

STATE OF WASHINGTON METHODOLOGY FOR THE JULY 2017 – JUNE 2018 MEDICAID CAPITATION RATE PROJECTION FOR MENTAL HEALTH AND SUBSTANCE USE DISORDER SERVICES

February 10, 2017

The State of Washington (State) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits, Inc., to develop capitation rate range estimates for use in the State's combined Medicaid Mental Health (MH) and Substance Use Disorder (SUD) managed care program effective July 1, 2017 through June 30, 2018 (State Fiscal Year (SFY) 17/18). This document presents an overview of the analyses and methodology used to develop the Behavioral Health Organization (BHO)-specific capitation rate ranges.

Methodology Overview

The State redesigned the managed care program with the implementation of the BHO contracts effective April 2016. Previously, the managed care program administered by the regional support networks (RSNs) provided coverage for MH services. SUD services were administered by the State under the fee-for-service (FFS) program. As of April 2016, the BHO managed care program provides coverage for both MH and SUD services.

For both MH and SUD rate development, Mercer utilized a rate rebase methodology using the most recent and credible data. Due to the timing of this work and limited availability of complete BHO experience, Mercer utilized MH data from the RSN program and SUD data from the historical FFS program. Mercer and the State reviewed and considered known programmatic changes with the onset of the BHO program and have developed rate adjustments accordingly. These changes are itemized and discussed throughout this memo.

It is important to note that the Southwest region transitioned to Fully Integrated Managed Care (FIMC) as of April 2016. As such, it has been excluded from consideration in this memo, including any references to statewide impacts and values. The Southwest FIMC rate development that includes coverage of MH and SUD services will occur separate from this BHO rate development.

Base Data Development

The SFY 17/18 rate range development constitutes a full rate rebase for both MH and SUD, as agreed upon between the State and Mercer. As such, Mercer relied on calendar year (CY) 2015 demographic and utilization data related to Medicaid covered MH and SUD services, as outlined in the data book issued in February, 2017, to develop rates specific to the Disabled Adult, non-Disabled Adult, Disabled Child, non-Disabled Child and Newly Eligible rating groups. This time period was selected as the single source for basing the rate calculations as it is the most recent complete year of data, allows for sufficient data runout and it reflects the utilization for the Newly Eligible population which became Medicaid eligible as of January 2014. Mercer did not blend the CY 2015 base data with any other data sources. Specific to the Newly Eligible rating group, prior

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to the CY 2015 base data period, actual experience was still emerging. As such, initial statewide projections developed by the State were used in conjunction with any available data at the BHO level. The SFY 17/18 process now places full reliance on CY 2015 observed utilization data. As such, the SFY 17/18 rates will more closely represent observed BHO Newly Eligible utilization.

The CY 2015 MH data was also used to develop a separate monthly case rate to be paid for Children in the Wraparound with Intensive Services (WiSe) program. Additionally, Mercer reviewed emerging CY 2016 data to support the development of trend assumptions. To allow for adequate claim payment history, Mercer primarily focused on claim data with incurred dates through March 2016.

MH services were historically administered by the Regional Support Networks in a managed care environment prior to transitioning to the Behavioral Health Organizations (BHOs) in April, 2016 while SUD services were historically administered on a FFS basis and captured in State data warehouses. As such, the State provided Mercer with the following data sources:

- The MH Provider One (P1) Inpatient data reflect FFS claims payments made by the State directly to providers. BHOs reimburse the State for services for their members, but the BHOs do not report encounters on these services.
- The MH outpatient and Evaluation and Treatment (E&T) encounter data are submitted by the BHOs to the State's Medicaid management information system. The State provided an extract of the encounter data to Mercer.
 - Since service costs are not included on outpatient and E&T encounters, Mercer utilized a modeling approach to estimate costs for hourly services and surveyed BHOs to gather rate information for per diem services, as outlined in the data book.
- The SUD P1 data reflect FFS claims payments made by the State directly to SUD providers based on CY 2015 Medicaid reimbursement levels.
- The TARGET SUD data are reported via a web-based system directly by the agencies. The TARGET data capture services provided to clients by SUD providers. This data system largely captures services provided to non-Medicaid eligibles, but also contains records of services provided to Medicaid clients. The State provided Mercer detailed TARGET utilization and expense based on CY 2015 Medicaid reimbursement levels by recipient, service date and modality.
- The eligibility information used in the data analysis is summarized from the State's eligibility data. The State provided an eligibility file which outlines the Medicaid enrollment segments for each member and the applicable recipient aid category (RAC) code.

For additional information regarding the base data development, please refer to the Washington BHO data book issued in February, 2017.

Mercer used and relied upon enrollment, eligibility, encounter, claims and benefit design information supplied by the State. The State and its vendors are responsible for the validity and

completeness of these supplied data and information. We have reviewed the data and information for internal consistency and reasonableness, but we did not audit them. If the data and information are incomplete or inaccurate, the values shown in this report may need to be revised accordingly.

Trend Development

A trend factor is necessary to project the expenses of providing health care services from the base period through SFY 2017/2018. This includes economic considerations such as unit cost inflation as well as changes to service delivery volumes. Mercer evaluated trends in the Washington State programs based on encounter and FFS claims history. Additionally, Mercer reviewed regional Consumer Price Indices (CPI-U) as well as trends in other state programs to inform cost inflationary factors. Trend assumptions were applied to project the expenses from the midpoint of the base period to the midpoint of SFY 2017/2018.

Mercer focused the review on the actual utilization and unit cost data for the January 1, 2014 through March 31, 2016 time period provided by the State. Additionally, Mercer considered BHO specific prospective program adjustments such as WISE implementation and new facilities coming online that may have impacted historic utilization patterns. Specific to WISE implementation, mitigation of MH outpatient trend assumptions was considered for BHOs that had not yet implemented WISE as of the end of CY 2015.

Upon review of the MH and SUD data, most BHOs exhibited downward to flat per member per month (PMPM) trends from CY 2014 to CY 2015 for the majority of services, with the exception of MH inpatient and E&T as well as SUD residential, opiate substitution treatment and outpatient services which experienced upward PMPM trend patterns. However, in instances where increased trends were observed towards the end of CY 2015 and in emerging CY 2016 experience, consideration was made in the development of the prospective trend assumptions.

Based on this review, the prospective trend assumptions were established for each service modality and varied by BHO. Overall trends by BHO varied between approximately 3.2% and 6.7% at Target and were driven primarily by differences in emerging trend patterns and service mix with variation to the underlying trends by type of service as evidenced in the historical claims data.

Type of Service	Statewide Lower Bound Trend	Statewide Upper Bound Trend
Inpatient	1.1%	3.4%
E&T	1.8%	4.9%
MH Outpatient	2.2%	5.9%
SUD Outpatient (Individual, Group, Opiate Substitution Treatment (OST), and Assessments)	3.7%	7.7%

Type of Service	Statewide Lower Bound Trend	Statewide Upper Bound Trend
SUD Residential (Intensive Inpatient and Detox)	3.1%	6.7%
Total	2.3%	5.8%

Unit Cost Development under Managed Care

A key component of the capitation rate development for managed care programs is the development of provider reimbursement rates. As the MH program has been under managed care for many years, the provider reimbursement levels underlying the rates are based on managed care program history. As such, no explicit modifications were made to the MH unit cost considerations outlined in the data book outside of normal trend inflation for the development of SFY 17/18 rates. SUD services data, on the other hand, reflect historical FFS reimbursement rates. As such, Mercer assessed BHO program provider reimbursement assumptions for SUD under managed care.

