Contracts with CMHSPs and PIHPs

(FY2017 Appropriation Act - Public Act 268 of 2016)

September 30, 2017

Sec. 902. (1) From funds appropriated in part 1, final authorizations to CMHSPs or PIHPs shall be made upon the execution of contracts between the department and CMHSPs or PIHPs. The contracts shall contain an approved plan and budget as well as policies and procedures governing the obligations and responsibilities of both parties to the contracts. Each contract with a CMHSP or PIHP that the department is authorized to enter into under this subsection shall include a provision that the contract is not valid unless the total dollar obligation for all of the contracts between the department and the CMHSPs or PIHPs entered into under this subsection for the current fiscal year does not exceed the amount of money appropriated in part 1 for the contracts authorized under this subsection.

(2) The department shall immediately report to the senate and house appropriations subcommittees on the department budget, the senate and house fiscal agencies, and the state budget director if either of the following occurs:

(a) Any new contracts the department has entered into with CMHSPs or PIHPs that would affect rates or expenditures.

(b) Any amendments to contracts the department has entered into with CMHSPs or PIHPs that would affect rates or expenditures.

(3) The report required by subsection (2) shall include information about the changes and their effects on rates and expenditures.

MDHHS

Michigan Department of Health & Human Services

RICK SNYDER, GOVERNOR
NICK LYON, DIRECTOR

The Michigan Department of Health and Human Services (MDHHS) issued a contract amendment to the Prepaid Inpatient Health Plans (PIHP) contracts that included the attachment of a new Medicaid rate letter applicable to the last six months of FY 17. This rate letter was the final step in a two year process in which MDHHS was moving toward an updated geographic factor methodology that does not incorporate the unit cost differences between PIHPs or utilization differences between similar cohorts of individuals. This transition began October 1, 2015 and occurred over the four six-month intervals, from October 1, 2015 to September 30, 2017. The updated geographic factor methodology was established based on morbidity and treatment prevalence (the percentage of the population receiving services on a monthly basis) differences between PIHPs. This transition is intended to be budget neutral from a statewide expenditure basis.

Background 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 PIHPs, their selected representatives, an individual representing the Michigan Association of Community Mental Health Boards, and MDHHS 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 PIHP 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 MDHHS 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 – The completion of the Level of Care Utilization System (LOCUS) was included as a PIHP contractual requirement in FY 17. As progress towards full implementation is achieved, further analysis of the value of data elements from the assessment in the rate setting process will be evaluated and adopted.

Summary:

The Michigan Department of Health and Human Services (MDHHS), Behavioral Health and Developmental Disabilities Administration (BHDDA) used 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.

MDHHS, Milliman, and representatives from each of the ten PIHPs recommended modifications to the geographic factor methodology to place a greater emphasis on underlying population morbidity in the development of the factors.

As a result MDHHS is moving toward an updated geographic factor methodology that does not incorporate the unit cost differences between PIHPs or utilization differences between similar cohorts of individuals. This transition began October 1, 2015 and is occurring over the four six-month intervals, from October 1, 2015 to September 30, 2017. The updated geographic factor methodology is established based on morbidity and treatment prevalence (the percentage of the population receiving services on a monthly basis) differences between PIHPs. This transition is intended to be budget neutral from a statewide expenditure basis.

To limit the potential disruption of beneficiary services, MDHHS is transitioned the PIHP geographic factors from the prior methodology to the new methodology over a 24 month time period (noted below). The following provides a timeline for the transition to exclusively using morbidity and treatment prevalence differences in the geographic factor methodology. The transitional period combines two geographic factor methodologies with different weights as time progresses; using the state fiscal year (SFY) 2015 calculated geographic factors based on an equal weight of historical cost and morbidity (existing Factors) and using the new geographic factor methodology which only includes morbidity and treatment prevalence differences (New Method).

- October 1, 2015 – March 31, 2016 100% Existing Factors
- April 1, 2016 – September 30, 2016 67% Existing Factors, 33% New Method
- October 1,2016 – March 31, 2017 33% Existing Factors, 67% New Method
- April 1, 2017 – September 30, 2017 100% New Method

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

Status Report

The MDHHS amendment including the geographic factor methodology that does not incorporate the unit cost differences between PIHPs or utilization differences between similar cohorts of individuals completed the two year transition. The updated geographic factor methodology is now fully established based on morbidity and treatment prevalence (the percentage of the population receiving services on a monthly basis) differences between PIHPs. This transition is intended to be budget neutral from a statewide expenditure basis.