Application to Use Burden/Hours from Generic PRA Clearance:
Medicaid and CHIP State Plan, Waiver, and Program Submissions
(CMS-10398, OMB 0938-1148)

Information Collection #37 (Revised) - 2016 Managed Care Rate Setting Guidance

July 22, 2015

Center for Medicaid and CHIP Services (CMCS)
Centers for Medicare & Medicaid Services (CMS)

CMS requests expedited approval since some contracts start on January 1, 2016, and states should start submitting their certifications at least 60 days prior to the contract start date (for details, see Section E of this Supporting Statement).

GenIC #37 was first approved by OMB on September 15, 2014 and was extended without change on December 24, 2014. This August 2015 iteration revises the 2015 Managed Rate Setting Guide. All changes are set out in the attached Crosswalk.

While the 2015 and 2016 Rate Setting Guides are largely the same, the 2016 Guide more clearly specifies documentation expectations for States to use when submitting rate certifications and outlines documentation for States using supplemental payments. These changes do not impact any of the reporting requirements or collection method.

However, because of the expanded expectations around documentation requirements it is estimated that it will take States an additional 2 hours to complete each submission.

A. Background

The Centers for Medicare & Medicaid Services (CMS) work in partnership with States to implement Medicaid and the Children's Health Insurance Program (CHIP). Together these programs provide health coverage to millions of Americans. Medicaid and CHIP are based in Federal statute, associated regulations and policy guidance, and the approved State plan documents that serve as a contract between CMS and States about how Medicaid and CHIP will be operated in that State. CMS works collaboratively with States in the ongoing management of programs and policies, and CMS continues to develop implementing guidance and templates for States to use to elect new options available as a result of the Affordable Care Act or to comply with new statutory provisions. CMS also continues to work with States through other methods to further the goals of health reform, including program waivers and demonstrations, and other technical assistance initiatives.

B. Description of Information Collection

Statute at 1903(m) of the Social Security Act requires rates paid to Medicaid managed care organizations (MCO) to be actuarially sound. Regulations at §438.6(c) requires all capitation rates paid to an MCO, Prepaid Inpatient Health Plan (PIHP), or Prepaid Ambulatory Health Plans (PAHP) to be actuarially sound and require each state to submit an actuarial certification for each set of capitation rates developed.

States are required to submit an actuarial certification for all Medicaid managed care capitation rates per §438.6(c). This document specifies our requirements for that certification and details what types of descriptions we expect to be included. These elements include descriptions of data used, projected benefit and non-benefit costs, rate range development, risk and contract provisions, and other considerations in all rate setting packages. This document also details expectations for states when they submit rate certification letters for their newly eligible population.

The attached guidance is directed to all states setting Medicaid managed care rates that are subject to the actuarial soundness requirements in 42 CFR 438.6. CMS believes the documentation standards outlined below are consistent with requirements in 42 CFR 438.6 and relevant Actuarial Standards of Practice. Actuaries are required to follow all Actuarial Standards of Practice; particularly relevant are ASOP 1 (Introductory Actuarial Standard of Practice); ASOP 5 (Incurred Health and Disability Claims); ASOP 12 (Risk Classification (for All Practice Areas)); ASOP 23 (Data Quality); ASOP 25 (Credibility Procedures); ASOP 41 (Actuarial Communications); ASOP 45 (The Use of Health Status Based Risk Adjustment Methodologies); and ASOP 49 (Medicaid Managed Care Capitation Rate Development and Certification). ASOP 49, which became effective on August 1, 2015, is especially relevant because it focuses on the development of Medicaid managed care rates and the requirements under 42 CFR 438.6.

C. Deviations from Generic Request

No deviations are requested.

D. Burden Hour Deduction

The total approved burden ceiling of the generic ICR is 86,240 hours, and CMS previously requested to use 58,513 hours, leaving our burden ceiling at 27,727 hours.

Wage Estimates

To derive average costs, we used data from the U.S. Bureau of Labor Statistics' May 2014 National Occupational Employment and Wage Estimates for all salary estimates (http://www.bls.gov/oes/current/oes_nat.htm). In this regard, the following table presents the mean hourly wage, the cost of fringe benefits (calculated at 100 percent of salary), and the adjusted hourly wage.

Occupation Title	**Occupation Code**	**Mean Hourly Wage ($/hr)**	**Fringe Benefit ($/hr)**	**Adjusted Hourly Wage ($/hr)**
Community and Social Service Occupations	21-0000	21.79	21.79	43.58

As indicated, we are adjusting our employee hourly wage estimates by a factor of 100 percent. This is necessarily a rough adjustment, both because fringe benefits and overhead costs vary significantly from employer to employer, and because methods of estimating these costs vary widely from study to study. Nonetheless, there is no practical alternative and we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Burden Estimates

Currently Approved Burden

Based upon CMS's experiences with rate setting, we estimate that on average it will take a state 2 hours per certification to organize and describe the data in a way that complies with the guide. 42 states have rates developed for an MCO, PIHP or PAHP and in these states we estimate approximately 70 rate certifications submitted. We estimate that 70 certificates will be submitted on an annual basis for a total annual burden of 140 hours (70 certificates x 2 hours).

Revised Burden

While the 2015 and 2016 Rate Guides are largely the same, the 2016 Rate Guide more clearly specifies documentation expectations for States to use when submitting rate certifications and outlines documentation for States using supplemental payments. These changes do not impact any of the reporting requirements or collection method.

However, because of the expanded expectations around documentation requirements it is estimated that it will take States an additional 2 hours to complete each submission resulting in per response hours to increase from 2 to 4 hours per submission. We believe two more hours is reasonable given that the 2016 Guide simply articulates the requirements in a manner that makes it easier for states to understand, but does not necessarily impose any additional requirements.

Burden Summary

Year	**Respondents**	**Responses per Respondent**	**Total Annual Responses**	**Burden per Response (hours)**	**Total Annual Burden (hours)**	**Labor cost of Reporting ($/hr)**	**Total Cost ($)**
2015 Rate Guidance*	42	1 or 2	70	2	140	43.58	6,101
2016 Rate Guidance**	42	1 or 2	70	+2	+140	43.58	+6,101
Total**	42	1 or 2	70	2	140	43.58	6,101

*To avoid double counting, this package does not propose any changes to the burden which is currently approved.
**By adding the 2016 Rate Guidance, this August 2015 package requests an increase of 140 hours.

E. Timeline

CMS hopes to deploy this collection in August 2015 and is requesting expedited OMB approval (please see below for justification).

States are required to obtain prior approval of contracts and rates per §438.806 which means that the rates need to be approved by CMS before they claim the expenditures on the CMS-64. In order for CMS to have the ability to review and analyze the rate certification and allow sufficient time for questions and answers, states should start submitting their certifications at least 60 days prior to the contract start date. With some contracts starting on January 1, 2016, CMS needs to allow states time to review this guidance and incorporate the elements into its rate certification prior to their submission. States will have already started their rate development for January 1, 2016 contracts and we want to ensure states have ample time to incorporate any additional information required by this guidance before submission.

Attachments

The following attachment supports this information collection:

2016 Managed Care Rate Guidance (July 2015)