Unit Cost Development for SUD Residential/Detox Services

Mercer and the State collected data on the BHO provider contracted fees for Residential and Detox services to compare against the current Medicaid fee schedule reimbursement levels. Based on this review, it was determined that an adjustment would be applied to reflect the transition from the Medicaid fee schedule to the actual contracted BHO rates.

The review of Residential reimbursement rates in the CY 2015 FFS data compared to the contracted BHO rates focused mainly on Adult and Youth Short- and Long-Term Residential services. Additionally, Pregnant and Parenting Women (PPW) services were also reviewed. The Residential provider reimbursement rates were approximately 30% higher per day compared to the prior FFS reimbursement rates, with minimal variation between the BHOs. For instance, Adult Short-Term Residential per diem rates prior to Managed Care were \$150/day statewide, while most BHOs have established provider reimbursement rates at or near \$195/day (30% more than FFS rates) for the same service. This relationship was consistent for most Residential services, with only minor variation among BHOs. As such, a 30% increase was applied to all SUD residential services for all BHOs. The overall impact at Target of the SUD Residential unit cost adjustments is 1% across all rating groups.

Specific to Detox, the same methodology as Residential was used to determine the relativity of the contracted BHO rates compared to the prior FFS rates. Unlike Residential, the sub-Acute and Acute provider contract rates varied by BHO. Through conversations with the State, some variability in reimbursement rates is expected due to variations in staffing mix and service delivery when compared to statewide averages. As service systems continue to stabilize across the BHOs, the State and Mercer agreed upon a blended approach that utilized 50% of the BHO-specific total Detox increase and 50% of the statewide average total Detox increase. The statewide impact of the Detox changes in unit cost reimbursement levels is a 40% increase to the

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Detox modality. The resulting BHO specific impacts range from a 25% increase to a 60% increase based primarily on the utilization mix of sub-acute and acute detox services. The overall impact at Target of the SUD Detox unit cost adjustments is 0.6% across all rating groups.

Note that the SUD Residential and Detox adjustments reflect initial contracting changes at the onset of the BHO program (April, 2016). Separate considerations were made for ongoing trend inflation beyond the initial BHO contract period.

Unit Cost Development for non-Residential/Detox Services

Under managed care, BHOs are required to negotiate reimbursement rates with SUD providers. Because providers have received differential reimbursement for services at non-Medicaid levels, BHOs are expected to get pressure to contract at higher reimbursement rates under the managed care program. Furthermore, prior rate studies question the sustainability of payment rates significantly below cost for the SUD program. As such, Mercer developed a unit cost adjustment scenario assuming all non-Residential services are reimbursed at higher reimbursement rates consistent with prior non-Medicaid levels. These adjustments impact Outpatient, OST, and Assessment services:

- Assessments: The Medicaid rate is \$115.17 across all population types compared to the average county rates of \$132.45. The county rates are 15% above Medicaid levels.
- Group Outpatient services: The Medicaid rate is \$4.82 for Adult and \$6.30 for Youth compared to average county rates of \$8.29 for Adult and \$9.95 for Youth. County rates are well in excess of 15% above Medicaid and vary by region. These rates are supported by the findings of the prior rate studies.
- Individual Outpatient services: Similar variation is present between Medicaid rates of \$19.26 and average county rates of \$22.15. County rates are 15% above Medicaid levels.
- OST: The Medicaid rate is \$12.79, while average county (non-Medicaid) rates are roughly \$14.70, or 15% higher.

The values shown in the bullet points above are on a statewide basis. In order to develop an adjustment specific to each BHO, Mercer analyzed the current county-specific non-Medicaid fee schedules as well as the overall statewide non-Medicaid average rates. The rates under managed care could vary from the existing county level FFS rates. Due to potential variation in contracting practices among the BHOs, Mercer developed rates that reflect a blend of current county-specific non-Medicaid fee schedules (75% weighting) and the statewide average rate (25% weighting), consistent with the logic used to develop the FY 16/17 rate ranges.

The impact of these changes in unit cost reimbursement levels is 15% to the Assessment modality, 50% to the Outpatient modality, and 14.9% to the OST modality. These adjustments establish the non-Residential services unit cost at the CY 2015 payment levels. This is separate from the prospective trend assumption which accounts for unit cost inflation from CY 2015 to SFY

17/18. The overall impact at Target of these unit cost adjustments is 4.9% across all rating groups.

The total cost impact at Target of the SUD Residential/Detox and non-Residential/Detox unit cost adjustments is 6.6% across all rating groups.

Programmatic Changes

Programmatic change adjustments recognize the impact of benefit or eligibility changes that took place during or after the base year. Mercer and the State discussed the program change considerations applicable to the SFY 17/18 contract period. Mercer utilized encounter data, enrollment forecast information, and cost analyses provided by the State to analyze the impact of each program change. Mercer applied programmatic change adjustments to incorporate factors not fully reflected in the current rates. These adjustments were mutually exclusive from trend and made only once in the rate-setting process.

Institution for Mental Disease (IMD) Services Consideration

On May 6, 2016, the CMS published the Medicaid and Children's Health Insurance Program (CHIP) Programs final rule. Provision §438.6(e) states the following, "...the State may make a monthly capitation payment to an MCO or PIHP for adults receiving inpatient treatment in an IMD, so long as the facility is a hospital providing psychiatric or substance use disorder inpatient care or a sub-acute facility providing psychiatric or substance use disorder crisis residential services, and length of stay in the IMD is for a short-term stay of no more than 15 days during the period of the monthly capitation payment." This requirement was effective as of July 6, 2016.

As a result of this provision, Federal Financial Participation (FFP) is not available for capitation payments made for individuals who stay in IMD facilities within a given calendar month in excess of 15 days. The adjustments made to the base data to account for this provision are outlined below.

As part of the data book development, claims at facilities identified as IMDs were excluded from the base data summaries. For MH, this exclusion was limited to individuals aged 22–64. For SUD, all ages were excluded. In addition, in accordance with the Final Rule, if the aggregate count of days in an IMD (MH or SUD) for an individual within a single month exceeds 15 days; all services delivered to that individual during that month are not eligible for FFP under the capitation rate. As such, Mercer identified IMD stays that exceeded 15 days by person and month and excluded all eligibility records as well as all non-IMD claims and encounters from the MH and SUD data in those months for those individuals. More information can be found in the Washington BHO data book issued in February, 2017.

Specific to the rate development program change, Mercer identified and included consideration for IMD claims for which a user had a length of stay in any IMD facility for 15 days or less in a calendar month. Note that MH Residential IMD claims will be funded outside the capitation rate

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and as such were excluded from this analysis. The Final Rule stipulates that this IMD utilization should be repriced at the State Plan equivalent per diem rate for services in a non-IMD facility. The table below illustrates the adjustment made to incorporate consideration for the repriced allowable IMD stays at the State Plan equivalent rate (reflective of SUD Residential and Detox per diem updates noted earlier in this memo) into the SFY 17/18 rates.

BHO	Adjustment
Great Rivers	5.0%
Greater Columbia	3.9%
King	10.4%
North Central	4.0%
North Sound	6.2%
Pierce	4.2%
Salish	5.6%
Spokane	4.8%
Thurston Mason	4.6%

The cost impact at Target of the IMD services considerations is 6.4% across all rating groups.

