

# WASHINGTON BEHAVIORAL HEALTH BHO RATE DEVELOPMENT

STATE FISCAL YEAR  
2017/2018

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# WHAT WE WILL COVER TODAY



- Provide Background and Review CMS Requirements



- Summary of Rate Documentation and Materials

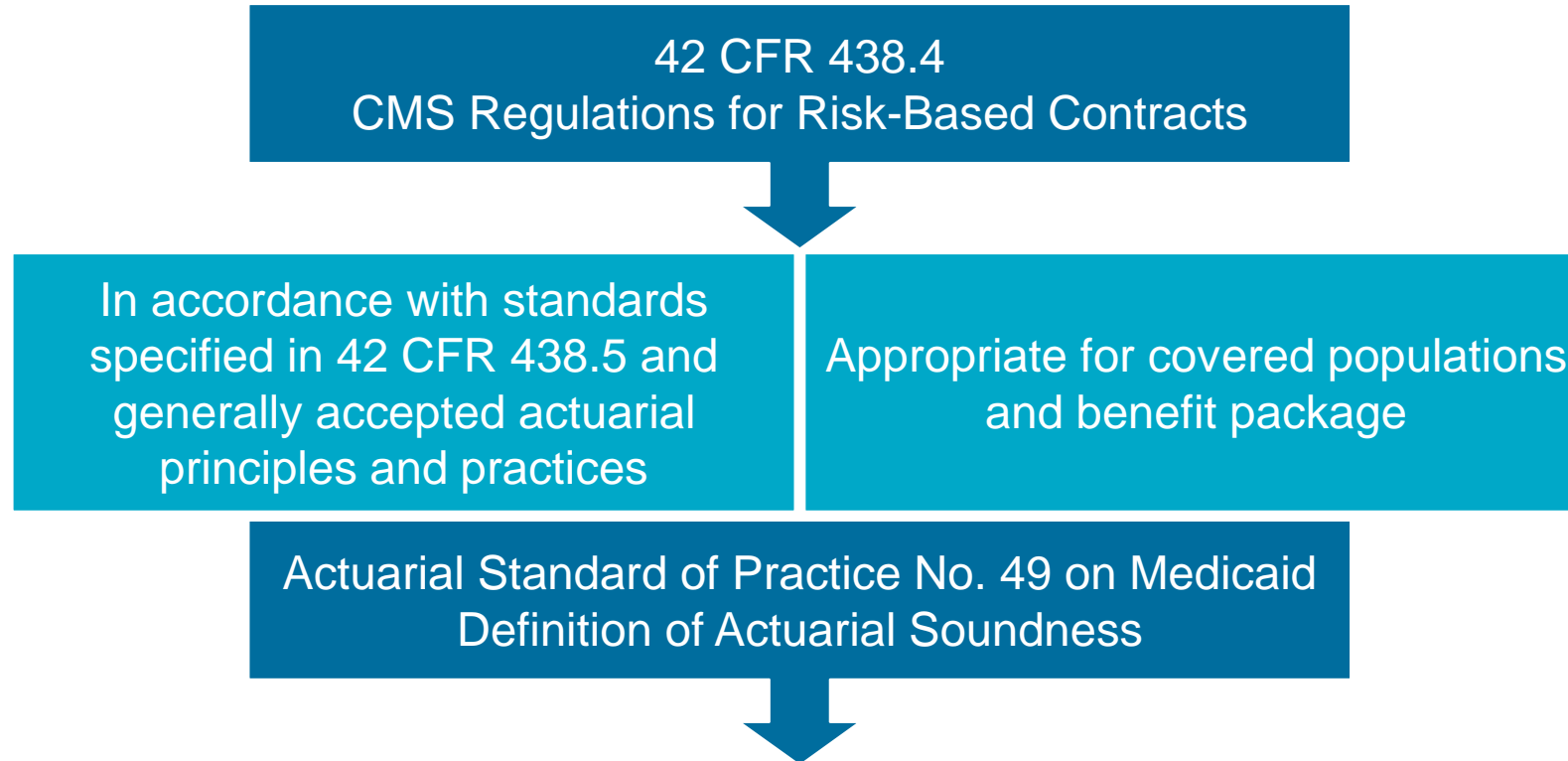


- Discuss Managed Care Rate Range Development



