

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 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.

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.

2017-2018 Rate Guide (Extension)

We are collecting this information from July 1, 2017 to June 30, 2018. This Rate Guide is still active and has a burden estimate of 280 hours. We will be collecting based on this guide until June 30, 2018.

2018-2019 Rate Guide (New)

We will be collecting this information from July 1, 2018 to June 30, 2019. This new Rate Guide (Fiscal Year 2018 Rate Guide) proposes a burden of 296 hours, a difference of 16 hours from the

currently approved 2017-2018 Rate Guide. While the per response time estimate is unchanged, we are estimating 4 more rate certifications (16 hours = 4 responses x 4 hours/response) in this revision.

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 2017 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	23.10	23.10	46.20

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 (2017-2018 Rate Guide)

Currently OMB has approved 280 hours (70 rate certifications x 4 hours/response) for the 2017-2018 Rate Guide at a cost of \$12,936 (280 hr x \$46.20/hr). There is a potential universe of 42 respondents.

To avoid double counting, this iteration does not seek approval for the 280 hour burden estimate that was approved by OMB on March 1, 2018. Instead, this iteration seeks approval of the 2018-2019 Rate Guide and the associated burden.

New Burden (2018-2019 Rate Guide)

Based upon CMS's experiences with rate setting, we estimate that on average it will take a state 4 hours per certification to organize and describe the data in a way that complies with the 2018-2019 guide. While 46 states have rates developed for an MCO, PIHP or PAHP, we now estimate that approximately 74 rate certifications will be submitted within those states. In aggregate we estimate 296 hours (74 rate certifications x 4 hr/submission) at a cost of \$13,675.20 (296 hr x \$46.20/hr).

Burden Summary

Guide	Respondents	Total Responses Expected	Burden per Response (hours)	Total Annual Burden (hours)	Labor cost of Reporting (\$/hr)	Total Cost (\$)
2017-2018 Rate Guide*	42	70	4	280	46.20	12,936.00
2018-2019 Rate Guide	46	74	4	296	46.20	13,675.20
Total	46	74	4	296	46.20	13,675.20

*To avoid double counting, this iteration does not seek approval for the 280 hour burden estimate that was approved by OMB on March 1, 2018.

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.

- 2017-2018 Managed Care Rate Guidance (December 2017)

We are not making any changes to the 2017-2018 Rate Guide.

- 2018-2019 Managed Care Rate Guidance

See the attached Crosswalk for a comparison of the 2017/2018 Rate Guide to the 2018/2019 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, 2018, CMS needs to allow states time to review this guidance and incorporate the elements into its rate certification prior to their submission.