New and Converting SUD Facilities

Mercer calculated impacts to the rate ranges for the following new and converting SUD facilities that have opened and enrolled as Medicaid FFS providers:

- Daybreak Vancouver (Southwest region) Intensive Inpatient facility underwent capacity reconfigurations that resulted in an increase in capacity to 40 beds.
 - While Southwest is part of the FIMC program during the SFY 17/18 time period, a portion of utilization at this facility is anticipated to be for individuals eligible in other BHOs, as noted further below.
- Sea Mar Seattle (King BHO) Intensive Inpatient facility (opened September 2015).
- Seadrunar (King BHO) Detox facility (opened December 2015).
- Excelsior (Spokane BHO) Intensive Inpatient facility (opened December 2016).
- Drug Abuse and Prevention Center (DAPC) has historically been an IMD facility and as such, was originally excluded from the CY 2015 base data represented in the data book issued in February, 2017. The State has since indicated that DAPC had converted to a non-IMD prior to CY 2015.
 - As a result, CY 2015 data was used to reflect the expense associated with utilization at DAPC.

Through discussions with the State, all individuals served at these Intensive Inpatient facilities will be Medicaid eligible as providers are required by contract to serve only Medicaid-eligible clients. Detox facilities, however, will continue to serve both Medicaid and non-Medicaid-eligible

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individuals. For Detox services, the historic utilization mix of 64% Medicaid and 36% non-Medicaid was used to develop the proportion of Detox utilization that would be delivered to Medicaid-eligible recipients. Finally, the State indicated that these facilities are expected to operate at nearly full capacity with vacancy rates assumed to average one bed out of 16 beds on any given day.

Using this information, Mercer developed the cost impact of converting facilities as well as new facilities based on the observed BHO Intensive Inpatient and Acute Detox rates of \$150 and \$252 per day, respectively, for facilities other than Sea Mar Seattle and Seadrunar. Note that the SUD adjustments related to BHO Intensive Inpatient and Acute Detox per diem rates are reflected in the impacts outlined previously in this memo. Ultimate reimbursement levels for these new and converting facilities are consistent with observed reimbursement levels under the BHO program.

The Sea Mar Seattle and Seadrunar facilities opened towards the end of 2015 and experienced a ramp-up in utilization. Because of this, Mercer calibrated the adjustment based on utilization already observed in the CY 2015 base data. Mercer also utilized the daily rate observed in the CY 2015 data for these facilities when developing the program change adjustment.

Subsequent to the CY 2015 data period, Daybreak Vancouver converted from a non-IMD to a 40-bed IMD facility. As utilization from a portion of the beds at this facility is already reflected in the base data, Mercer developed a program change that reflects the bed expansion. However, as a result of the bed expansion and IMD classification, an additional adjustment is necessary to reflect allowable stays of 15 days or less at each of the 40 facility beds, per the CMS Final Rule. This additional adjustment is based on the historic proportion of stays of 15 days or less in IMD facilities. The resulting net adjustment (taking into account expenses already reflected in the base data) is just over \$65,000 statewide.

The statewide cost impact is outlined below:

Intensive Inpatient/ Detox Facility	# of Beds	Assumed Percent Medicaid	Assumed Capacity	Daily Rate¹	Implementation Date Adjustment	IMD Excess Stay Allowable %	Projected Annual Cost of Facility	Cost Reflected in CY 2015 Base Data	Total Cost Impact	
Sea Mar Seattle	16	100%	94%	\$138	86%	n/a	\$653,259	\$0	\$653,259	
Seadrunar	16	64%	94%	\$252	94%	n/a	\$833,761	\$0	\$833,761	
Excelsior	16	94%	94%	\$150	100%	n/a	\$771,975	\$0	\$771,975	
Daybreak Vancouver ²	40	100%	81%	\$150	100%	47%	\$837,922	\$772,681	\$65,241	
DAPC ³	16	<i>Actual CY 2015 Data Used</i>						\$627,407	\$0	\$627,407
Impact ⁴							\$3,724,324	\$772,681	\$2,951,643	

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¹ As the Sea Mar Seattle and Seadrumar facilities opened towards the end of 2015 and experienced a ramp-up in utilization, Mercer utilized the daily rate observed in the CY 2015 data for these facilities when projecting the cost impact.

² Daybreak Vancouver was already reflected in the CY 2015 base data as a non-IMD. The projected cost of the IMD facility represents the additional allowable utilization as a result of the bed expansion.

³ DAPC had been excluded from the CY 2015 base data as an IMD. However, further discussion with the State indicated that DAPC had converted to a non-IMD prior to CY 2015. As a result, CY 2015 data was used to reflect the expense associated with utilization at DAPC.

⁴ The impacts illustrated include Southwest as some of these costs would be allocated to that region, particularly Daybreak Vancouver which is located in the Southwest region.

The cost allocation by BHO was developed under the expectation that utilization would be concentrated at the provider location. Mercer developed BHO distribution assumptions based on historical utilization observations at Residential and Detox facilities respectively. For the new Residential facilities, Mercer allocated 60% of the expenses to the BHO at which the provider was located. The remaining 40% of expenses is expected to be driven equally among the remaining BHOs. For Detox, Mercer allocated 75% of the expenses to the BHO at which the provider was located, with 25% allocated equally to the remaining BHOs. These assumptions were informed by review of historic expenditures by BHO at the provider level.

The cost impact at Target of these new and converting facilities is 0.6% across all rating groups.

AI/AN Opt-In Considerations

Effective July 1, 2017, all American Indian and Alaska Natives (AI/AN) will be transitioned to the FFS program with the option to opt back in to managed care to receive both MH and SUD services. Based on discussions with the State, it is anticipated that AI/AN individuals who had historically accessed MH services through the managed care program during CY 2015 would be the most likely to opt back into the BHO program due to their familiarity with the program as well as the desire for continuity of care with their current MH managed care providers and networks. As all costs and membership for identified AI/AN individuals were excluded from the CY 2015 base data, Mercer developed a PMPM impact of adding both costs and membership back in for the anticipated opt-in population. The impact of adding the opt-in population results in a more notable upward rate adjustment as the opt-in group consists of historic utilizers of MH services.

BHO	Adjustment
Great Rivers	2.9%
Greater Columbia	3.5%
King	2.2%
North Central	1.1%
North Sound	1.9%
Pierce	2.3%

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BHO	Adjustment
Salish	3.5%
Spokane	4.2%
Thurston Mason	2.5%

The overall cost impact at Target is 2.7% across all rating groups.

Targeted Service Expansions

The State is enhancing service funding to BHOs across the state to improve the availability, access, quality and coordination of intensive services. The enhanced funding is targeted to specific projects intended to expand State Plan service utilization. It is not targeted at new Medicaid benefits. Mercer confirmed that none of these initiatives were yet reflected within the CY 2015 base data.

Note that the Southwest region is illustrated in the summary below as the funding for the targeted service expansions was generally allocated across all regions statewide as described further below.

New Mental Health E&T Facilities

Mercer calculated adjustments to the rate ranges to incorporate service funding for specific MH E&T service expansion initiatives in North Sound and Southwest.

The State budgeted funding has been adjusted to exclude approximately 3% for expected Room and Board expenses and 15% for expenses associated with non-Medicaid eligibles. Mercer distributed the Medicaid-eligible service expenses across BHOs and rating groups based on the historical utilization experience from the CY 2015 base data.

Assisted Outpatient Treatment Services

Recent legislation, House Bill 1450, in the State of Washington approved additional Medicaid-funded services related to Involuntary Outpatient treatment for both the MH and SUD programs.