- Address Questions and Review Upcoming Timelines

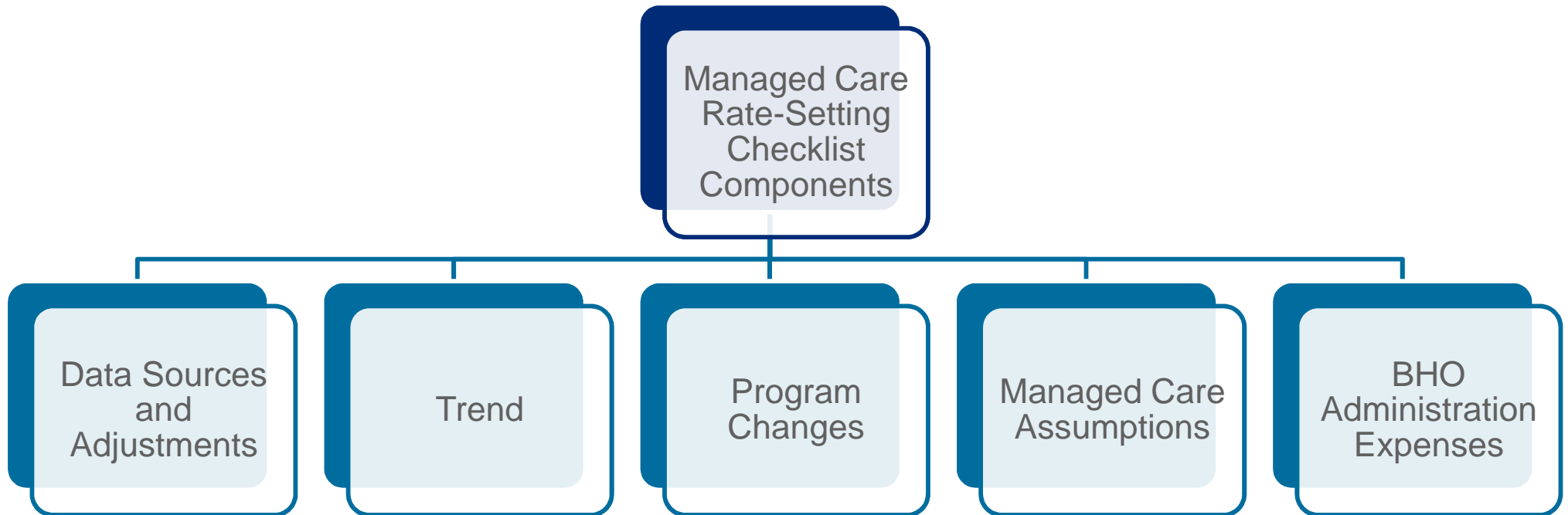
# OVERVIEW OF CMS REQUIREMENTS



*“Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”*

Actuarial certification will be submitted at end of the process and reviewed against CMS Rate-setting Checklist and CMS Consultation Guide

