavioral Health, institutional care, and Home and Community-based waiver services (HCBS) are “carved out.”
- *MyCare Ohio*, is a new managed care program available to individuals qualifying for both Medicare and Medicaid and is our first managed care program to include all services.



# Ohio Medicaid Managed Care

## Average Monthly Medicaid Enrollment by State Fiscal Year



# Medicaid Managed Care Rate Book

- The Ohio Medicaid Rate Book is developed by a contracted actuarial company.
- Approximately every four years, ODM uses a competitive selection process for the contract.
- Mercer LLC is currently on contract with ODM until June 2015.
- Once completed, the rate book acts as a guide in understanding how rates are developed.
- Along with ODM, the Centers for Medicare and Medicaid (CMS), the various managed care plans, and other interested parties rely on the rate book in order to understand our state's Medicaid program.

# What is Our Actuary Required to Do?

- Mercer is required to:
  - develop the rates within the guidelines of the applicable Actuarial Standards of Practice (ASOPs) and CMS Checklist while acting in accordance with the Actuarial Code of Professional Conduct.
- Section AA.1.1 of the CMS checklist cites 42 CFR 438.6, mandating that the rates must be certified as actuarially sound “by an actuary who meets the qualification standards established by the American Academy of Actuaries and follows the practice standards established by the Actuarial Standards Board.”



# What Does the Rate Book Tells Us?

- How the base data was constructed
- The values of each adjustment by rate cell
- Prospective trends in the programs
- The values of administration, care coordination, and risk/contingency
- The value of any mandated assessments, including county sales and use tax and the state mandated HIC tax



# Where does the Information Come From?

*The information used in rate-setting comes from a variety of sources.*

- **Base Data:** Information submitted by managed care plans such as:
  - encounter data;
  - financial statements; and
  - reported National Association of Insurance Commissioners (NAIC) financial statements
- **Program Changes:** Estimates developed from encounter data, estimates developed internally at ODM, and surveys reported by MCPs
- **Trends:** Estimates from examining encounter data, plan financials, as well as external trend sources
- **Efficiency Adjustments:** Encounter data from plans
- **Plan Administration and Care Coordination:** Plan submitted financial statements, external sources

# Rate Setting

***Managed Care Rates are split into three major subgroups with further differentiations:***

## **1. Aged, Blind, and Disabled (ABD)**

- ABD rates are risk adjusted based on the enrolled acuity of each health plan.

## **2. Non-Aged, Blind, and Disabled (Non-ABD)**

## **3. MyCare Ohio Populations (Eligible for Medicaid and Medicare)**

\*Actuarially sound supplemental payments which are paid to MCPs upon the birth of a baby in the Non-ABD program to cover the cost of the delivery are also developed.

# Rate Setting

- In order to preserve actuarial soundness and to form the basis of rates , the utilization patterns of like populations should generally be grouped together.
- Each primary population is rated separately. (*Non-ABD rates are further differentiated by age and gender.*)
- To account for varying degrees of utilization across the state, Mercer recognizes the different markets by setting rates at the region level.
  - The major markets include Cleveland, Akron/Canton, Toledo, Columbus, and Cincinnati.
  - Separate rural regions include the West Central and Southeast regions as well.
- Each adjustment, apart from Administration, Care Coordination, and Profit is developed at the region and rate cell level. This is done to appropriately match the capitation payment to the expected risk in each region.
- The MyCare population is stratified by Healthy Duals vs. Nursing Facility Level of Care (NFLOC).

# Rate Setting Timeline

- The effective date for rates is usually at the start of the Calendar Year with most work taking place from May through October of the previous year.
- While January 1<sup>st</sup> is the target “start date,” the effective date may vary depending on the circumstance.
- Ohio Medicaid maintains an open and collaborative process where the actuary, the state, and the plans work together throughout the rate development process.
- Plans and other interested parties have multiple opportunities to make their opinions known publicly.

# House Bill 59 – Changes in Rates

*Certain policy provisions included in House Bill 59 have impact on Medicaid rates.*

- **Reduce Rates and Capitation Payments**
  - Hospital
    - » Capital cost reimbursement to 85%
    - » Eliminate 5% inpatient rate increase
    - » Reduce reimbursement to 90% of cost for DRG exempt hospitals
  - Reduce reimbursement for second and additional procedures on the same day for therapies and radiological services
  - Use Medicaid maximum limits on claims for duals – physicians exempted



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- **Reduce Rates and Capitation Payments**
  - Managed Care
    - » Administrative expenses portion of the capitation rate reduced by 1%
    - » Prior authorization consistency standards relaxed with a 5% reduction in pharmacy component
    - » Move to daily rate for caregiver living with individual



# House Bill 59 – Changes in Rates

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- **Increase Rates and Capitation Payments**
  - Nursing Facility – Stark and Mahoning county rate increases
  - Unbundling of wheelchairs and oxygen
  - Recalibration of home care aide and nursing rates
  - Adult day care rate increase
  - PASSPORT service rate increases



# Examples of Law Changes Made by the General Assembly that Change Rates

- Holding outpatient hospital claims at 2012 levels
- Wheelchair, oxygen, and transportation unbundling from nursing home rates
- Maintenance of Holzer clinic rates at 140% of fee-for-service

# Difference in Payment

## Fee-For-Service

- Rates are developed internally by ODM Staff with or without contractors.
- Providers reimbursed based on ODM's fee schedule and associated policies set forth in Ohio's State Plan and Administrative Code.
- Rates are not bound by actuarial soundness.

## Managed Care

- Rates are developed by a contracted actuary.
- Providers contract with individual health plan.
- Providers reimbursed based on agreements with the individual Managed Care Plan and oversight from ODM.
- Rates are bound by actuarial soundness



# Questions