The State provided Mercer with the projected costs for Medicaid-funded services provided through the Assisted Outpatient treatment program during the contract period. Mercer reviewed the logic developed by the State as well as the unit cost rates used to develop the service expenses, and determined them to be reasonable. It was determined that this legislation would exclusively impact the Adult and Newly Eligible rate cells. The cost projections were adjusted to exclude non-service expenses and expenses associated with non-Medicaid eligibles.

Court Review of Involuntary Treatment Detention Decisions

Recent legislation, Senate Bill 5269, in the State of Washington approved court reviews of involuntary treatment detention decisions made by MH professionals, such that a parent or guardian can petition for the involuntary detention of an individual into a MH E&T facility.

The State provided Mercer with the projected costs for Medicaid-funded E&T services resulting from the program during the contract period. Mercer reviewed the logic developed by the State, as well as the unit cost rates used to develop the service expenses, and determined them to be reasonable. It was determined that this legislation would exclusively impact the Adult and Newly Eligible rate cells. The cost projections were adjusted to exclude non-service expenses and expenses associated with non-Medicaid eligibles.

In addition to the E&T expenses, costs were included for the development of additional Program of Assertive Community Treatment (PACT) teams in relation to this legislation. Based on discussions with the State, the portion of the dollars associated with PACT teams was allocated to Spokane and Great Rivers BHOs exclusively.

Mental Health Professionals Response to Suicide Threats

Recent legislation, House Bill 1448, in the State of Washington provides procedures for responding to reports of threatened or attempted suicide. Within 24 hours of being notified of an incident by a peace officer or first responder, a mental health professional must attempt to contact the person who is the subject of the notification and assess whether the individual meets initial detention criteria.

The State provided Mercer with the projected costs for Medicaid-funded services resulting from the program during the contract period. Mercer reviewed the logic developed by the State as well as costs used to develop the service expenses, and determined them to be reasonable. It was determined that this legislation would exclusively impact the Adult and Newly Eligible rate cells. The cost projections were adjusted to exclude non-service expenses and expenses associated with non-Medicaid eligibles.

New Mobile Crisis Teams

Mercer calculated adjustments to the rate ranges to incorporate Legislative funding specific to new Mobile Crisis teams in North Central, King and Great Rivers BHOs. The funding amount was split evenly amongst these three BHOs and then distributed across rate cells based on historic CY 2015 membership. This service is expected to enhance the delivery of care across the targeted regions and is not anticipated to result in a material offset to Medicaid behavioral health services, such as Inpatient.

New Thurston Mason Triage Center

Mercer calculated adjustments to the rate ranges to incorporate Legislative funding for a new triage center to be opened in Thurston Mason BHO. The facility is intended to be used as a jail

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diversion program and as such may receive referrals from other Western Washington BHOs. Based on review of historic CY 2015 utilization distributions across BHOs at other triage facilities, it was determined that 97% of the utilization is specific to the BHO in which the facility is located. As such, Thurston Mason received 97% of the funding, with the remaining 3% being applied evenly to the Western Washington BHOs (King, North Sound and Southwest). The funding was allocated to the Adult and Newly Eligible rate cells according to CY 2015 triage facility utilization.

The annual cost impacts associated with these targeted service expansions are summarized in the table below:

BHO	New MH E&T Facility Included Dollars	House Bill 1450 Included Dollars	Senate Bill 5269 Included Dollars	House Bill 1448 Included Dollars	New Mobile Crisis Team Included Dollars	New TM Triage Center Included Dollars
Great Rivers	\$108,334	\$292,057	\$600,245	\$32,604	\$717,333	\$7,500
Greater Columbia	\$19,183	\$315,399	\$105,557	\$68,911	\$0	\$0
King	\$214,892	\$1,256,125	\$420,398	\$150,095	\$717,333	\$7,500
North Central	\$19,183	\$58,004	\$19,413	\$19,153	\$717,333	\$0
North Sound	\$2,666,800	\$848,275	\$283,900	\$88,468	\$0	\$7,500
Pierce	\$19,183	\$757,666	\$253,575	\$73,047	\$0	\$7,500
Salish	\$19,183	\$293,134	\$98,106	\$29,351	\$0	\$7,500
Southwest (FIMC)	\$3,090,852	\$350,447	\$117,287	\$38,160	\$0	\$7,500
Spokane	\$19,183	\$563,127	\$690,967	\$67,941	\$0	\$0
Thurston Mason	\$19,183	\$352,297	\$117,906	\$28,269	\$0	\$1,455,000

The cost impact at Target of these additional services is 3.1% across all rating groups. These adjustments are mutually exclusive from the service trend, which is focused on cost trending to the historical service utilization.

S9484 Crisis Bundled Services Consideration

Based on discussions with the State, the Service Encounter Reporting Instructions (SERI) for the crisis stabilization code S9484 will be updated prior to the SFY 17/18 contract period. The change will require certain triage and 24-hour facilities to report crisis S9484 utilization on a per diem basis while the remaining facilities would report S9484 crisis stabilization on an hourly basis.

Consideration for this change in terms of summarization and pricing of reported S9484 crisis encounters as a per diem or hourly service was included within the development of the CY 2015 data book (issued February, 2017) and can be referenced for additional detail. However, further consideration was made for services deemed unallowable to be provided on the same day as a S9484 crisis per diem event.

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Consistent with the bundled services criteria outlined in the CY 2015 data book, Mercer calculated adjustments to account for the following modalities that are not allowed to be provided on the same day as a crisis per diem services: crisis hotline, day support, individual treatment, group treatment, medication monitoring, rehab case management and community psych.

The overall cost impact at Target of the S9484 crisis bundled services consideration is -0.2% across all rating groups.

SUD Mild Assessment

During the CY 2015 time period, in order for individuals to receive SUD treatment they required a dependency diagnosis of either Moderate or Severe (with the exception of Youth and Pregnant Women having a diagnosis of Mild). As of April 2016, individuals with an SUD – Mild diagnosis will be eligible to receive Medicaid-funded services under the managed care program. Using data provided from the State, Mercer estimated the additional costs of these SUD - Mild Assessments to be \$737,000 annually for the Outpatient modality.

The development of this impact is outlined below:

Outpatient	
Observed CY 2015 SUD Cost per User	\$1,145
Assumed SUD – Mild Assessments	2,576
Assumed SUD Penetration Rate	25%
Total Projected SUD – Mild Expense	\$737,485

The cost impact at Target of these SUD – Mild Assessments is 0.2% across all rating groups.

WISe Case Rate Payment (Mental Health)

The State of Washington contracted with Mercer to develop a case rate payment for the WISe program for SFY 17/18 contract period. WISe is a Medicaid funded range of service components that are individualized, intensive, coordinated, comprehensive, culturally competent, home and community based for children and youth who have a mental disorder that is causing severe disruptions in behavior. Treatment requires coordination of services and support, intensive care collaboration and ongoing intervention to stabilize the child and family to prevent more restrictive or institutional placement. WISe team members provide a high level of flexibility in accommodating families by working evenings and weekends and responding to crises 24 hours a day, seven days a week. The WISe program began July 1, 2014 in select areas across the State with ongoing ramp-up expected through June 30, 2018.

As a basis for calculating the case rate, Mercer utilized reported MH encounters from the CY 2015 time period. Children enrolled in the WISe program utilize the full array of Medicaid benefits regardless of whether those services are delivered by a qualified WISe provider. The MH

encounter data captures all Medicaid services delivered to WISE recipients and specifically identifies services delivered by qualified WISE providers using a 'U8' procedure code modifier. Services delivered by qualified WISE providers represent a fidelity-based approach; therefore the cost structure of these services is expected to be different than that of similar services delivered by non-WISE providers.

