Department of Medical Assistance Services (DMAS) Hospital Payment Policy Advisory Council (HPPAC) Meeting

Minutes

Name of Meeting: Hospital Payment Policy Advisory Council

Date of Meeting: October 7, 2020

Length of Meeting: 1 hour and 25 minutes

Members Present:
Chris Gordon, DMAS
Bill Lessard, DMAS
Donald Halliwill, Carilion Clinic
Susan Shreeve, HCA Capital Division
Jeff Lunardi, Joint Commission on Health Care
Kenneth McCabe, Department of Planning and Budget
Lanette Walker, Virginia Hospital and Healthcare Association
Robert Broermann, Sentara Healthcare

Other DMAS Attendees:
Tanyea Darrisaw
Karen Cameron
John Snouffer
Vardhini Mohan
Sonja Lee-Austin
Matthew Terrill
Chandra Shrestha
Limor Spalt
Charlie Lintecum

Other VHHA Attendees:
Jay Andrews
Chris Bailey

Other Attendees:
Curtis Byrd
Doug Gray
Josh Humphries
Sarah Thomas

Objective of Meeting:

Review the coverage and rate assessment report for FY20, coverage assessment appropriations and forecast for SFY21, discuss Upper Payment Limit (UPL) methodologies and Disproportionate Share Hospital (DSH) expenditures.

Call to Order and Introductions

Chris Gordon called the meeting to order at 11:10 AM.

Opening Remarks

- Mr. Gordon reviewed the agenda.
- Mr. Gordon reiterated that minutes would be posted to TownHall within 10 days.

Coverage Assessment Costs and Forecast

- Ms. Darrisaw walked through the 2020 HPPAC report, beginning with the coverage assessment and moving through appropriations.
- The expansion expenditures and enrollment were reviewed
- "Appropriation to Actual" comparisons were presented for management services, admin support, DSS.
- Ms. Darrisaw reviewed the FY20 and FY21 appropriation comparison

Discussion

- Ms. Walker asked that another column be provided on the expansion expenditures report to show actual collections from the hospitals. Ms. Darrisaw agreed, noting that it should be voted on by HPPAC.
- Don Halliwill thanked Ms.Darrisaw and asked for clarification that the appropriations comparison were coverage assessment only and not total computable.
    - Ms. Darrisaw replied that the coverage assessment is only non-federal share. Some of the contracts vary with federal match – 10, 25, or 50% nonfederal share.

Managed Care UPL for Directed Payment Options & Requirements

- Karen Cameron led this presentation concerning upper payment limit (UPL) payments related to the rate assessment, particularly the method to use for managed care payments.
- A potential approach was presented as follows:
    - Continue Medicare cost per diem for inpatient and cost to charge ratio methodology for outpatient to determine Medicare UPL
    - Restrict to 69 private hospitals eligible for directed payments
    - Multiply Medicare UPL amounts by 120%
    - Substitute FFS Medicaid days and payments with Medicaid managed care inpatient and outpatient by hospital – DMAS summarizes managed care encounter data by hospital, DMAS provides Medicaid costs and IME and GME.
    - Mercer, DMAS' actuarial contractor, certifies results

Discussion

- Ms. Walker asked how the minimum fee schedule UPL method would be determined.
    - Mr. Lessard replied that the current UPL percentage would be converted to a mandated payment increase where MCOs themselves would pay out the increased percentage. When to implement changes:
- Mr. Lessard clarified that this information was for Council feedback.

- Ms. Walker asked what the next step would be to pursue the potential managed care UPL option.
    - Mr. Lessard clarified cost reports would not be available until end of calendar year for FY20 cost report period. Besides planning for this, there is a short time frame between January and end of March for preprint preparation.
- Kenneth McCabe asked if all options dicussed were available to do without legislative changes.
    - Mr. Lessard responded that he would need to finalize review of budget language, but current language should encompass whatever UPL CMS would approve.
- Mr. McCabe asked if any disallowance would be borne by hospitals.
    - Mr. Lessard replied that is correct, indicating there is a formal approval process. If DMAS submitted by April 1, CMS would respond before the effective date or approve after July 1. First payment of fiscal year not made until late October for the July – September claims/encounter period.
- Mr. Gordon asked if this approach would require further appropriation.
    - Mr. Lessard responded "no".
    - Mr. McCabe responded that liability to the Commonwealth was primary concern.

Disproportionate Share Hospital (DSH) Expenditures

- Sonja Lee-Austin presented information on current DSH qualitifcation and expenditures, current allotments and timing of any updates.

Discussion

- Mr. Halliwill asked if the $180 million allotment was specified in the budget?
    - Mr. Lessard clarified it is not.
- Mr. Halliwill asked what does third party liability (TPL) coverage refer to in the uncompensated care cost calculation?
    - Mr. Lessard stated a member may have multiple payers – TPL refers to private insurance for those with Medicaid.
- Jeff Lunardi asked whether the 14% on the first slide was Medicaid only or plus uninsured?
    - Ms. Lee-Austin respond that it was Medicaid only.
    - Mr. Lessard stated DMAS could include uninsured but it is harder to measure that.

