

REPORT ON WORKGROUP RECOMMENDATIONS TO ACHIEVE MORE UNIFORMITY IN CAPITATION PAYMENTS MADE TO THE PIHPS

(FY2014 Appropriation Bill - Public Act 252 of 2014)

March 1, 2015

Section 504: (1) The department shall create a workgroup to make recommendations to achieve more uniformity in capitation payments made to the PIHPS. (2) The workgroup shall include but not be limited to representatives of the department, PIHPS, and CMHSPs. (3) the department shall provide the workgroup's recommendations to the senate and house appropriations subcommittees on community health, the senate and house fiscal agencies, and the state budget office by March 1 of the current fiscal year.

*Michigan Department
of Community Health*



Rick Snyder, Governor
Nick Lyon, Director

Michigan Department of Community Health
Report on workgroup recommendations to achieve more uniformity in
capitation payments to Pre-Paid Inpatient Health Plans
Section 504(3)

In November 2013, the Behavioral Health and Developmental Disabilities Administration (BHDDA) leadership staff convened a workgroup to evaluate historical rate setting methodology. BHDDA invited the Executive Directors of the ten Prepaid Inpatient Health Plans (PIHPs), their selected representatives, an individual representing the Michigan Association of Community Mental Health Boards, and Michigan Department of Community Health's actuary firm, Milliman Inc. to participate on the workgroup.

In accordance with the appropriation requirements originally established in P.A. 59 of 2013, the workgroup's purpose was to review the existing rate methodology used to determine the Prepaid Inpatient Health Plans Medicaid rates, and to develop a more consistent statewide strategy, both short and long term, to reduce the disparities across populations. The goal was to create a rate model that has greater emphasis on morbidity versus heavy reliance on historical spending, while ensuring sufficient and equitable funding to meet medically necessary services.

Workgroup members agreed and were supportive of a long term strategy to analyze the current rate setting methodology and data elements and evaluate new variables for use in the rate setting processes. Subsequent discussions included:

1. Evaluation of the current model, including the impact of Internal Savings Funds, Medicaid Savings, and MDCH policy.
2. Evaluation of the current data elements and factors used in the rate setting methodology, as well as proposal and evaluation of additional elements and factors to determine their utility and value for use in future rate setting processes.

With the assistance of the workgroup and Milliman, data elements currently used in the rate setting methodology were analyzed and evaluated. Workgroup discussions and analysis also identified areas where PIHP inconsistencies in the submission of data elements to BHDDA existed. Additional elements and factors that have been evaluated for inclusion in the statewide rate setting methodology include:

- Cost of labor
- Cost of living
- Age/gender
- Eligibility group
- Geographic dispersion (transportation)/economy of scale
- Residential living
- Diagnosis (including risk adjustment)
- Employment
- Health measures/hospitalization data
- Socio Economic Status
- Demographic information
- Social Security Data on nature of disability
- All standardized assessment tool data for each population
- Prevalence
- Chronic health conditions

The workgroup also reviewed rate calculation methodologies used by some PIHPs in order to identify any factors and processes that should be considered for use in the Department's rate calculation methodology.

3. Evaluation of how the implementation of statewide uniform assessment tools for specific populations might be used to strengthen and improve the uniformity of the rate setting process.
 - Persons with Intellectual and Developmental Disabilities – The completion of the Supports Intensity Scale (SIS) was included as a PIHP contractual requirement in FY14. As progress towards full implementation is achieved, further analysis of the value of data elements in the rate setting process will be evaluated and adopted. Children with Severe Emotional Disturbance (Child and Adolescent Functional Assessment Scale currently used)
 - Adults with Severe and Persistent Mental Illness – an additional workgroup charged with selecting a standardized assessment tool for statewide implementation is currently nearing conclusion with their recommended choice. After selection of the assessment, and statewide implementation, analysis of the value of data elements from the assessment in the rate setting process will be evaluated and adopted.

Summary:

As the Michigan Department of Community Health implements new models of practice and payment, the workgroup membership remains committed to the process of analysis and evaluation of the current rate setting methodology, as well as the introduction of new statewide variables/factors and assessment tools.

The commitment to implement a more equitable standardized level of care, and ultimate rate and payment methodology, is consistent among all members. However, there remains a division or variation of opinions as to whether and how quickly any new methodology should be implemented. Some members advocate for no, slow or incremental change in the rate setting balance between historical costs and geographic factors because of the potential reduction in revenue and the resulting impact on their service delivery system. Other members are in support of more rapid change, while others advocate that the focus be placed squarely on the disparities in service access and provision to our state's most vulnerable citizens as opposed to focusing on costs or rates.

Ultimately, the Michigan Department of Community Health, Behavioral Health and Developmental Disabilities Administration will use the expertise and experience of this workgroup to recommend a timeframe for implementing new rate setting factors and methodologies, including any new variables or factors and changes in the weighting of those factors and historical costs.