As with encounter data used to develop the BHO capitation payments, reported services delivered to WISE enrollees do not contain payment information from the BHOs. Therefore, Mercer implemented a pricing approach to WISE services, similar to that used for non-WISE encounters. Through discussions with the State, certain considerations were modified from what was used for non-WISE encounters. Specifically, adjustments were made to WISE services rates for:

- **Training** — This assumption was increased to 72 hours per year as each WISE team member is required to complete an additional 32 hours of annual training specific to the WISE program. The training assumption for non-WISE services is 40 hours per year per staff.
- **Documentation/Team Meetings** — Due to the team-based WISE model, additional non-productive time was considered to reflect the time spent coordinating individual care. For all staff levels, the State expects an additional hour per day for Cross System Care Plan (CSCP) planning and documentation, note taking and team meetings when compared to non-WISE services. The assumptions for WISE services are outlined below:
 - 2.25 hours per day for Psychiatrist and Physician assistants.
 - 2 hours per day for other staff.
 - Intake services and Special Population Services were set at 3 hours per day for all staff.
- **24-hour Access to Crisis** — Individuals enrolled in the WISE program are encouraged to access crisis services through their dedicated WISE service provider. While typical crisis response teams are subject to on-call time, WISE team members have the opportunity to deliver other forms of care when they are not responding to crisis events. However, during overnight hours, the State expects higher levels of on call time as crisis events are expected to be less frequent and providers are not expected to be delivering other forms of care. To capture the impact of these productivity considerations, each day was split into two segments for core service hours (8 hours) and overnight hours (16 hours).
 - Core Service Hours (8 hours): Minimal on-call time as providers are expected to deliver (and bill for) other services. This translates to an expectation of approximately six hours of expected crisis delivery.
 - Overnight Service Hours (16 hours): On-call time increased to four hours. Note that assumptions for travel interact with on-call time assumptions and therefore were considered together for overnight segments.
 - For reference, on-call expectations for non-WISE providers are 1.5 hours per eight hour shift.
- **Concurrent Delivery of Services by Multiple Providers** — Based on discussions with the State, the WISE delivery model provides for certain services to be administered simultaneously by multiple providers when clinically appropriate. Because the WISE service

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may not be encountered separately for each provider, additional considerations may be necessary to reflect the cost of multiple providers simultaneously delivering care. Note that this consideration is limited to instances where multiple providers are present during the delivery of care and does not include instances where providers confer in separate team meetings.

- The State and Mercer reviewed staffing considerations and documented provider types for WISE encounters to develop team composition assumptions in instances where multiple providers may be present during the delivery of care.
- Because the WISE program is designed to cater service delivery based on individual needs, the State anticipates that this team-based approach will occur in 30% of services delivered for applicable modalities.

All other assumptions used in the development of non-WISE service expenses remain unchanged including assumptions for staff wages, employee-related expenses, provider overhead and certain productivity considerations. Further information related to the non-WISE service expenses can be found in the CY 2015 data book issued in February, 2017.

Based on these expectations, the statewide CY 2015 WISE cost per user per month is approximately \$2,400. Mercer utilized this historic cost expectation for WISE services and applied prospective considerations for trend inflation of 2.6% as well as BHO administrative expenses associated with WISE screening and treatment plan review of 6% to get to the final statewide SFY 17/18 WISE Case Rate of \$2,721. The detailed developed of the WISE Case Rate is illustrated below.

CY 2015 Base Data Cost Per Month – Based on Non-WISE Productivity Assumptions	\$1,351
Productivity Adjustments for WISE Services (expense adjustments for anticipated non-billable activity)	
· Training	2%
· Documentation/Team Meetings	27%
· 24-Hour Access to Crisis Services	9%
· Concurrent Delivery of Services by Provider	26%
CY 2015 Base Data Cost Per Month – After WISE Productivity Assumptions	\$2,399
Unit Cost Trend (for 30 months)	2.6%
Administration Load	6%
SFY 17/18 WISE Case Rate	\$2,721

Managed Care Assumptions

An important consideration in any actuarial rate review is whether the rate promotes efficient delivery of the covered benefits. Based on review of the MH and SUD base data, it was determined that no managed care adjustment was necessary as CY 2015 utilization levels reflect levels consistent with an efficient managed care environment.

Administration

In order to operate an efficient managed care program, each BHO must expend resources on administrative functions. These functions span provider relations, finance, utilization management and many other areas. It is important that the administrative assumptions account for reasonable costs for an efficient managed care entity. The administration load factor in the BHO program is expressed as a percentage of the gross capitation rate.

Mercer reviewed the administrative expenses (inclusive of care management) as documented in the Revenue and Expense reports as well as overall enrollment levels for each BHO. While the gross capitation rates reflect recent changes in historic service expense levels and other prospective adjustments, Mercer and the State recognize that BHOs are continually required to expend resources to administer the managed care program. As such, Mercer adjusted the administration load factors for certain BHOs that were subject to notable changes in the service portion of the gross capitation rates.

The table below illustrates the administrative load for each BHO.

BHO	Administrative Load
Great Rivers	11.5%
Greater Columbia	12.0%
King	7.5%
North Central	15.0%
North Sound	9.5%
Pierce	9.5%
Salish	11.5%
Spokane	11.5%
Thurston Mason	10.0%

The weighted average administrative percent load across all BHOs and rating groups at Target is 9.9%.

Comparison to BHO Rate Ranges Effective April 1, 2016

Overall across all five rating groups, the rate ranges decreased by approximately 6.5% at the

Lower Bound and 9.3% at the Upper Bound when compared to the previous BHO rate ranges effective April 1, 2016. For the Adult Disabled, Adult non-Disabled, Child Disabled, and Child non-Disabled rate cells, the rate ranges decreased by 1.2% at the Lower Bound and 5.6% at the Upper Bound. For the Newly Eligible rate cell, the rate ranges decreased by 13.6% at the Lower Bound and 14.2% at the Upper Bound. The reduction in the Newly Eligible rating group rate ranges is driven by full reliance on CY 2015 observed utilization data by BHO. Additional summaries can be found in Appendix A: “Rate Development Summary and Rate Ranges by Rating Group” attached to this narrative.

Actuarial Considerations

Mercer has prepared these rate ranges in accordance with generally accepted actuarial practices and principles specific to the Medicaid-covered populations and services under the anticipated managed care contract based on discussions with the State. Rates developed by Mercer are actuarial projections of future contingent events. Actual costs will differ from these projections. Mercer has developed these rate ranges on behalf of the State to demonstrate compliance with CMS requirements under 42 CFR 438.6(c) and in accordance with applicable laws and regulations. Use of these rate ranges for any purpose beyond that stated may not be appropriate.

Because modeling all aspects of a situation or scenario is not possible or practical, Mercer may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. Mercer may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness, appropriateness or attainability of the results for the Medicaid program. Actuarial assumptions may also be changed from one certification period to the next because of changes in mandated requirements, program experience, changes in expectations about the future, and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable, inappropriate, or unattainable when they were made.

All estimates are based upon the information and data available at a point in time, and are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely, and potentially wide, range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

BHOs are advised that the use of these rate ranges may not be appropriate for their particular circumstance, and Mercer disclaims any responsibility for the use of these rate ranges by the BHO for any purpose. Mercer recommends that the BHOs analyze their own projected service expense, administrative expense, and any other premium needs for comparison to these rate ranges before deciding whether to contract with the State.

