Generic Supporting Statement
Medicaid and CHIP State Plan, Waiver, and Program Submissions
Managed Care Rate Setting Guidance
CMS-10398 #37, OMB 0938-1148

This December 2023 iteration is a revision of an active collection of information request.

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 to comply with new statutory provisions. CMS also continues to work with States through other methods to further the goals of Medicaid and CHIP, including program waivers and demonstrations, and other technical assistance initiatives.

B. Description of Information Collection

Medicaid managed care is the predominant delivery system for Medicaid beneficiaries to access health care services. State Medicaid agencies contract with managed care plans (MCPs) that accept a fixed, prospective monthly payment for each enrolled beneficiary (also referred to as risk-based managed care). Capitation rates refer to these fixed per member per month payments that a state makes to an MCP on behalf of each beneficiary enrolled under a contract in a risk-based managed care program. A state's actuary develops capitation rates for a managed care program consistent with the process and requirements in 42 CFR 438.5(b).

Section 1903(m)(2) of the Social Security Act and § 438.4 require that capitation rates be actuarially sound, meaning that the capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCP for the time period and the population covered under the terms of the contract.

In accordance with § 438.7, states must submit to CMS for review and approval all rate certifications for managed care organizations (MCOs), prepaid inpatient health plans (PIHPs), and prepaid ambulatory health plans (PAHPs). The rate certification itself is prepared by a state's actuary who certifies the managed care program's capitation rates as actuarially sound for a specific time period and documents the rate development process and final certified capitation rates.

This Medicaid Managed Care Rate Development Guide (otherwise referred to as the "rate guide") outlines the rate development standards and CMS' expectations for documentation included in rate certifications such as descriptions of base data used, trend factors to base data,

projected benefit and non-benefit costs, and any other considerations or adjustments used when setting capitation rates. The information outlined in this rate guide must be included within the rate certification in adequate detail to allow CMS to determine compliance with applicable provisions of 42 CFR part 438, including that the data, assumptions, and methodologies used for rate development are consistent with generally accepted actuarial principles and practices and that the capitation rates are appropriate for the populations and services to be covered. There is not a required template that states' actuaries must utilize for the rate certification, but the guidance outlined in this rate guide serves as a resource for states and their actuaries. Adherence by states and their actuaries to the rate development standards and documentation expectations outlined in this rate guide, will aid in ensuring compliance with the regulations and support CMS's review and approval of actuarially sound capitation rates and associated federal financial participation.

CMS' review process for managed care rate development represents an essential federal oversight function to ensure that capitation rates for MCPs are compliant with applicable federal laws and regulations, and not: 1) too low such that MCPs are insufficiently funded to provide contractually required services; or 2) too high and a waste of state and federal tax dollars. There are 46 States and DC (for a total of 47 Medicaid agencies) that operate risk-based managed care programs and must prepare and submit a rate certification to CMS as required per § 438.7(a). The 2020 Medicaid and CHIP Managed Care final rule[1] requires that CMS annually publish this guidance per § 438.7(e). The attached rate guide is effective for rating periods starting between July 1, 2024, and June 30, 2025.

2022-2023 Rate Guide (Discontinued)

We collected this information from July 1, 2022, to June 30, 2023.

2023-2024 Rate Guide (Extension)

We are collecting this information from July 1, 2023, to June 30, 2024.

2024-2025 Rate Guide (New)

We will be collecting this information from July 1, 2024, to June 30, 2025.

C. Deviations from Generic Request

No deviations are requested.

D. Burden Hour Deduction

Wage Estimates

[1] The 2020 Medicaid and CHIP Managed Care final rule (CMS-2408-F; RIN 0938–AT40) published in the Federal Register on November 13, 2020 (85 FR 72754).

To derive average costs, we used data from the U.S. Bureau of Labor Statistics' (BLS) May 2022 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 BLS' mean hourly wage, our estimated cost of fringe benefits and other indirect costs (calculated at 100 percent of salary), and our adjusted hourly wage.

