



Nevada Managed Care Organization Program

# CY 2022 Rate Development Methodology



Nevada Division of Health Care Financing and Policy

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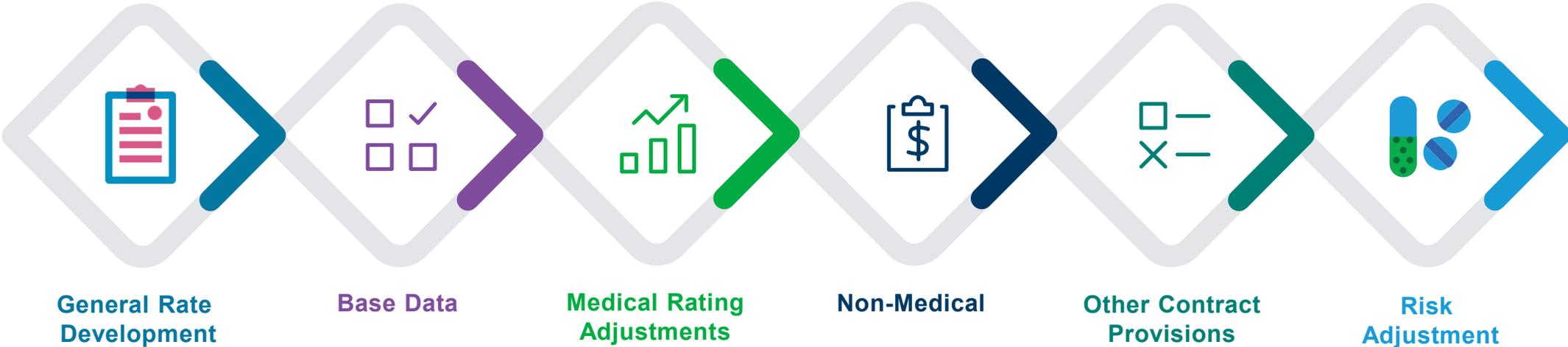
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welcome to brighter

# Agenda

01	General Rate Development
02	Base Data
03	Medical Rating Adjustments
04	Non-Medical
05	Other Contract Provisions
06	Risk Adjustment