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

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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 government-mandated assessments, fees, and taxes, and the cost of capital.

These rate ranges have been prepared by the actuaries noted below, who are members of the American Academy of Actuaries and meet its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.

Brad G. Diaz, FSA, MAAA
Angela Ugstad, ASA, MAAA

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Appendix A: Rate Development Summary and Rate Ranges by Rating Group

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO
All Rate Cells
Lower Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	867,146	\$27.29	2.2%	0.0%	24.9%	\$23.98	\$12.03	\$36.01	11.5%	\$40.69
Greater Columbia	2,825,526	\$19.06	2.4%	0.0%	19.0%	\$17.31	\$6.73	\$24.05	12.0%	\$27.33
King	4,975,446	\$28.52	2.5%	0.0%	21.0%	\$26.88	\$9.80	\$36.67	7.5%	\$39.65
North Central	875,428	\$13.63	4.8%	0.0%	25.6%	\$13.98	\$5.26	\$19.23	15.0%	\$22.63
North Sound	3,086,831	\$26.25	2.3%	0.0%	22.0%	\$24.17	\$9.74	\$33.92	9.5%	\$37.48
Pierce	2,565,839	\$28.58	2.2%	0.0%	14.3%	\$26.80	\$7.64	\$34.44	9.5%	\$38.05
Salish	922,830	\$33.92	1.6%	0.0%	18.9%	\$29.92	\$12.03	\$41.95	11.5%	\$47.40
Spokane	2,223,290	\$29.29	2.1%	0.0%	18.6%	\$27.72	\$8.89	\$36.61	11.5%	\$41.37
Thurston Mason	949,545	\$26.71	1.7%	0.0%	22.4%	\$24.42	\$9.70	\$34.12	10.0%	\$37.91
Total	19,291,880	\$26.31	2.3%	0.0%	19.9%	\$24.44	\$8.95	\$33.38	9.9%	\$37.04

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Disabled Adult Rate Cell
Lower Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	79,952	\$88.44	2.0%	0.0%	15.5%	\$92.02	\$15.35	\$107.36	11.5%	\$121.31
Greater Columbia	174,061	\$94.72	2.2%	0.0%	6.4%	\$96.80	\$9.54	\$106.34	12.0%	\$120.85
King	363,713	\$130.81	2.4%	0.0%	17.2%	\$134.41	\$28.31	\$162.72	7.5%	\$175.91
North Central	49,756	\$68.68	4.5%	0.0%	9.2%	\$74.28	\$9.47	\$83.76	15.0%	\$98.54
North Sound	226,847	\$111.38	2.4%	0.0%	13.7%	\$120.81	\$13.56	\$134.37	9.5%	\$148.48
Pierce	225,725	\$129.88	2.2%	0.0%	7.3%	\$134.00	\$13.18	\$147.19	9.5%	\$162.64
Salish	93,494	\$121.68	1.5%	0.0%	8.8%	\$125.78	\$11.67	\$137.45	11.5%	\$155.31
Spokane	204,933	\$87.50	1.4%	0.0%	11.8%	\$89.03	\$12.14	\$101.17	11.5%	\$114.32
Thurston Mason	88,524	\$83.94	1.6%	0.0%	19.8%	\$91.46	\$13.20	\$104.66	10.0%	\$116.28
Total	1,507,004	\$110.07	2.2%	0.0%	12.6%	\$114.49	\$16.23	\$130.72	9.7%	\$144.83

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

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³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Non-Disabled Adult Rate Cell
Lower Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	89,166	\$27.07	2.7%	0.0%	37.1%	\$19.77	\$19.90	\$39.66	11.5%	\$44.82
Greater Columbia	332,931	\$19.48	2.6%	0.0%	26.7%	\$13.58	\$12.70	\$26.29	12.0%	\$29.87
King	687,345	\$24.73	2.6%	0.0%	15.6%	\$21.06	\$9.41	\$30.46	7.5%	\$32.93
North Central	99,927	\$12.35	4.3%	0.0%	37.6%	\$11.34	\$7.54	\$18.88	15.0%	\$22.21
North Sound	393,673	\$22.43	2.5%	0.0%	23.3%	\$16.91	\$12.49	\$29.39	9.5%	\$32.48
Pierce	345,520	\$20.55	2.9%	0.0%	21.1%	\$16.17	\$10.53	\$26.70	9.5%	\$29.50
Salish	117,580	\$23.52	1.9%	0.0%	25.6%	\$17.05	\$13.89	\$30.95	11.5%	\$34.97
Spokane	273,626	\$23.44	1.8%	0.0%	24.8%	\$19.33	\$11.30	\$30.63	11.5%	\$34.61
Thurston Mason	122,733	\$20.65	1.9%	0.0%	29.0%	\$15.51	\$12.44	\$27.96	10.0%	\$31.06
Total	2,462,501	\$22.25	2.5%	0.0%	22.5%	\$17.60	\$11.38	\$28.98	9.9%	\$32.15

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Disabled Child Rate Cell
Lower Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	17,835	\$44.04	1.6%	0.0%	9.8%	\$43.79	\$6.48	\$50.28	11.5%	\$56.81
Greater Columbia	57,413	\$43.41	2.1%	0.0%	11.3%	\$43.50	\$7.32	\$50.82	12.0%	\$57.75
King	71,922	\$76.63	2.2%	0.0%	7.6%	\$81.65	\$5.44	\$87.09	7.5%	\$94.15
North Central	15,513	\$43.91	3.3%	0.0%	10.6%	\$42.94	\$9.71	\$52.66	15.0%	\$61.95
North Sound	57,721	\$46.60	2.4%	0.0%	15.8%	\$51.06	\$6.16	\$57.23	9.5%	\$63.23
Pierce	56,870	\$39.88	2.2%	0.0%	9.4%	\$41.98	\$4.12	\$46.11	9.5%	\$50.95
Salish	22,294	\$71.34	1.5%	0.0%	6.8%	\$74.24	\$4.80	\$79.04	11.5%	\$89.32
Spokane	53,517	\$72.82	1.0%	0.0%	7.4%	\$77.05	\$3.15	\$80.19	11.5%	\$90.61
Thurston Mason	23,382	\$34.76	1.6%	0.0%	10.8%	\$34.10	\$5.94	\$40.04	10.0%	\$44.49
Total	376,468	\$55.06	1.9%	0.0%	9.5%	\$57.71	\$5.53	\$63.25	10.1%	\$70.36

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Non-Disabled Child Rate Cell
Lower Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	446,362	\$12.30	1.7%	0.0%	18.7%	\$11.39	\$3.83	\$15.22	11.5%	\$17.20
Greater Columbia	1,429,825	\$6.24	2.2%	0.0%	15.2%	\$6.23	\$1.37	\$7.60	12.0%	\$8.64
King	1,923,450	\$11.19	2.3%	0.0%	7.7%	\$11.54	\$1.21	\$12.76	7.5%	\$13.79
North Central	466,208	\$5.33	3.7%	0.0%	30.1%	\$6.11	\$1.49	\$7.60	15.0%	\$8.94
North Sound	1,302,786	\$9.14	2.4%	0.0%	10.7%	\$8.83	\$1.90	\$10.72	9.5%	\$11.85
Pierce	1,086,582	\$8.46	2.4%	0.0%	9.3%	\$8.51	\$1.31	\$9.82	9.5%	\$10.85
Salish	332,527	\$14.08	1.6%	0.0%	14.0%	\$13.29	\$3.41	\$16.70	11.5%	\$18.87
Spokane	915,671	\$14.08	1.1%	0.0%	11.6%	\$14.29	\$1.88	\$16.17	11.5%	\$18.27
Thurston Mason	371,649	\$9.12	1.7%	0.0%	14.5%	\$8.73	\$2.16	\$10.88	10.0%	\$12.09
Total	8,275,060	\$9.73	2.1%	0.0%	11.9%	\$9.73	\$1.72	\$11.45	10.1%	\$12.74

