Overview of State Considerations for Rate Setting in Managed Long-Term Services and Supports (MLTSS) Programs

On March 2, 2016, the Integrated Care Resource Center (ICRC) led a panel discussion about key considerations and common challenges in developing rate setting approaches and risk adjustment methods for Medicaid managed long-term services and supports (MLTSS) programs. The panel consisted of the following state and national experts:

- Maria Dominiak, Managing Partner, Airam Actuarial Consulting;
- Rachel Butler, Chief Actuary, Texas Health and Human Services Commission; and
- Patti Killingsworth, Assistant Commissioner; William Aaron, Deputy Chief Financial Officer, Bureau of TennCare, Tennessee Health Care Finance & Administration.

The panelists also participate in the *Medicaid MLTSS Rate-Setting Initiative*,[1] a project supported by the West Health Policy Center that convenes eight states and national experts to examine new approaches to refining rate-setting strategies for these programs.[2]

Key Takeaways

Many states are creating or expanding Medicaid MLTSS programs or Medicare-Medicaid integrated care programs in an effort to improve the quality of care and control costs for people who use LTSS. To accomplish these goals, MLTSS and other integrated care programs need to use capitation rate-setting methods that address the diverse needs of the populations they serve and establish incentives to promote high quality services and more cost-effective care. Using data on functional status (i.e., the ability to perform various activities of daily living or instrumental activities of daily living) may be an important predictor of beneficiary costs in MLTSS programs.

The panel discussion focused on practical, operational, and policy issues that states may need to work through as they refine MLTSS rate-setting and develop risk adjustment approaches. Panelists provided brief program histories and overviews of their rate-setting approaches, including how they: (1) collect claims, encounter and functional assessment data to understand utilization; (2) structure rate cells based on information such as service setting; and (3) create incentives to keep individuals in the community. Following are key takeaways from the discussion:

1. Get the Base Right

Risk adjustment, while a valuable tool in calibrating payment for individuals with the highest needs, only "slices the pie." It is critical to ensure that program base rates are accurate in matching payments to risk before implementing a risk adjustment approach. Panelists emphasized that calculating and paying sustainable rates that align incentives correctly and support your state's overarching policy goals are key to program success.

2. Use Good Functional Assessment Data

Using functional assessment data for risk adjustment is challenging: it must be objective, timely, and reflective of the needs of the population, which can change rapidly in MLTSS programs. Panelists offered the following insights:

- The first step is understanding where the data resides. Functional assessment data often comes from different sources (e.g., different health and human service agencies responsible for eligibility and care planning assessments, multiple health plans that may use different collection tools, etc.). Also, data can vary by elements, formats, and reporting systems, and it can be challenging to streamline to use for rate-setting purposes.

- To use functional assessment data for rate-setting purposes, states must have the ability to link it to claims and encounters. This depends on states' ability to transform the data into a usable format and have the system capacity to conduct the right analyses.
- Auditing functional assessment data can improve objectivity and quality, particularly in light of potential conflicts of interest when managed care plans perform assessments. Tennessee has a robust approach in which eligibility determinations are conducted by registered nurses, and functional assessment data is routinely audited. The state credits its investment in auditing as key to feeling confident about its rates.

3. Move Incrementally

Making any changes to a state's rate setting approach is time and resource intensive. As one panelist noted, "this is an iterative process in which you crawl, walk, and then run to system change." State panelists emphasized the importance of developing strong relationships with financial staff at contracted health plans and ensuring the process for collecting high-quality data is sound. In addition, states said that allowing time for policy and actuarial staff to build communication channels and learn to "translate" their roles, processes, and perspectives to each other was extremely valuable.

4. Maintain Transparency with Stakeholders during Rate Development Activities

Panelists agreed on the value of regularly asking for and considering stakeholder input to shape rate-setting processes. Health plans are likely to be the most engaged stakeholders during these rate development discussions because the outcomes can significantly impact their bottom line. Furthermore, risk-adjustment initiatives in which the amount of money in a program does not change but the methodology for distributing it does can create "winners and losers" among plans. Stakeholders can offer new perspectives and provide data to the state to help guide decision-making. Over the years, Texas developed a relationship with its actuaries and managed care organization through a series of rate development work group meetings, which gathered health plan input on major decisions and provided a venue for plans to voice their concerns. Tennessee regularly seeks input from its managed care organizations, individuals receiving services and their families, and providers such as nursing facilities.

Endnotes

[1] For more information about the *Medicaid MLTSS Rate Setting Initiative* see: http://www.chcs.org/project/medicaid-managed-long-term-services-supports-rate-setting-initiative/.

[2] For a brief description of Tennessee's and Texas' programs, please see: http://www.integratedcareresourcecenter.com/PDFs/ICRC_SHC_MLTSS_Rate_Setting_slides.pdf.