# OVERVIEW OF CMS REQUIREMENTS



# RATE DOCUMENTATION AND MATERIALS

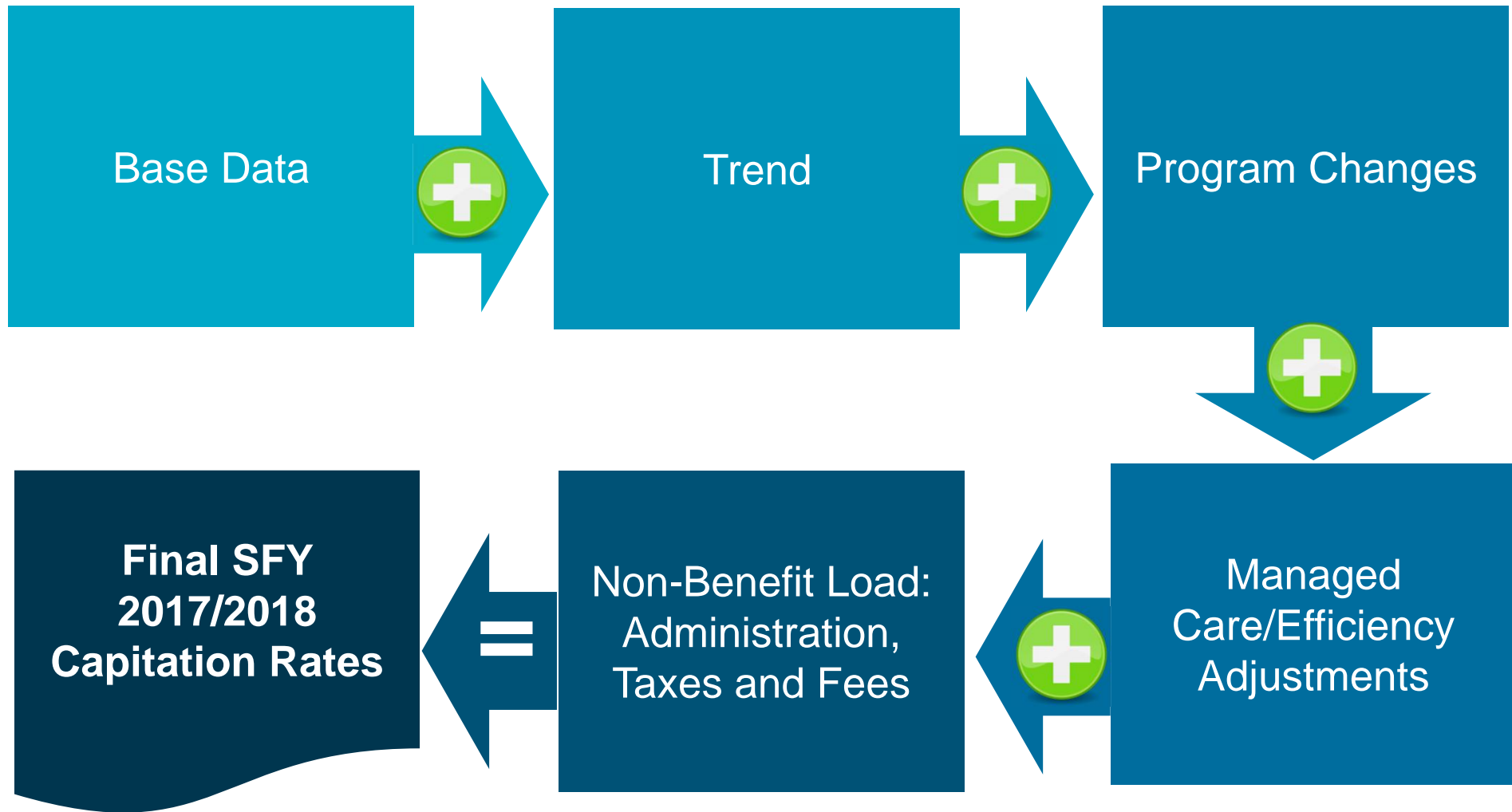


Mercer Rate Documentation Dated  
February 10, 2017

Updated BHO Data Book (as of  
February 8, 2017)

Mercer Rate Presentation

# CAPITATION RATE DEVELOPMENT PROCESS



# DATA SOURCE CONSIDERATIONS

## Base Data:

- CY 2015 FFS claims (SUD and MH Inpatient)
- CY 2015 encounters (MH E&T and Outpatient)
- CY 2015 Medicaid eligibility data