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)].}

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)]/(1-E).}

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Newly Eligible Rate Cell
Lower Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Lower Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	233,831	\$33.80	2.7%	0.0%	35.1%	\$24.84	\$23.98	\$48.82	11.5%	\$55.16
Greater Columbia	831,296	\$23.42	2.5%	0.0%	29.8%	\$19.43	\$12.94	\$32.36	12.0%	\$36.77
King	1,929,015	\$26.07	2.6%	0.0%	33.5%	\$21.92	\$15.17	\$37.09	7.5%	\$40.10
North Central	244,025	\$16.84	6.0%	0.0%	35.0%	\$15.95	\$10.37	\$26.32	15.0%	\$30.97
North Sound	1,105,803	\$29.23	2.2%	0.0%	32.8%	\$23.61	\$17.42	\$41.03	9.5%	\$45.34
Pierce	851,143	\$29.90	1.8%	0.0%	22.6%	\$25.01	\$13.33	\$38.33	9.5%	\$42.36
Salish	356,935	\$30.51	1.6%	0.0%	31.6%	\$21.77	\$20.00	\$41.77	11.5%	\$47.20
Spokane	775,544	\$30.92	3.5%	0.0%	27.2%	\$26.93	\$15.87	\$42.80	11.5%	\$48.37
Thurston Mason	343,256	\$32.63	1.8%	0.0%	25.7%	\$26.64	\$16.25	\$42.88	10.0%	\$47.65
Total	6,670,847	\$27.83	2.5%	0.0%	30.2%	\$22.99	\$15.56	\$38.54	9.9%	\$42.76

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO
All Rate Cells
Upper Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	867,146	\$27.29	5.7%	0.0%	24.7%	\$26.07	\$13.03	\$39.10	11.5%	\$44.18
Greater Columbia	2,825,526	\$19.06	5.9%	0.0%	19.1%	\$18.85	\$7.37	\$26.22	12.0%	\$29.79
King	4,975,446	\$28.52	6.0%	0.0%	21.1%	\$29.05	\$10.86	\$39.91	7.5%	\$43.15
North Central	875,428	\$13.63	9.0%	0.0%	25.6%	\$15.45	\$5.78	\$21.23	15.0%	\$24.98
North Sound	3,086,831	\$26.25	5.8%	0.0%	22.0%	\$26.26	\$10.63	\$36.88	9.5%	\$40.75
Pierce	2,565,839	\$28.58	5.7%	0.0%	14.3%	\$29.14	\$8.37	\$37.51	9.5%	\$41.44
Salish	922,830	\$33.92	5.0%	0.0%	18.8%	\$32.50	\$13.08	\$45.58	11.5%	\$51.50
Spokane	2,223,290	\$29.29	5.5%	0.0%	18.7%	\$30.02	\$9.72	\$39.74	11.5%	\$44.91
Thurston Mason	949,545	\$26.71	5.1%	0.0%	22.4%	\$26.53	\$10.51	\$37.04	10.0%	\$41.16
Total	19,291,880	\$26.31	5.8%	0.0%	19.9%	\$26.52	\$9.80	\$36.33	9.9%	\$40.31

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Disabled Adult Rate Cell
Upper Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	79,952	\$88.44	5.0%	0.0%	15.5%	\$98.65	\$16.78	\$115.42	11.5%	\$130.42
Greater Columbia	174,061	\$94.72	5.2%	0.0%	6.4%	\$104.05	\$10.27	\$114.31	12.0%	\$129.90
King	363,713	\$130.81	5.5%	0.0%	17.1%	\$143.75	\$31.48	\$175.23	7.5%	\$189.43
North Central	49,756	\$68.68	8.2%	0.0%	9.4%	\$80.78	\$10.67	\$91.45	15.0%	\$107.59
North Sound	226,847	\$111.38	5.2%	0.0%	13.6%	\$129.22	\$14.60	\$143.81	9.5%	\$158.91
Pierce	225,725	\$129.88	5.2%	0.0%	7.3%	\$144.14	\$14.17	\$158.31	9.5%	\$174.93
Salish	93,494	\$121.68	4.6%	0.0%	8.9%	\$135.20	\$12.97	\$148.17	11.5%	\$167.42
Spokane	204,933	\$87.50	4.4%	0.0%	11.9%	\$95.62	\$13.48	\$109.10	11.5%	\$123.27
Thurston Mason	88,524	\$83.94	4.6%	0.0%	19.9%	\$98.24	\$14.20	\$112.44	10.0%	\$124.94
Total	1,507,004	\$110.07	5.2%	0.0%	12.6%	\$122.81	\$17.82	\$140.63	9.7%	\$155.81

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

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³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Non-Disabled Adult Rate Cell
Upper Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	89,166	\$27.07	5.9%	0.0%	36.6%	\$21.23	\$21.51	\$42.74	11.5%	\$48.29
Greater Columbia	332,931	\$19.48	5.6%	0.0%	26.7%	\$14.60	\$13.67	\$28.27	12.0%	\$32.12
King	687,345	\$24.73	5.9%	0.0%	15.5%	\$22.61	\$10.35	\$32.97	7.5%	\$35.64
North Central	99,927	\$12.35	8.3%	0.0%	38.5%	\$12.35	\$8.50	\$20.85	15.0%	\$24.53
North Sound	393,673	\$22.43	5.4%	0.0%	23.3%	\$18.10	\$13.44	\$31.54	9.5%	\$34.85
Pierce	345,520	\$20.55	5.9%	0.0%	21.1%	\$17.39	\$11.32	\$28.71	9.5%	\$31.72
Salish	117,580	\$23.52	5.4%	0.0%	25.9%	\$18.34	\$15.42	\$33.76	11.5%	\$38.15
Spokane	273,626	\$23.44	5.1%	0.0%	25.2%	\$20.79	\$12.45	\$33.25	11.5%	\$37.57
Thurston Mason	122,733	\$20.65	4.9%	0.0%	29.1%	\$16.63	\$13.39	\$30.02	10.0%	\$33.35
Total	2,462,501	\$22.25	5.7%	0.0%	22.6%	\$18.90	\$12.39	\$31.29	9.9%	\$34.72

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)].}

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)]/(1-E).}

**SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Disabled Child Rate Cell
Upper Bound**

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	17,835	\$44.04	4.5%	0.0%	9.7%	\$47.05	\$6.90	\$53.95	11.5%	\$60.96
Greater Columbia	57,413	\$43.41	5.0%	0.0%	11.3%	\$46.69	\$7.88	\$54.56	12.0%	\$62.00
King	71,922	\$76.63	5.0%	0.0%	7.6%	\$87.26	\$5.88	\$93.14	7.5%	\$100.69
North Central	15,513	\$43.91	6.6%	0.0%	11.0%	\$46.21	\$10.94	\$57.15	15.0%	\$67.24
North Sound	57,721	\$46.60	5.3%	0.0%	15.8%	\$54.70	\$6.64	\$61.34	9.5%	\$67.78
Pierce	56,870	\$39.88	5.2%	0.0%	9.4%	\$45.10	\$4.44	\$49.54	9.5%	\$54.74
Salish	22,294	\$71.34	4.5%	0.0%	6.8%	\$79.83	\$5.29	\$85.12	11.5%	\$96.18
Spokane	53,517	\$72.82	3.8%	0.0%	7.5%	\$82.49	\$3.49	\$85.98	11.5%	\$97.15
Thurston Mason	23,382	\$34.76	4.5%	0.0%	10.8%	\$36.63	\$6.39	\$43.02	10.0%	\$47.80
Total	376,468	\$55.06	4.8%	0.0%	9.6%	\$61.85	\$5.99	\$67.85	10.1%	\$75.49