# CY 2022 Rate Development Methodology



**CY 2022 Rate Development Methodology**  
General Rate Development



# CY 2022 Rate Development Methodology

## General Rate Development



# General Rate Development

## Actuarial Rate-Setting Process



Key Stakeholders		
Medicaid Agency	Health Plans	CMS

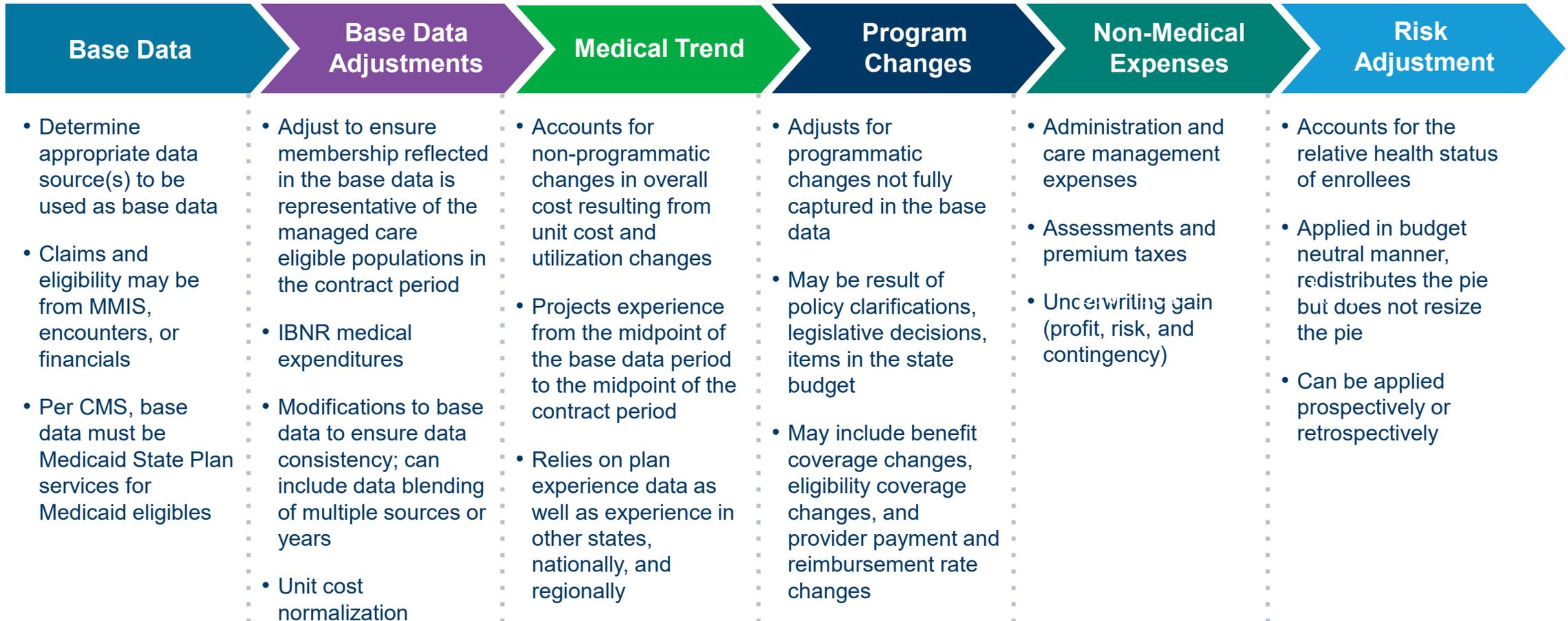
### Goals

The goal of states and their actuary when setting Medicaid managed care capitation rates is to create an **appropriate** and **reasonable** reimbursement arrangement between the state and the MCOs for the transfer of risk and the provision of services as required in the managed care contract

### Capitation Rates Should...

- Provide for all reasonable, appropriate, and attainable costs for covered services provided to the enrolled population during a specific time period
- Promote cost containment and quality health outcomes
- Provide a well-managed plan with the *opportunity* to earn a reasonable profit
- Ensure tax dollars are being spent efficiently and effectively

# General Rate Development Components



# General Rate Development

## Nevada Rate Structure



### 36 Capitation Rate Cells

#### 2 Regions

- Northern  
(urban Washoe County)
- Southern  
(urban Clark County)

#### 3 Populations

- TANF/CHAP
- Expansion
- Check Up

#### 9 Age/Gender

- Under 1
- Child 1–2
- Child 3–14
- Female 15–18
- Male 15–18
- Female 19–34
- Male 19–34
- Female 35 and Over
- Male 35 and Over

#### 1 Delivery Case Rate

**CY 2022 Rate Development Methodology**

Base Data



# CY 2022 Rate Development Methodology

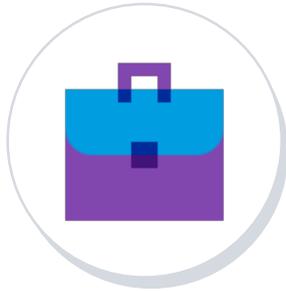
## Base Data



# Base Data Development



## CY 2019 Base Data Development



### Base Data Sources

- MCO encounter data reported via MMIS
- DWSS eligibility and DHCFP enrollment



### Member Exclusions

- Missing enrollment
- Missing demographics
- Ineligible age/COA



### Excluded & Carved-Out Services

- IHS, NET, ICF-IID, SBCHS, adult day care, hospice, targeted case management, adult chiropractic, GEMT, Zolgensma®, CCBHC\*, day and residential habilitation, and value-added services