## Trend Data:

- Encounters and FFS claims through March, 2016

## Adjustment Data:

- DSHS fiscal analyses for new program initiatives

## DSHS Enrollment Forecasts

## BHO Revenue and Expense Reports

# MANAGED CARE RATE DEVELOPMENT

## BASE DATA OBSERVATIONS

### Base Data Observations:

- Legacy base medical experience for CY 2015 is lower than the medical base used for the FY 2016/2017 rates, though there is variation by BHO.
- Newly Eligible base medical PMPMs for all BHOs saw reductions due to full reliance on actual CY 2015 utilization data.

Rating Group	FY 2016/2017 Statewide Medical Base PMPM	CY 2015 Medical PMPM (Data Book)
Legacy Rating Groups	\$26.85	\$24.78
Newly Eligible	\$34.71	\$27.99
<b>Overall</b>	<b>\$29.42</b>	<b>\$25.83</b>



# MANAGED CARE RATE DEVELOPMENT TREND OVERVIEW

Medical trend is the projection of utilization and unit cost changes between the base time period (CY 2015) and the rating period (SFY 2017/2018)

## Trend sources:

Annual trend exhibited in the MH FFS and encounter data

Annual trend exhibited in the SUD data from P1 and TARGET

National and regional Consumer Price Indices (CPI-U)

Additional consideration was made for other programmatic changes concurrently applied to rate calculation for each BHO

# MANAGED CARE RATE DEVELOPMENT TREND

Mercer analyzed BHO trends separately for:

MH Inpatient

MH E&T

MH Outpatient

SUD Outpatient

SUD Residential



Most BHOs exhibited downward to flat PMPM trends from CY 2014 to CY 2015 for the majority of services with the following exceptions:

MH Inpatient and E&T

SUD residential, OST and Outpatient



Increased trends observed in late 2015 and emerging 2016 data were taken into trend assumption consideration, particularly for the Newly Eligible rating group

# MANAGED CARE RATE DEVELOPMENT TREND

Prospective trend projections include consideration for unit cost inflation, as well as increased utilization trend

Trend Grouping	Statewide Annual Lower Bound Trend	Statewide Annual Upper Bound Trend
Inpatient	1.1%	3.4%
E&T	1.8%	4.9%
MH Outpatient	2.2%	5.9%
SUD Outpatient	3.7%	7.7%
SUD Residential	3.1%	6.7%
<b>Overall</b>	<b>2.3%</b>	<b>5.8%</b>

# MANAGED CARE RATE DEVELOPMENT PROGRAM CHANGES

- 
- Program changes are developed to ensure that projected cost structure is consistent with the expected program design during the contract period

- 
- Program change adjustments were developed by BHO, rating group and modality, as applicable

- 
- These adjustments are documented further in the Mercer Rate Documentation Letter.

# MANAGED CARE RATE DEVELOPMENT PROGRAM CHANGES

## Unit Cost Development Under Managed Care

- As SUD services data reflect historical FFS reimbursement rates, Mercer assessed BHO program provider reimbursement assumptions for SUD under managed care. In aggregate, these adjustments represent a 6.6% adjustment

## SUD Residential/Detox Services

- Reflects consideration for BHO provider contracted fees compared against the current Medicaid fee schedule reimbursement levels:
  - Residential Services: 30% increase was applied across all BHOs:
    - Overall impact: 1.0%
  - Detox Services: 25% to 60% increase by BHO:
    - Overall impact: 0.6%

## SUD Non-Residential/Detox Services

- Reflects Assessment, Outpatient and OST services being reimbursed at higher non-Medicaid levels resulting in the following average statewide impacts:
  - Assessments: 15% increase
  - Outpatient: 50% increase
  - OST: 15% increase
- Overall Impact: 4.9%

