

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

Generic 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 subject rate setting 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 42 CFR 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.

This 2019 information collection request proposes to discontinue the 2017-2018 rate setting guide, extend OMB's approval of the 2018-2019 guide, and request OMB approval of the 2019-2020 guide.

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 59,136 hours, leaving our burden ceiling at 94,968 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 Benefits and Overhead (\$/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. We believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Burden Estimates

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 rate setting guide.

While 46 states have rates developed for an MCO, PIHP or PAHP, we estimate an aggregate of 76 certifications during each of the guides' respective timeframes.

Currently Approved Burden (2017-2018 Rate Guide)

We are no longer collecting the information for the 2017-2018 rate setting guide, this information was collected from July 1, 2017 to June 30, 2018. In this 2019 information collection request, we propose to discontinue this guide.

Since the guide timeframes are consecutive, we do not need to adjust our burden estimates for the discontinued guide.

Currently Approved Burden (2018-2019 Rate Guide)

We are collecting this information from July 1, 2018 to June 30, 2019. In this 2019 information collection request, we propose to continue the 2018-2019 rate setting guide and its burden - both without change.

While we propose to keep our currently approved time estimate as is, we have revised our cost estimate based on current BLS wage figures.

Currently, OMB has approved 296 hours (74 rate certifications x 4 hours/response) for the 2018-2019 guide. We estimate a revised cost of \$13,675 (296 hr x \$46.20/hr). There is a potential universe of 46 respondents.

New Burden (2019-2020 Rate Guide)

We propose to collect this information from July 1, 2019 to June 30, 2020. The 2019/2020 rate setting guide revises the 2018/2019 guide. The attached Crosswalk sets out the changes.

Since the guide timeframes are consecutive, we do not need to adjust our burden estimates for the added rate guide.

In aggregate we continue estimate a burden of 296 hours (74 rate certifications x 4 hr/submission) at a cost of \$13,675 (296 hr x \$46.20/hr). This is consistent with our estimates for the 2018-2019 guide.

Burden Summary

Guide	Respondents	Total Responses Expected	Burden per Response (hours)	Total Annual Burden (hours)	Labor cost of Reporting (\$/hr)	Total Cost (\$)
2018-2019 Rate Guide	46	74	4	296	46.20	13,675
2019-2020 Rate Guide	46	74	4	296	46.20	13,675
<i>Subtotal*</i>	46	74	4	296	46.20	13,675
Adjustment**	No change	No change	No change	+5	No change	+231
TOTAL	46	74	4	301	46.20	13,906

*To avoid double counting, this 2019 information collection request continues to seek approval for our currently approved burden estimate of 296 hours.

**We are adjusting our burden estimate by adding 5 hours to account for IT system limitations which prevent generic package submissions that have no burden changes.

Since 296 hours are currently approved by OMB, we are only requesting +5 hours of burden to address the aforementioned IT issues inherent in ROCIS.

Information Collection Instruments and Instruction/Guidance Documents

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

- 2018-2019 Medicaid Managed Care Rate Development Guide (May 2018)

We are not making any changes to the 2018-2019 guide.

- 2019-2020 Medicaid Managed Care Rate Development Guide

See the attached Crosswalk for a comparison of the 2018-2019 rate setting guide to the 2019-2020 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, 2019, CMS needs to allow states time to review this guidance and incorporate the elements into its rate certification prior to their submission.