### Long-Term IMD

- Per 42 CFR § 438.6(e), exclude experience for adult members for months with 16 or more days at an IMD facility

# Base Data Adjustments



## Supplemental Data Sources

- CY 2019 MCO-reported SDR
- Ad hoc data

Adjustments leverage CY 2021 rate development

## Adjustments to Base Data

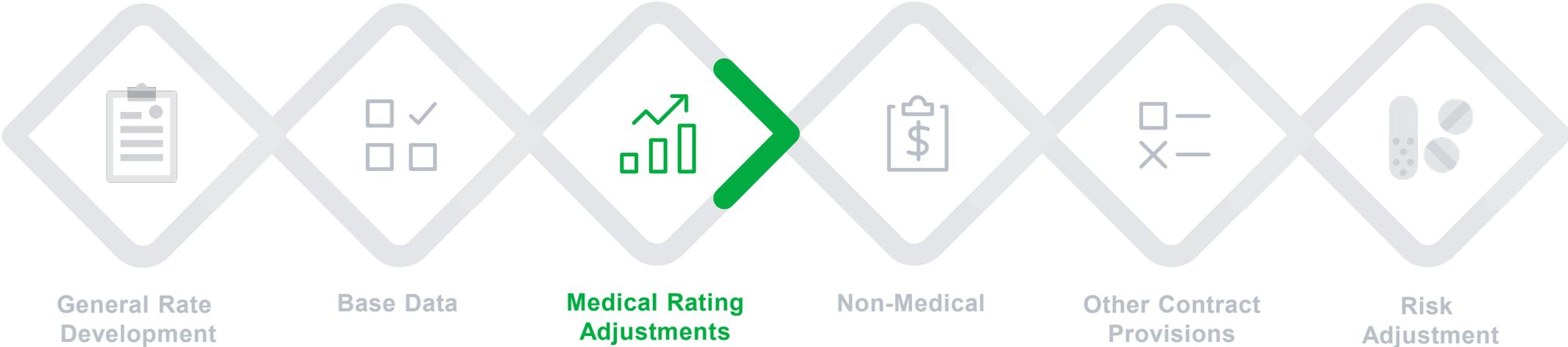
 <b>IBNR</b>	<b>Run-Out:</b> Paid through March 2020 (three months) <b>Development:</b> Paid lag triangles by major service category
 <b>Underreporting</b>	<b>Description:</b> Adjust for encounters excluded from MMIS (not submitted or erroneously rejected)
 <b>Non-Claims Adjustments</b>	<b>Description:</b> Adjust for provider incentive payments, recoveries of provider overpayments, and out-of-system payments as reported in SDRs

