Clearance for Medicaid and CHIP State Plan, Waiver, and Program Submissions
(CMS-10398, OMB 0938-1148)

Information Collection #37
Managed Care Rate Setting Guidance

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

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.

The attached rate guide falls under the conditions discussed above as it outlines implementing guidance and template content for state submission of actuarial certifications for Medicaid managed care capitation rates per §438.4.

B. Description of Information Collection

States are required to submit an actuarial certification for all Medicaid managed care capitation rates per §438.4. There are 46 Medicaid respondents consisting of 45 States, and DC that operate risk-based managed care programs. This document specifies our requirements for the 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.

Section 1903(m) of the Social Security Act requires rates paid to Medicaid managed care organizations (MCOs) to be actuarially sound. Regulations at §438.4 require 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.

<u>2019-2020 Rate Guide (Extension)</u>

We are collecting this information from July 1, 2019 to June 30, 2020.

<u>2020-2021 Rate Guide (New)</u>

We will be collecting this information from July 1, 2020 to June 30, 2021.

C. Deviations from Generic Request

No deviations are requested.

D. Burden Hour Deduction

The total approved burden ceiling of the generic ICR is 154,104 hours, and CMS previously requested to use 56,004 hours, leaving our burden ceiling at 98,100 hours.

Wage Estimates

To derive average costs, we used data from the U.S. Bureau of Labor Statistics' May 2019 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 and overhead (calculated at 100 percent of salary), and the adjusted hourly wage.

Occupation Title	Occupation Code	Mean Hourly Wage ($/hr)	Fringe Benefits and Overhead ($/hr)	Adjusted Hourly Wage ($/hr)
Community and Social Service Occupations	21-0000	24.27	24.27	48.54

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, we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Burden Estimates

There are 46 Medicaid respondents consisting of 45 States, and DC that operate risk-based managed care programs.

Currently Approved Burden (2018-2019 Rate Guide) (Discontinued)

We collected this information from July 1, 2018 to June 30, 2019. OMB approved 296 hours (74 rate certifications x 4 hours/response) for the 2018-2019 guide. We propose to discontinue this rate guide and burden of 296 hours (74 rate certifications x 4 hours/response) since the rating period ended on June 30, 2019.

Currently Approved Burden (2019-2020 Rate Guide) (Extension)

Currently OMB has approved 296 hours (74 rate certifications x 4 hours/response) for the 2019-2020 Rate Guide at a cost of $14,368 (296 hr x $48.54/hr). The cost has been adjusted to account for more recent BLS wage estimates ($46.20/hr [current] vs $48.54/hr [proposed]).

New Burden (2020-2021 Rate Guide)

Based upon CMS's experiences with rate setting, we estimate that on average it will take a state 4.5 hours per certification to organize and describe the data in a way that complies with the 2020-2021 guide. While 46 states have rates developed for an MCO, PIHP or PAHP, we now estimate that approximately 135 rate certifications will be submitted within those states. In aggregate we estimate 608 hours (135 rate certifications x 4.5 hr/submission) at a cost of $29,512 (608 x $48.54/hr).

The primary reasons for the increased burden is due to: (1) a new appendix has been added to the rate guide that outlines additional documentation expectations for states that choose to participate in the accelerated rate review process at their option; and (2) an update to our estimate of how many certifications are expected (74 [for 2019-2020] vs 135 [for 2020-2021]).

Burden Summary

Guide	**Respondents**	**Total Responses**	**Burden per Response (hours)**	**Total Time (hours)**	**Labor Cost ($/hr)**	**Total Cost ($)**
2018-2019 Rate Guide	46	-74	-4	-296	46.20	-13,675
2019-2020 Rate Guide	46	74	4	296	48.54	14,368
2020-2021 Rate Guide	46	135	4.5	608	48.54	29,512
Subtotal	*46*	*135*	*Varies*	*608*	*Varies*	*30,205*
Currently Approved Burden	46	74	4	296	46.20	13,906
Difference	**No Change**	**+61**	**Varies**	**+312**	**+2.34**	**+16,299**
Adjustment*	n/a	n/a	n/a	-5	46.20	-231
TOTAL REQUESTED ***	**46 (no change)**	**+61**	**Varies**	**+307**	**48.54**	**+14,901**

*The previous iteration added an arbitrary 5 hours of burden to account for the limitations of the ROCIS system which prevented the submission of zero hours which was needed since the submission was a revision that had no burden implications. Since this June 2020 iteration adds more than 300 hours of burden we are removing the 5-hour burden adjustment as it is no longer needed.
**To avoid double counting, we propose to add 307 hours since we currently have 301 hours (296 hr + 5 hr) of burden approved.

Information Collection Instruments and Instruction/Guidance Documents

The Rate Guide outlines implementing guidance and template content for state submission of actuarial certifications for Medicaid managed care capitation rates per §438.4.

- 2019-2020 Managed Care Rate Guidance (Nonsubstantive Change)

The PRA Disclosure Statement has been revised. Otherwise, we are not proposing any other changes to the 2019-2020 Rate Guide.

- 2020-2021 Managed Care Rate Guidance (Revised)

See the attached Crosswalk for a comparison of the 2019-2020 Rate Guide to the 2020-2021 Rate Guide.

E. Timeline

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 July 1, 2020, CMS needs to allow states time to review this guidance and incorporate the elements into its rate certification prior to their submission. Therefore, we are requesting PRA as soon as possible as this guidance is effective July 1, 2020.