

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

(FY2014 Appropriation Bill - Public Act 59 of 2013)

March 1, 2014

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
James K. Haveman, 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 the historical rate setting methodology. An invitation was sent to the Executive Directors of the ten Prepaid Inpatient Health Plans (PIHPs), their selected representative from each of the regions, Michigan Department of Community Health's actuary, Milliman Inc., and an individual representing the Michigan Association of Community Mental Health Boards. The purpose of the workgroup was to review the existing methodology used for the Prepaid Inpatient Health Plans Medicaid rates, and develop a more consistent statewide strategy, both short and long term, to reduce the disparities across populations. The goal is to create a rate model that has greater emphasis on morbidity versus heavy reliance on historical spending in geographic adjusters; while ensuring sufficient and equitable funding to meet medically necessary services. The workgroup met approximately every two weeks beginning in December, 2013.

The members agreed and were supportive of a long term strategy to analyze the current rate setting methodology, current data elements and new variables influencing the rate setting process - not just for the Fiscal Year 2015 waiver renewal, but into future waiver renewals. The discussions revolved around the following:

1. Evaluation of the impact of the current model, including "unspent" revenues, Internal Savings Funds, Medicaid Savings, and ultimate policy direction from MDCH.
2. Evaluation of the current data elements/factors and determination of a "statewide" factor to be included in the payment model.

With the assistance of the workgroup and Milliman, data elements currently used in the rate setting methodology were listed and will continue to be analyzed and evaluated. Discussions took place regarding PIHP inconsistencies in the submission of data elements to BHDDA. Potential new variables 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
- Items from the existing Quality Improvement file
- Social Security Data on nature of disability
- All standardized assessment tool data for each population
- Prevalence
- Chronic health conditions

The model used by the ACCESS Alliance PIHP for its five Community Mental Health Services Programs was distributed to the group. This model is based on Christopher Hudson's work on Social Economic Status. The group also mentioned but did not review a model utilized by the Southeast PIHP and Detroit Wayne County Community Mental Health Agency, which utilizes discreet factors that differ from Alliance model.

The one additional consistent statewide variable for Fiscal Year 2015 has yet to be determined. Milliman will "model" this variable for the ten PIHPs.

3. Implementation of "statewide" assessment tools for each population such as the Child and Adolescent Functional Assessment Scale currently used for Children with Severe Emotional Disturbance. Implementation of the assessment tools are anticipated for the following populations:

- Persons with Intellectual and Developmental Disabilities (July 2014)
- Adults with Severe and Persistent Mental Illness (October 2014)

This statewide assessment process will drive the consumer plan of care.

Summary:

As the Michigan Department of Community Health implements new models of practice and payment, i.e. Integrated Dual Eligibles, Healthy Michigan Plan, new PIHP regions (effective January 1, 2014), integrated Coordinating Agencies into PIHP regions

(effective October 1, 2014), 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. There remains a division or variation of opinions as to the increments and timelines of any new methodology, given the changing public system. Some members 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 "costs or rates," and that a future consistent and equitable access to any statewide level of care is critical.

Some members suggest that the 50% historical cost and 50% geographic factors can be incrementally changed to decrease the "weight" of the historical cost to 40% by October 1, 2014. Other members believe that any changes at this vulnerable stage would "tip" the system unnecessarily into a critical "crisis."

Ultimately, the Michigan Department of Community Health, Behavioral Health and Developmental Disabilities Administration will use the expertise and experience of this workgroup to determine a timeframe for implementation of a new rate setting methodology, including any new variables or factors and changes in the "weight" of such factors and historical costs.