**CY 2022 Rate Development Methodology**  
Medical Rating Adjustments



# CY 2022 Rate Development Methodology

## Medical Rating Adjustments



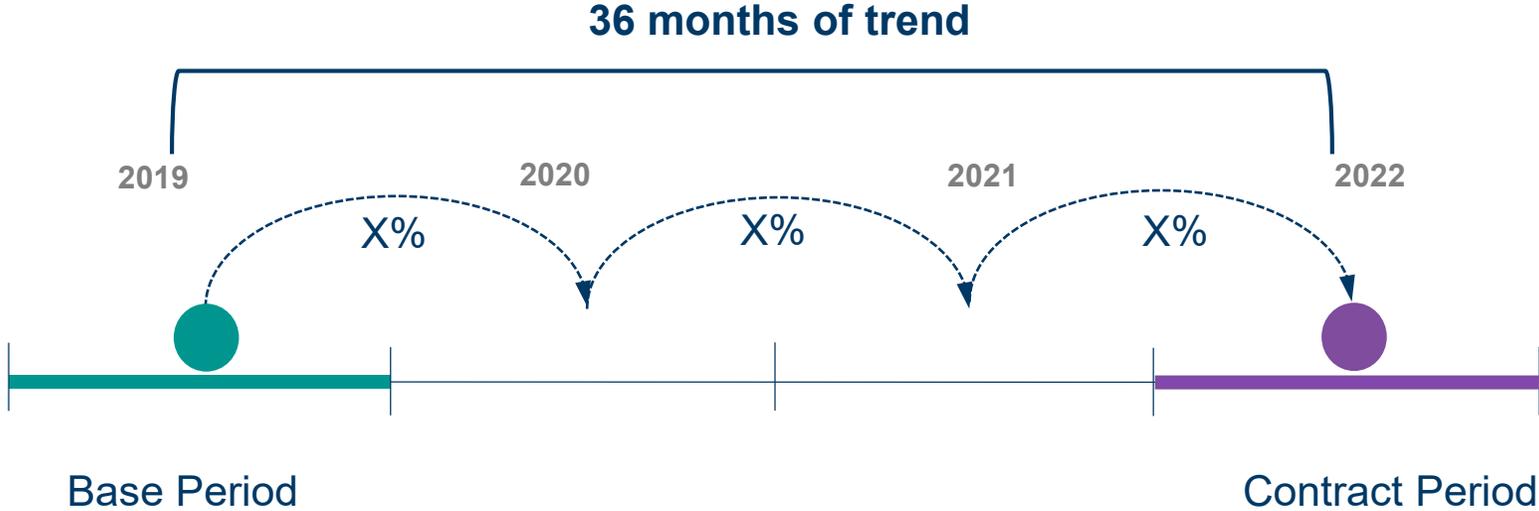


# Medical Rating Adjustments

## Trend Development Overview

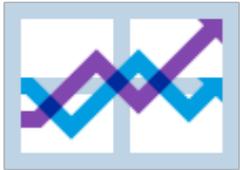
Trend is applied from the midpoint of the base period to the midpoint of the contract period by rate cell and category of service:

- For CY 2022, this will be July 1, 2019 to July 1, 2022
- Trends are expressed as an annualized average rate (X%)
- Considers impact of known programmatic changes adjusted for outside of trend



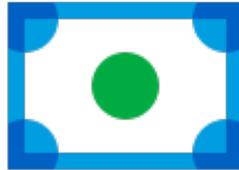
# Medical Rating Adjustments

## Medical Trend Considerations



### Observed Experience

Historical MCO encounter data trends  
MCO supplemental data requests



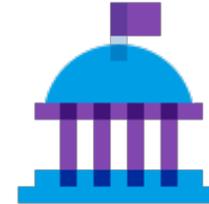
### Market Experience

Trends observed in other state Medicaid programs covering similar populations and services  
Commercial market experience impacting Medicaid programs



### Industry Reports

Healthcare industry reports, such as Health Care Cost Institute



### Federal Reports

National Health Expenditures from the Office of the Actuary  
Bureau of Labor Statistics Consumer Price Index data