Occupation Title	Occupation Code	Mean Hourly Wage ($/hr)	Fringe Benefits and Other Indirect Costs ($/hr)	Adjusted Hourly Wage ($/hr)
Community and Social Service Occupations	21-0000	26.81	26.81	53.62

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 other indirect 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 47 Medicaid respondents consisting of 46 States, and DC that operate risk-based managed care programs. This is an increase of one additional state that is implementing risk-based managed care for the first time.

Currently Approved Burden (2022-2023 Rate Guide) (Discontinued)

We collected this information from July 1, 2022, to June 30, 2023. OMB approved 608 hours (135 rate certifications x 4.5 hours/response). We propose to discontinue this rate guide and burden since the rating period ended on June 30, 2023.

Currently Approved Burden (2023-2024 Rate Guide) (Extension)

Currently OMB has approved 743 hours (135 rate certifications x 5.5 hr/submission) at a cost of $39,840 (743 hr x $53.62/hr).

2024-2025 Rate Guide (New)

Based upon CMS's experiences with rate setting, we estimate that on average it will take a state 5.5 hours per certification to organize and describe the data in a way that complies with the 2024-2025 rate guide, which is unchanged from the currently approved 2023-2024 rate guide. While 46 states and DC (total of 47 respondents) have capitation rates developed for an MCO, PIHP or PAHP, we estimate that a total of 137 rate certifications will be submitted among those respondents. In aggregate we estimate a burden of 753 hours (137 rate certifications x 5.5 hr/submission) at a cost of $40,378 (753 hr x $53.62/hr).

Burden Summary

Rate Guide	Respondents	Total Annual Responses	Burden per Response (hours)	Total Time (hours)	Labor Cost ($/hr)	Total Annual Cost ($)
2022-2023 Rate Guide (Discontinued)	(46)	(135)	(4.5)	(608)	50.18	(30,484)
2023-2024 Rate Guide (Extension)	46	135	5.5	743	53.62	39,813
2024-2025 Rate Guide (New)	47	137	5.5	754	53.62	40,403

The 2024-2025 iteration proposes to increase the current number of respondents, as one additional state is implementing risk-based managed care (47), which will in turn increase the annual responses by two as that state will submit two rate certifications (137 total responses). We have maintained the current per response time estimate (5.5 hr/response) resulting in an increase of 11 hours.

To avoid duplication of our active burden estimates, we propose the following changes.

Rate Guide	Respondents	Total Annual Responses	Burden per Response (hours)	Total Time (hours)
2023-2024 Rate Guide	46	135	5.5	743
2024-2025 Rate Guide	47	137	5.5	754
Difference	*+ 1*	*+ 2*	*No Change*	*+ 11*

Information Collection Instruments and Instruction/Guidance Documents

The Rate Guide outlines implementing guidance for state submission of rate certifications for Medicaid managed care capitation rates per §§ 438.4 through 438.7.

- 2023-2024 Managed Care Rate Guidance (Extension Without Change)

We are not proposing any changes to the 2023-2024 Rate Guide.

- 2024-2025 Managed Care Rate Guidance (Revised)

See the attached Crosswalk for a comparison of the 2023-2024 Rate Guide to the 2024-2025 Rate Guide.

E. Timeline

Our 14-day notice published in the Federal Register on November 20, 2023 (88 FR 80724). While comments were due December 4, 2023, none were received.

States are required to obtain prior approval of MCP contracts and capitation rates per § 438.806 which means that the rates need to be approved by CMS before they claim the expenditures on the CMS-64 form (OMB 0938-1265). In order for CMS to have the ability to review and analyze the rate certification and allow sufficient time for questions and answers, states start submitting their certifications at least 60 days prior to the contract start date for MCOs, PIHPs and PAHPs. With some managed care plan contracts starting on July 1, 2024, 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 OMB approval as soon as possible as the new guidance is effective on July 1, 2024; we are aiming for publication no later than January 2024.