# MANAGED CARE RATE DEVELOPMENT PROGRAM CHANGES

## Institution for Mental Disease (IMD) Services

- IMD claims for which a user had a length of stay in an IMD for 15 days or less in a calendar month were included and repriced at the State Plan equivalent per diem rate for services provided in a non-IMD facility
- Overall Impact: 6.4%

## New and Converting SUD Facilities

- New facilities that have opened or have known opening dates and have enrolled as Medicaid FFS providers as well as facilities changing IMD status prior to the SFY 2017/2018 contract period
- Overall Impact: 0.6%

## AI/AN Opt-In

- Includes consideration for the anticipated AI/AN opt-in population:
  - Expected opt-in population based on individuals who had historically accessed MH services through the managed care program
- Overall Impact: 2.7%

# MANAGED CARE RATE DEVELOPMENT PROGRAM CHANGES

## Targeted Service Expansions

- New Mental Health E&T Facilities in King and North Sound
- Assisted Outpatient Treatment Services for MH and SUD
- Court Review of Involuntary Treatment Detention Decisions
- Mental Health Professionals Response to Suicide Threats
- New Mobile Crisis Teams in North Central, King and Great Rivers
- New Thurston Mason Triage Center
- Overall Impact: 3.1%

## S9484 Crisis Bundled Services

- Consideration for services deemed unallowable, per State guidelines, to be provided on the same day as a S9484 crisis per diem event
- Overall Impact: -0.2%

## SUD Mild Assessment

- Individuals with a SUD-Mild diagnosis eligible to receive Medicaid-funded services in managed care effective April 2016
- Overall Impact: 0.2%

# MANAGED CARE RATE DEVELOPMENT

## WIS<sub>e</sub> CASE RATE

### Background

- For SFY 2017/2018, the State will continue to reimburse the BHOs for the incremental services through a monthly WIS<sub>e</sub> case rate payment, which are in addition to capitation revenues

The WIS<sub>e</sub> case rate is based on reported MH encounters during CY 2015

Certain pricing considerations were modified from what was used for non-WIS<sub>e</sub> encounters to price the WIS<sub>e</sub> encounters:

- Additional training expectations
- Documentation/team meetings
- 24-hour access to crisis
- Concurrent delivery of services by multiple providers

Additional considerations for trend and administration (screening) expenses were added to develop the final WIS<sub>e</sub> case rate