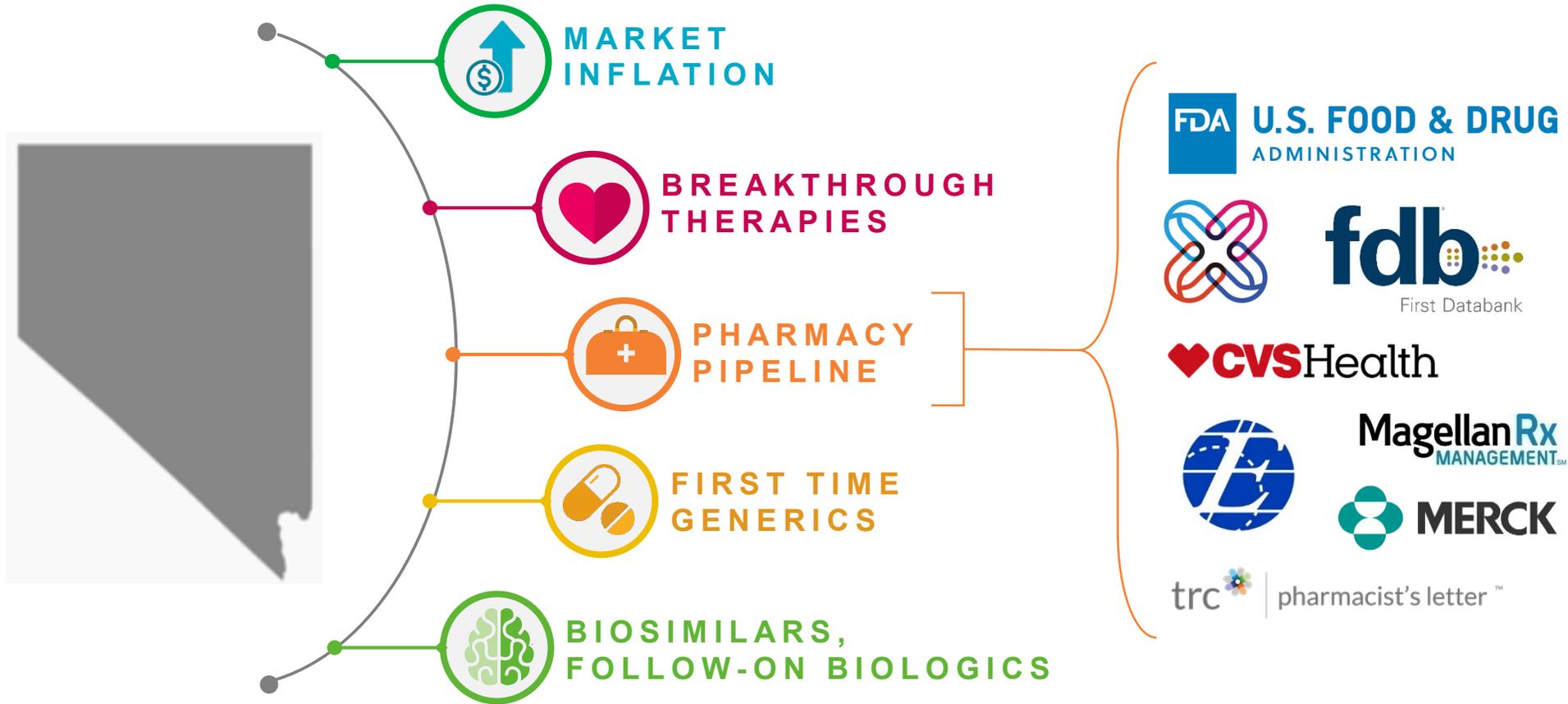


### COVID-19 Considerations

Internal modeling and state and national data sources  
Upward and downward pressures

# Medical Rating Adjustments

## Pharmacy Trend Considerations



# Medical Rating Adjustments

## New Pharmacy Changes



### Mandatory FFS Formulary

- Effective January 1, 2022, MCOs must adopt and adhere to the State's current FFS Pharmacy Preferred Drug List (PDL)

### Pass-Through Pricing for PBM

- Effective January 1, 2022, MCOs must contract with PBMs using a pass-through pricing model





# Medical Rating Adjustments

## Carrying Forward From CY 2021 Rate Development

### Dental ASC

Fee schedule increase of approximately 63% for dental ASC services effective April 2019. Apply percentage increase to applicable encounters for January through March 2019.

### NICU/PICU

Fee schedule increase of 25% for NICU services and 15% for PICU services effective January 2020. Apply percentage increase to applicable encounters in CY 2019 base data.

### Short-Term IMD Repricing

Reprice short-term IMD stays to acute inpatient psychiatric/detox per diem reimbursement rates with corresponding average length of stay adjustment.

### Assembly Bill 3

Various fee schedule reductions effective August 15, 2020 pursuant to Assembly Bill 3. Pending legislative decision, reinstate percentage decreases to applicable encounters in CY 2019 base data.

