



The Hilltop Institute

analysis to advance the health of vulnerable populations

Managed Care Rate-Setting JCR

June 28, 2018

Laura Spicer and Cynthia Woodcock

Maryland Medicaid Advisory Committee

Presentation Agenda

- Joint Chairmen's Charge
- Study Overview
- Recommendations

Charge

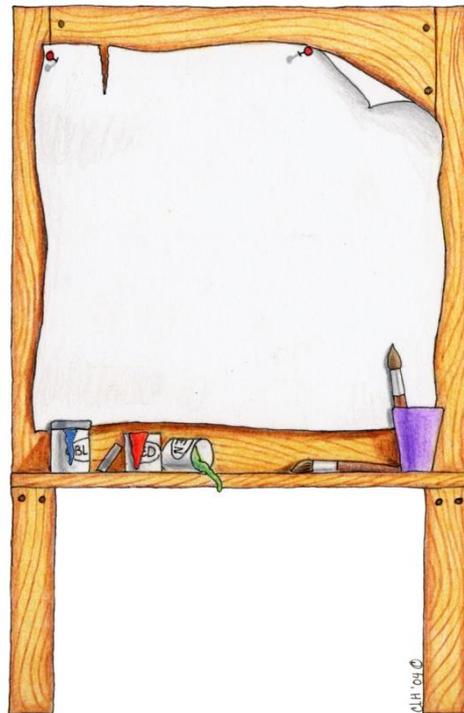
“A review of potential improvements to the current rate-setting system used in Maryland and a review of innovations from other states in managed care payment systems similar to that in Maryland. The review should include potential recommendations. Any recommendations should serve to strengthen the current system but not at the cost of diminution of quality or access to care.”

For more information, see <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2017rs-budget-docs-jcr.pdf>

Procurement Process

- To solicit an independent review, procurement by Hilltop
- Competitive bid
- Contract awarded to Milliman, Inc.
 - Subcontract with Manatt Health Strategies, LLC

Study Overview



Study Components

- Summary/review of federal and state regulatory framework for managed care rate-setting
- Description of Maryland's rate-setting process
 - Key stakeholder interviews
- Review of other states
- Findings and recommendations for Maryland

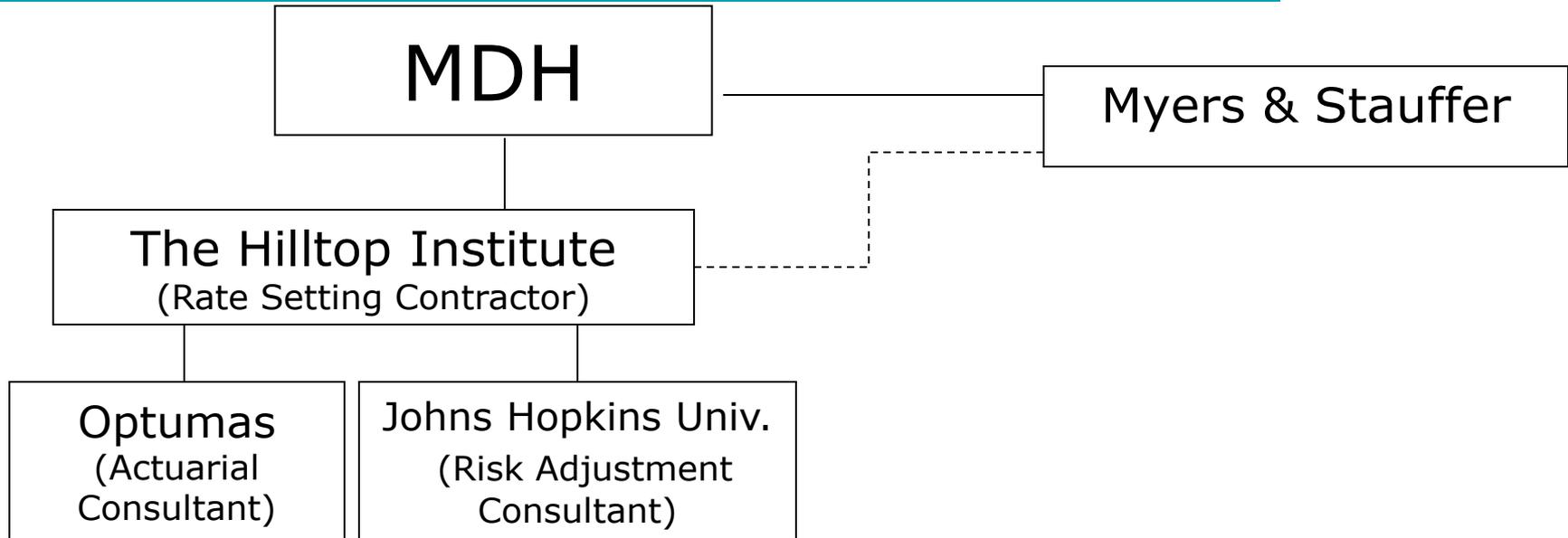
Overview of Federal Requirements

- MD is 1 of 39 states with managed care
- Detailed federal requirements for setting MCO payment rates include:
 - Actuarial soundness
 - Rate development and certification standards
 - Encounter data submission
 - Medical loss ratio
 - Allow for plan performance and payment innovation tools