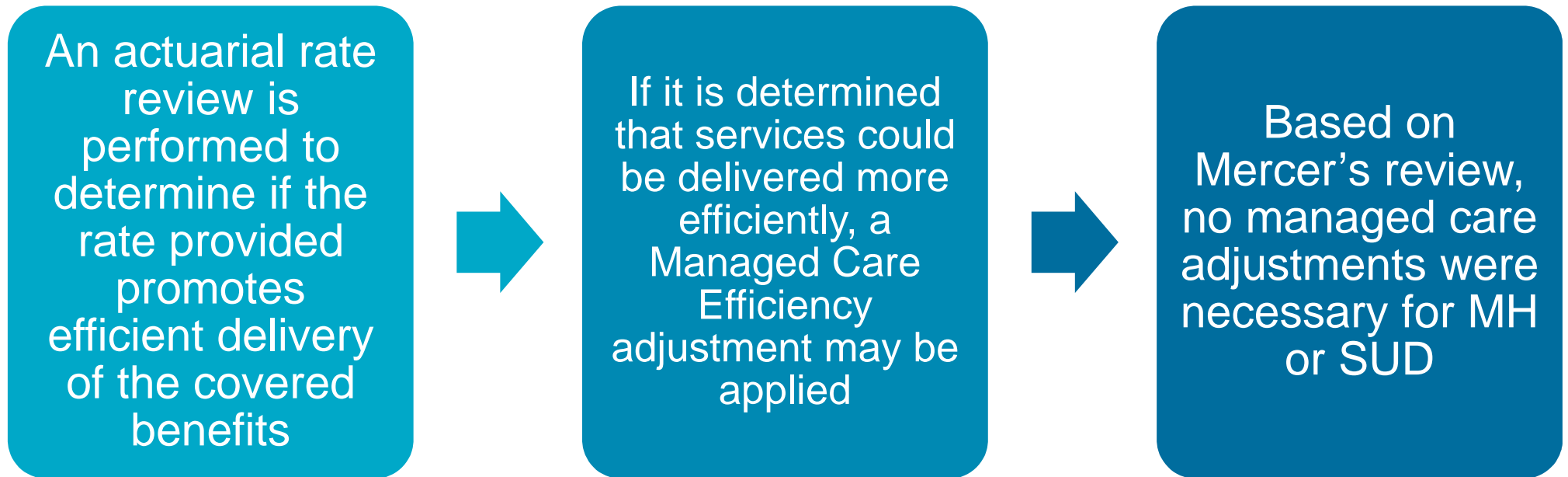
# MANAGED CARE RATE DEVELOPMENT

## WISe CASE RATE

<b>CY 2015 Base Data Cost per Month — Based on Non-WISe Productivity Assumptions</b>	<b>\$1,351</b>
Productivity Assumptions for WISe Services	
• Training	2%
• Documentation/Team Meetings	27%
• 24-Hour Access to Crisis Service	9%
• Concurrent Delivery of Services by Multiple Providers	26%
CY 2015 Base Data Cost per Month — After WISe Productivity Assumptions	\$2,399
Unit Cost Trend (for 30 Months)	2.6%
Administrative Load	6%
SFY 2017/2018 WISe Case Rate	\$2,721

# MANAGED CARE RATE DEVELOPMENT

## MANAGED CARE EFFICIENCY



# MANAGED CARE RATE DEVELOPMENT ADMINISTRATION

- Mercer reviewed the administrative expenses within the R&Es as well as overall enrollment levels for each BHO

- While the capitation rates reflect changes in historical service expenses levels and other prospective adjustments, BHOs are required to expend resources to administer the managed care program

- Administration load factors were adjusted for certain BHO that were subject to notable changes in the services portion of the gross capitation rates

- The MH/SUD combined rate ranges includes consideration for administration expenses of approximately 9.9% of total revenues at Target

# STATEWIDE RATE COMPARISON

Rate Cell	FY 2016/2017		SFY 2017/2018		Percent Change	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Disabled Adult	\$144.78	\$163.86	\$144.83	\$155.81	0.0%	-4.9%
Non-Disabled Adult	\$32.82	\$36.27	\$32.15	\$34.72	-2.0%	-4.3%
Disabled Child	\$84.19	\$95.57	\$70.36	\$75.49	-16.4%	-21.0%
Non-Disabled Child	\$12.55	\$14.17	\$12.74	\$13.70	1.5%	-3.3%
Newly Eligible	\$49.48	\$55.12	\$42.76	\$47.31	-13.6%	-14.2%
Total	\$39.63	\$44.43	\$37.04	\$40.31	-6.5%	-9.3%

\*All rates exclude Southwest and are weighted on projected SFY 2017/2018 membership, based on the November, 2016 forecast.

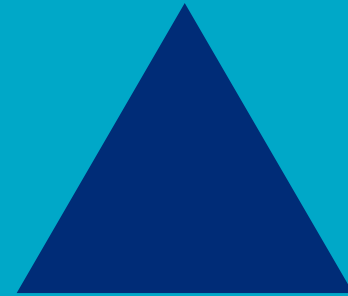
FY 2016/2017 WISE Case Rate	SFY 2017/2018 WISE Case Rate
\$2,156	\$2,721

# TIMELINES AND SFY 2017/2018 RATE-SETTING PLANS

Key milestones in the rate development process are as follows:

- Rate Development Meeting: February 23, 2017
- CMS Certification Submitted: March 31, 2017
- Final BHO Rates Effective: July 1, 2017

# QUESTIONS?





**MERCER**

**MAKE TOMORROW, TODAY**