# Medical Rating Adjustments

## New Program Changes



### SMI Population

Change to include SMI population in mandatory managed care. Evaluate impact of carving-in member months and associated service costs for SMI members who will newly enroll in managed care.

### Nursing Home Coverage

Change to extend managed care coverage of nursing home stays from 45 days to 180 days. Evaluate impact of continued enrollment from day 46 to 180 for eligible members previously disenrolled from managed care on day 46.

### RTC Coverage

Change for members admitted to an RTC to remain in managed care and cover all associated costs. Evaluate the impact of the change in members and services covered.

### CCBHC

Include services provided at CCBHCs in the managed care rates, priced at the State Plan PPS rate.

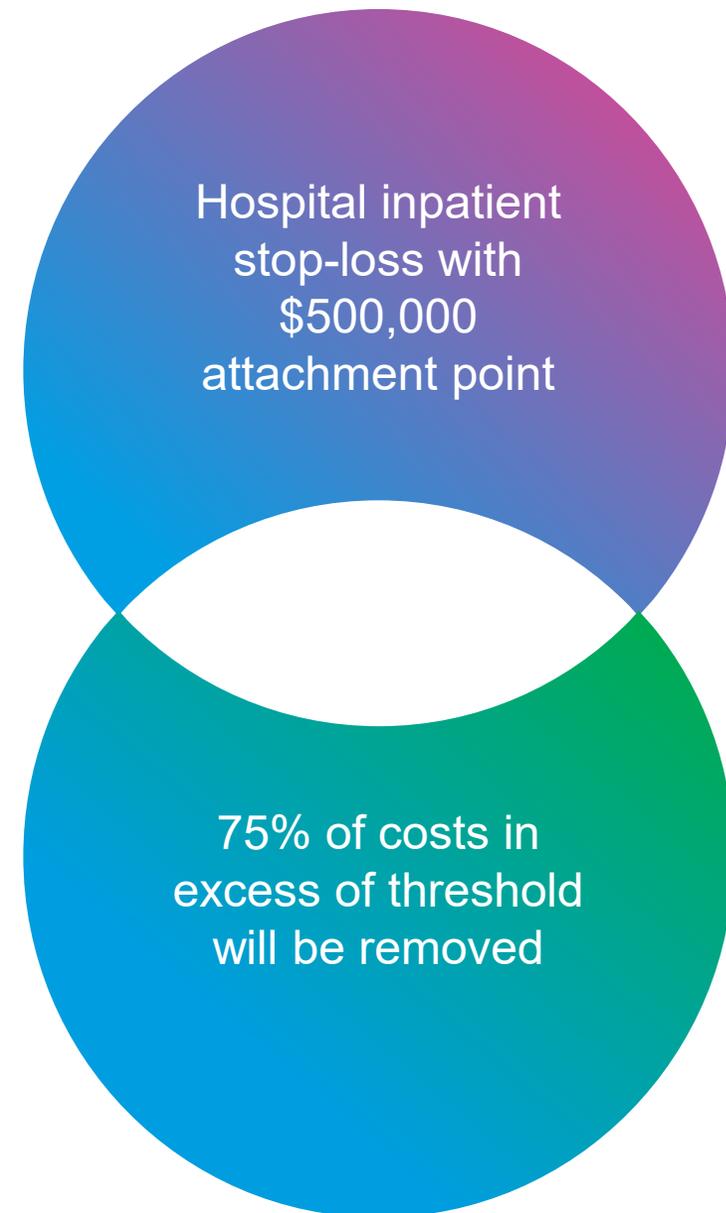
### Legislative Session 81

Evaluate and incorporate policy decisions from the 81st session of the Nevada Legislature, anticipated by May 31, 2021.