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Non-Disabled Child Rate Cell
Upper Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	446,362	\$12.30	4.6%	0.0%	18.6%	\$12.25	\$4.06	\$16.31	11.5%	\$18.43
Greater Columbia	1,429,825	\$6.24	5.3%	0.0%	15.2%	\$6.70	\$1.48	\$8.17	12.0%	\$9.29
King	1,923,450	\$11.19	5.2%	0.0%	7.7%	\$12.37	\$1.31	\$13.68	7.5%	\$14.79
North Central	466,208	\$5.33	7.2%	0.0%	31.1%	\$6.64	\$1.68	\$8.32	15.0%	\$9.79
North Sound	1,302,786	\$9.14	5.2%	0.0%	10.7%	\$9.45	\$2.04	\$11.49	9.5%	\$12.69
Pierce	1,086,582	\$8.46	5.4%	0.0%	9.3%	\$9.15	\$1.40	\$10.56	9.5%	\$11.66
Salish	332,527	\$14.08	4.7%	0.0%	14.1%	\$14.30	\$3.73	\$18.03	11.5%	\$20.37
Spokane	915,671	\$14.08	4.1%	0.0%	11.8%	\$15.31	\$2.09	\$17.40	11.5%	\$19.66
Thurston Mason	371,649	\$9.12	4.6%	0.0%	14.5%	\$9.36	\$2.32	\$11.68	10.0%	\$12.98
Total	8,275,060	\$9.73	5.0%	0.0%	12.0%	\$10.45	\$1.86	\$12.31	10.1%	\$13.70

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)].}

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12*(1+C)*(1+D)]/(1-E).}

SFY 17/18 BHO Rate Setting
Rate Range Development by BHO and Rate Cell
Newly Eligible Rate Cell
Upper Bound

BHO	SFY 17/18 Member Months (Forecast) ¹	Base Period	Rate Development Data Adjustments			SFY 17/18			E	SFY 17/18
		A	B	C	D	MH Medical Only Rate	SUD Medical Only Rate	Total Medical Only Rate ³	Admin Rate ⁴	Upper Bound Rate ⁵
		Base PMPM	Trend ²	Managed Care Adjustments	Program Changes					
Great Rivers	233,831	\$33.80	7.1%	0.0%	34.4%	\$27.89	\$26.09	\$53.98	11.5%	\$60.99
Greater Columbia	831,296	\$23.42	7.1%	0.0%	29.6%	\$21.68	\$14.36	\$36.03	12.0%	\$40.95
King	1,929,015	\$26.07	6.9%	0.0%	33.4%	\$24.19	\$16.86	\$41.05	7.5%	\$44.38
North Central	244,025	\$16.84	11.3%	0.0%	33.7%	\$18.27	\$11.18	\$29.45	15.0%	\$34.65
North Sound	1,105,803	\$29.23	6.6%	0.0%	32.6%	\$26.36	\$19.13	\$45.49	9.5%	\$50.26
Pierce	851,143	\$29.90	6.3%	0.0%	22.4%	\$27.86	\$14.78	\$42.64	9.5%	\$47.12
Salish	356,935	\$30.51	5.6%	0.0%	30.9%	\$24.26	\$21.53	\$45.79	11.5%	\$51.74
Spokane	775,544	\$30.92	7.4%	0.0%	26.8%	\$29.70	\$17.19	\$46.89	11.5%	\$52.98
Thurston Mason	343,256	\$32.63	5.8%	0.0%	25.7%	\$29.49	\$17.67	\$47.16	10.0%	\$52.40
Total	6,670,847	\$27.83	6.8%	0.0%	30.0%	\$25.53	\$17.11	\$42.64	9.9%	\$47.31

¹ Projected SFY 17/18 Member Months based on November 2016 forecast

² The trend shown is blended across categories of service and is annualized from the 30 month trending period (July 1, 2015 - January 1, 2018)

³ Medical Only Rate formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)].

⁴ Shown as a percent of total rate

⁵ Rate development formula: Rate= [A*(1+B)^{30/12}*(1+C)*(1+D)]/(1-E).

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Appendix B: Rate Range Summary by Rating Group and BHO

SFY 17/18 Rate Ranges

BHO	Disabled Adult			Non-Disabled Adult			Disabled Child			Non-Disabled Child			Newly Eligible			All Rating Groups		
	Lower Bound	Contract Rate	Upper Bound	Lower Bound	Contract Rate	Upper Bound	Lower Bound	Contract Rate	Upper Bound	Lower Bound	Contract Rate	Upper Bound	Lower Bound	Contract Rate	Upper Bound	Lower Bound	Contract Rate	Upper Bound
Great Rivers	\$121.31		\$130.42	\$44.82		\$48.29	\$56.81		\$60.96	\$17.20		\$18.43	\$55.16		\$60.99	\$40.69	\$0.00	\$44.18
Greater Columbia	\$120.85		\$129.90	\$29.87		\$32.12	\$57.75		\$62.00	\$8.64		\$9.29	\$36.77		\$40.95	\$27.33	\$0.00	\$29.79
King	\$175.91		\$189.43	\$32.93		\$35.64	\$94.15		\$100.69	\$13.79		\$14.79	\$40.10		\$44.38	\$39.65	\$0.00	\$43.15
North Central	\$98.54		\$107.59	\$22.21		\$24.53	\$61.95		\$67.24	\$8.94		\$9.79	\$30.97		\$34.65	\$22.63	\$0.00	\$24.98
North Sound	\$148.48		\$158.91	\$32.48		\$34.85	\$63.23		\$67.78	\$11.85		\$12.69	\$45.34		\$50.26	\$37.48	\$0.00	\$40.75
Pierce	\$162.64		\$174.93	\$29.50		\$31.72	\$50.95		\$54.74	\$10.85		\$11.66	\$42.36		\$47.12	\$38.05	\$0.00	\$41.44
Salish	\$155.31		\$167.42	\$34.97		\$38.15	\$89.32		\$96.18	\$18.87		\$20.37	\$47.20		\$51.74	\$47.40	\$0.00	\$51.50
Spokane	\$114.32		\$123.27	\$34.61		\$37.57	\$90.61		\$97.15	\$18.27		\$19.66	\$48.37		\$52.98	\$41.37	\$0.00	\$44.91
Thurston Mason	\$116.28		\$124.94	\$31.06		\$33.35	\$44.49		\$47.80	\$12.09		\$12.98	\$47.65		\$52.40	\$37.91	\$0.00	\$41.16
Total	\$144.83	\$0.00	\$155.81	\$32.15	\$0.00	\$34.72	\$70.36	\$0.00	\$75.49	\$12.74	\$0.00	\$13.70	\$42.76	\$0.00	\$47.31	\$37.04	\$0.00	\$40.31

* Weighted on projected SFY 17/18 membership based on November 2016 forecast.

Statewide SFY 17/18 WISE Case Rate Payment	\$2,721
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