Overview of State Requirements

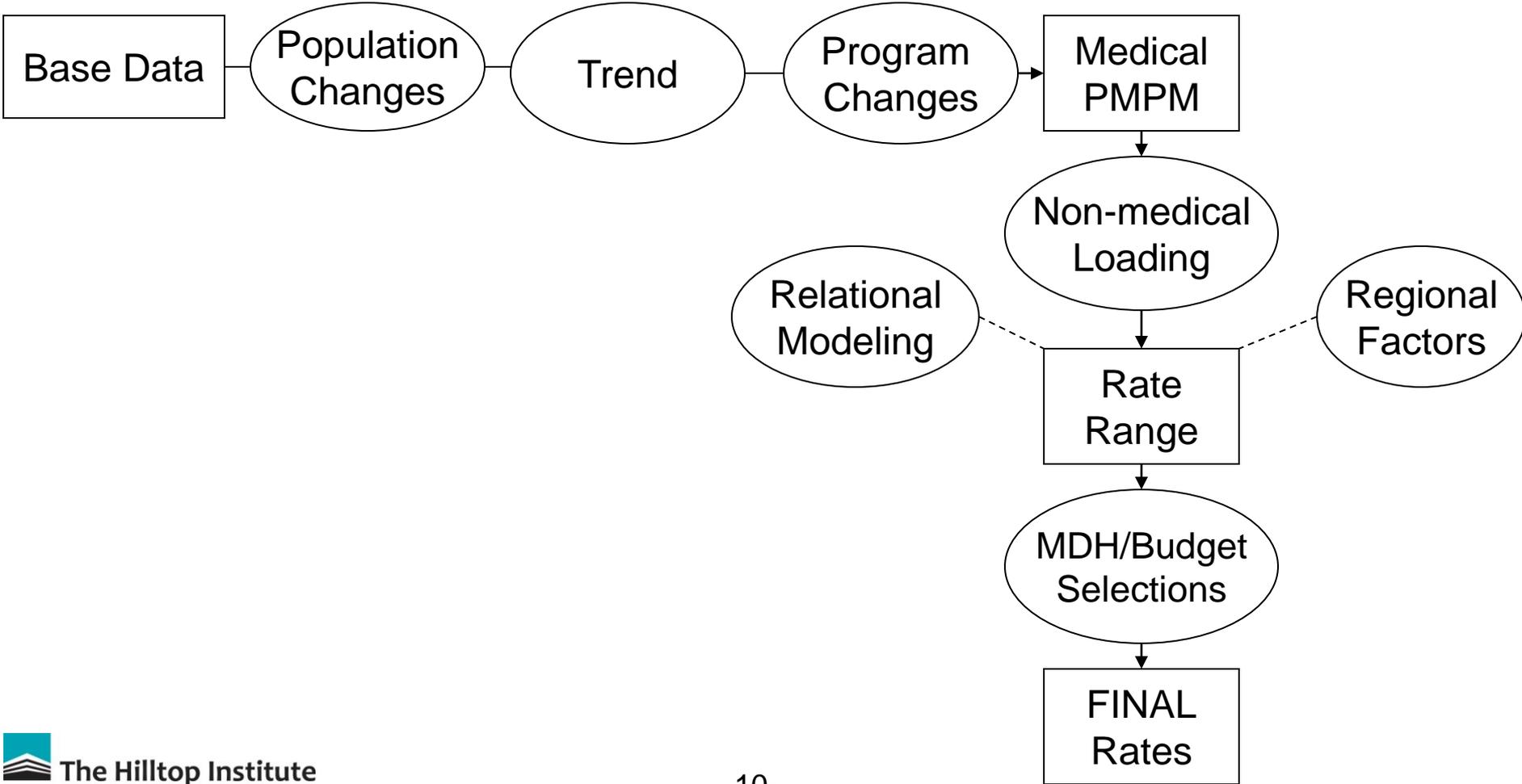
- Regulations
 - Detailed descriptions of methodology, rate levels, rate adjustment considerations, and quality/performance requirements
- Contract requirements

Maryland's Rate-Setting Process



- MDH contracts with Hilltop to establish an actuarially sound range of rates
 - Year-long process
- Hilltop manages the process, coordinating data between Hilltop and Optumas, as well as developing analyses to support policy decisions regarding rates
- Rates developed are certified by Optumas

Rate Development Process



Other States

- In-depth review of MI, NY, TN
 - Literature review of other states
- Key take-aways:
 - Division of roles/responsibilities varies
 - Use of encounter data varies, depends on data quality
 - Trend toward more integration of physical and behavioral health
 - Many states exploring VBP mechanisms

Other States continued

- Concerns about accounting for high cost drugs
- Handful of states exploring incorporation of social determinants into risk adjustment

Milliman's Recommendations



Recommendations

1. Define a vision and outline top priorities and goals for value and quality
2. Sustain and strengthen the existing quality incentive program
3. Evaluate whether to vary profit margin consistent with MCO performance on state priorities

Recommendations continued

4. Improve encounter data and enhance use of encounter data to drive value
5. Validate the existing outlier adjust aligns with cost, quality, and value objectives
6. Select the most recent and appropriate base data

Recommendations continued

7. Include the estimated midyear hospital adjustment in the initial rate development
8. Leverage available tools to develop and implement a standardized framework for evaluating and determining risk of high cost drugs
9. Strengthen requirements for coordination of behavioral and physical health
10. Build more flexibility into state regulatory framework



About The Hilltop Institute

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and wellbeing of people and communities. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels.

www.hilltopinstitute.org

Contact Information

Laura Spicer

Director, Health Reform Studies

The Hilltop Institute

University of Maryland, Baltimore County (UMBC)

410.455.6536

lspicer@hilltop.umbc.edu

www.hilltopinstitute.org