# Medical Rating Adjustments

## Hospital Inpatient Stop-Loss

- Leverage base period (CY 2019) and prior month, where applicable (December 2018)
- Project inpatient encounters to CY 2022, adjusting for fee changes and trend
- Aggregate by member to identify costs in excess of threshold
- Project State liability by rate cell and deduct from projected capitated medical



# Medical Rating Adjustments Credibility



- Apply weighting to rate cells with partial credibility. Full credibility based on 36,000 base data member months.
- Blend manual projected medical cost PMPMs with experience of credible rate cells.
- Manual rates development will include a region factor where applicable.
- Check Up manual rates will include a population factor when leveraging TANF/CHAP Child rates.



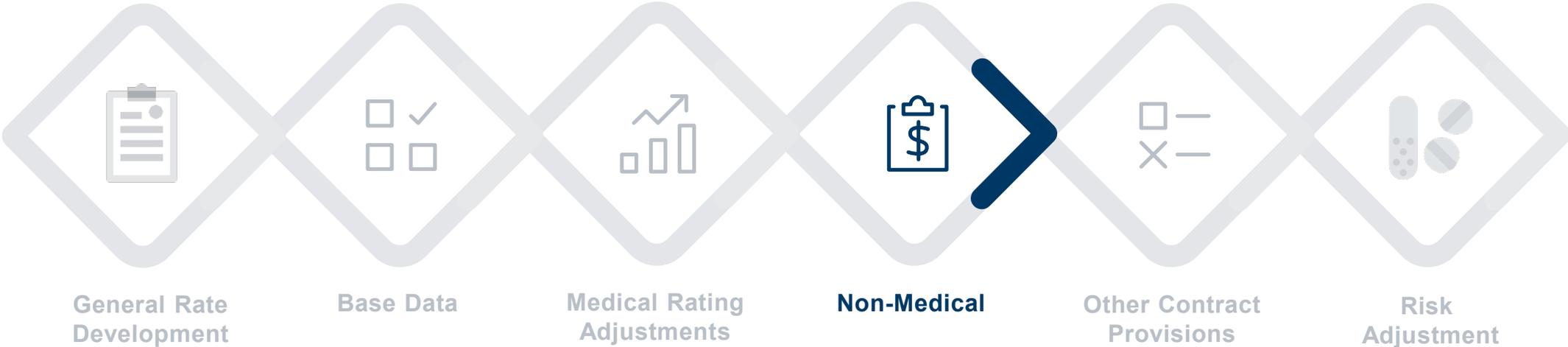
**CY 2022 Rate Development Methodology**

Non-Medical



# CY 2022 Rate Development Methodology

## Non-Medical



# Non-Medical Development Overview



## Administrative Expenses

- Expected costs of MCOs to administer the program (e.g., MCO staffing, rent, care management, IT systems, provider network, finance, and reporting), as required by the managed care contract

## Underwriting Gain

- A small portion of the total capitation rate to make the program a sustainable business venture for the risk-bearing MCOs

## Assessments and Premium Tax

- Non-medical load considers applicable taxes and fees (state premium tax)

**CY 2022 Rate Development Methodology**

Other Contract Provisions



# CY 2022 Rate Development Methodology

## Other Contract Provisions



# Other Contract Provisions

## Supplemental Payments



### Delivery Case Rate (Maternity Kick Payment)

- Delivery case rate triggered by qualifying delivery event
- Projected separately from other capitated services, but adjusted for applicable program changes and trend
- Development uses same data sources and general methodology as capitation
- Grossed up for non-medical expenses and premium tax

### Very Low Birth Weight Risk Pool

- VLBW supplemental payment triggered by qualifying VLBW event, up to funded level
- Risk pool funded by reduction to PMPM capitation rates for TANF/CHAP Under 1 rate cells
- Grossed up for non-medical expenses and premium tax
- Remaining funds, if any, distributed to MCOs





