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Accounting for Access in Managed Care Rate Setting and Actuarial Soundness

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Overview

- Background
  - Commission’s prior work
  - Context for access in rate setting
- Findings
- Discussion
- Next steps

Background

Commission’s Prior Work

- Commissioners reviewed findings in September from recent work on rate setting and risk mitigation
  - Expert roundtable on risk mitigation, study on rate setting and actuarial soundness, and research into policy areas of interest to Commissioners
- Commissioners also previewed anticipated federal rulemaking from CMS
  - Rules will likely address several areas covered in MACPAC’s rate-setting work
- Commissioners identified priority areas for further discussion
  - There was interest in further analysis on access, state directed payments, and in-lieu of services to support development of a potential comment letter

Context for Access in Rate Setting

- Federal regulations
  - 2016 managed care rule added new requirements for rate setting, including linking access and payment
  - 2020 updates made minor modifications to rate setting requirements
- Federal actuarial soundness standards
  - Rates must be “projected to provide for all reasonable, appropriate, and attainable costs”
  - Rates must be certified as meeting this standard and satisfy additional rules
- Subregulatory guidance
  - CMS has provided additional guidance through state health official letters, toolkits, and technical assistance documents

Context for Access in Rate Setting

- CMS annual rate development guide
  - Guide describes the detail needed for the rate certification and CMS standards for determining compliance
- Directed payments
  - Many states pursue directed payments as a way to improve access
  - Payment arrangements must be incorporated into managed care contracts and actuarially sound capitation rates
- Professional guidance and standards
  - State and their actuaries must apply generally accepted actuarial methods
  - Actuarial standards of practice (ASOPs) describe procedures an actuary should follow in order for rates to be considered actuarially sound
  - Several ASOPs specifically address Medicaid (e.g., ASOP 49)

Findings

Rules and Guidance Do Not Identify How Rates Relate to Access and Network Adequacy

- 2016 managed care rule linked payment and access for the first time
  - Rates must be adequate to ensure availability, capacity, and coordination and continuity of care
- No specific requirements exist for how states should account for access or document compliance with standards
  - Access to care, care continuity, and network adequacy requirements are not addressed in CMS's annual rate guide
- Other components of rate setting have very specific definitions and requirements in federal rules and guidance
  - e.g., base data and adjustments, risk sharing, calculation of medical loss ratios

Rules and Guidance Do Not Specify How Access Improvement Efforts Can Be Included in Rates

- Focus is on requirements for rate development and certification
- Rules and guidance do not anticipate how access concerns could be contemplated by states and their actuaries
  - Rules note requirements for age and source of base data but do not address how to evaluate data deficiencies with respect to access
  - Subregulatory guidance on access and network adequacy did not specify appropriate payment adjustments or documentation
- Absence of professional actuarial guidance creates challenges for actuaries in developing adjustments to address access concerns

Professional Guidance Does Not Indicate How Actuaries Should Account for Access

- Actuaries rely on guidance and professional discretion to develop and certify rates
- ASOPs are important when federal rules rely on actuarial judgment to assess reasonableness and appropriateness
  - e.g., estimating trends and administrative costs
- Actuaries face challenges accounting for access in rates, despite several ASOPs focusing on managed care rate setting
  - No guidance on incorporating access to care or care continuity
  - No guidance on treatment of network adequacy standards

States Typically Rely on Other Mechanisms to Address Access

- Managed care network adequacy standards and health plan contract provisions tend to be primary tools used by states
  - Rate setting does not explicitly consider network adequacy and access standards
- States may have a sense of what health plans pay providers and factor that into rate assumptions
  - e.g., fee for service (FFS) rates or a percentage above FFS
- However, program goals are largely pursued outside of rate setting process

Directed Payments Complicate the Consideration of Access in Rates

- Alignment of access goals, directed payments, and actuarial soundness requirements is oftentimes unclear
  - Determining if base and supplemental capitation rates meet access standards
- Actuaries have little to no role reviewing the reasonableness and appropriateness of directed payments
  - Amounts are already approved through separate preprint approval process
- CMS's assessment of directed payments against actuarial soundness requirements is limited
  - Relies on state's actuarial certification
  - Primarily focused on consistency with approved preprint

Discussion

Areas for Potential Consideration

- Are current actuarial soundness requirements related to access sufficient?
- Should CMS consider approaches that better determine how rates meet network adequacy and access to care standards for the purposes of actuarial soundness?
- What should CMS take into account as it considers new requirements for access measures with respect to rate setting?
- Should additional changes be made to directed payments to address findings related to access and actuarial soundness?
- What are the potential implications of making changes to requirements for compliance with actuarial soundness standards?

Next Steps

Next Steps

- Commissioner discussion
  - Key considerations related to access and rate setting
  - Priority areas for potential comment
  - Areas for additional examination in advance of proposed rule
- Policy areas for future discussion
  - In-lieu-of services

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