# Other Contract Provisions

## Special Contract Provisions Related to Payment

### Remittance on MLR

- State collects remittance in the event an MCO's MLR falls below 85%

### Quality Withhold

- 1.5% quality withhold arrangement, if implemented
- Performance measures to be determined by September 1, 2021

### Inpatient/ Professional Directed Payments

- Uniform dollar increase for inpatient services through eligible public hospitals
- Uniform percentage increase for services through eligible public teaching entities
- Separate payment term, outside capitation

### CCBHC Quality Bonus/ Incentive Payments

- CCBHCs eligible to receive quality payments as described by SPA and Demonstration, depending on Cohort
- Separate payment term, outside capitation

**Risk Adjustment Methodology**

Risk Adjustment



# Risk Adjustment Methodology

## Risk Adjustment



# Risk Adjustment Overview and Current Application



## Overview

- Risk adjustment measures the relative acuity of the populations enrolled in each of the MCOs:
  - Dependent on accurate and complete encounter data reporting
- On average, risk adjustment will result in increased funding to the MCO(s) with the higher risk population and reduced funding for the MCO(s) with the lower risk population
- Risk adjustment will utilize the most current version of the CDPS+Rx model (national weights)



## Current Application

- Risk adjustment is applied retrospectively on an annual basis
- CY 2020 risk adjustment will use encounter data submitted on or before March 31, 2021
- A final schedule of risk-adjusted rates is produced for each MCO, along with additional information generated from the CDPS+Rx process
- Rate cells not risk adjusted include:
  - TANF/CHAP and Check Up Under 1 (and VLBW)
  - Delivery Case Rate (Maternity Kick Payment)

DHCFP and Mercer expect to use the same methodology for risk adjustment for CY 2020 premiums as was used for CY 2019 premiums. DHCFP and Mercer may consider changes to the application of risk adjustment to the CY 2021 rates and the CY 2022 rates.

Questions?



# CY 2022 Rate Development Methodology



## General Rate Development

- Actuarial Rate-Setting Process
- Components
- Nevada Rate Structure

## Base Data

- Development
- Adjustments

## Medical Rating Adjustments

- Trend Development Overview
- Medical Trends Consideration
- Pharmacy Trend Considerations
- Carrying Forward From CY 2021 Rate Development
- New Program Changes
- New Pharmacy Changes
- Hospital Inpatient Stop-Loss
- Credibility

## Non-Medical

- Development Overview

## Other Contract Provisions

- Supplemental Payments
- Special Contract Provisions Related to Payment

## Risk Adjustment

- Overview and Current Application

# Abbreviations and Acronyms

AB3	Nevada Assembly Bill 3	IMD	Institution for Mental Disease
ASC	Ambulatory surgical center	IBNR	Incurred but not reported
CCBHC	Certified Community Behavioral Health Clinic	MCO	Managed care organization
CDPS+Rx	UCSD Combined Diagnostic and Pharmacy Based Risk Adjustment Model	MLR	Medical loss ratio
CHAP	Child Health Assurance Program	MMIS	Medicaid management information system
COA	Category of aid	NET	Non-emergency transportation
COS	Category of service	OAD	Office-administered drugs
COVID-19	Coronavirus Disease 2019	NICU	Neonatal intensive care unit
DCR	Delivery case rate	PBM	Pharmacy benefit manager
DHCFP	Division of Health Care Financing and Policy	PICU	Pediatric intensive care unit
DWSS	Division of Welfare and Supportive Services	PMPM	Per member per month
FFS	Fee for service	PPS	Prospective Payment System
GEMT	Ground Emergency Medical Transportation	RTC	Residential treatment center
IHS	Indian Health Services	SBCHS	School Based Child Health Services
ICF-IID	Intermediate Care Facilities for individuals with intellectual disabilities	SDR	Supplemental Data Request
		SMI	Serious mental illness
		TANF	Temporary Assistance for Needy Families
		VLBW	Very low birth weight

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