Hospital Rate Rebasing

- Ms. Lee-Austin presented the current hospital rebasing timeline.
    - MSLC obtains cost reports mid-December
    - DMAS data to MSLC & gets inflation data January 1
    - Revenue code crosswalk hospital survey mid-January
    - DRG comparison report mid-February
    - Draft base rates & weights April 1
    - Draft DRG, psych, & rehab rates, fiscal impact/cost coverage model July 1
    - Next HPPAC meeting mid-August

Discussion

- Jay Andrews asked if the timeline for inpatient and outpatient are the same.
    - Ms. Lee-Austin responded "yes".

Action Items

- Mr. Lessard asked for a vote from HPPAC members to amend the report (per Ms. Walker's earlier request to Ms. Darrisaw) to reflect actual costs used to calculate coverage assessment rather than appropriations.
    - Mr. McCabe asked to modify the vote to retain appropriations as well as actual costs.
    - Mr. Gordon brought the vote to members. The vote was unanimous to add actual costs to the HPPAC report.

Mr. Gordon asked the Council for any other items to discuss or additional recommendations.

- Mr. Halliwill asked if it was possible to engage Mercer on an earlier time frame prior to cost report filing.
    - Mr. Lessard spoke with MSLC and Mercer on UPL determination. That is one of the steps to further evaluate who should be providing resources for calculations.

Mr. Gordon asked if there was interest in meeting on any items prior to this time next year. The Appropriations Act requires annual meetings at a minimum.

- Mr. Lessard raised that there could be two potential meetings next year - one for rebasing in August and one for the coverage and rate assessment in September/October.
    - Mr. Halliwill stated that he finds these meetings helpful and would be open to more than one per year.

Meeting Adjourned

The meeting was adjourned by Mr. Gordon at 12:35 PM.

DMAS COVERAGE ASSESSMENT SUMMARY 2020

Final

	Assessment Estimate		Funding Adjustments[1]		Total Current Appropriation[4]		YTD actuals as of June[2]		Balance Remaining	
DMAS Administrative	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds
Medical Assistance Management Services	7,921,518	2,344,057	-	-	7,921,518	2,344,057	5,684,692	1,958,219	2,236,826	385,838
Administration & Support Services	22,733,120	8,256,919	-	-	22,733,120	8,256,919	18,459,104	6,252,325	4,274,017	2,125,182
1115 Waiver Costs	24,480,572	10,240,286	-	-	24,480,572	10,240,286	2,619,871	1,309,936	21,860,701	8,930,350
DSS Administrative										
Expansion Administrative Cost	22,638,620	5,659,655	-	-	22,638,620	5,659,655	22,638,620	5,659,655	-	-
1115 Waiver Costs	4,200,000	1,050,000	-	-	4,200,000	1,050,000	-	-	4,200,000	1,050,000
DMAS Medical Costs										
Claims and Hospital Payments[3]	3,072,408,338	260,888,882	-	-	3,072,408,338	260,888,882	2,791,202,474	243,761,435	281,205,864	17,127,447
Coverage Assessment Total	$ 3,154,382,168	$ 288,439,799	$ -	$ -	$ 3,154,382,168	$ 288,439,799	$ 2,840,604,761	$ 258,941,570	$ 313,777,407	$ 29,618,818

[1]General Assembly and Intra-Agency Budget Adjustments

[2]YTD actuals provided by DSS on a quarterly basis

[3]Based on November 2019 Forecast

[4]Medical costs based on November 2019 Forecast

Coverage Assessment Revenues

Final

Coverage Assessment 2020 DMAS	Total Collections	Total Spending	Cumulative Remaining Balance
Balance from previous year			**$ 20,632,307**
July	$ 72,955,582	$ 16,416,616	$ 77,171,273
August	$ -	$ 15,410,092	$ 61,761,181
September	$ (1,712,088)	$ 16,643,712	$ 43,405,380
October	$ 82,136,544	$ 16,175,397	$ 109,366,527
November	$ -	$ 17,562,302	$ 91,804,225
December	$ (1,712,865)	$ 18,161,613	$ 71,929,747
January	$ 69,680,714	$ 21,248,137	$ 120,362,324
February	$ (2,345,454)	$ 28,006,011	$ 90,010,859
March	$ 12,228	$ 26,991,200	$ 63,031,887
April	$ 61,220,961	$ 27,881,984	$ 96,370,864
May	$ (1,967,686)	$ 27,533,106	$ 66,870,072
June	$ 5,466,193	$ 21,251,375	$ 51,084,890
Coverage Assessment Year End Balance	**$ 283,734,127**	**$ 253,281,544**	**$ 51,084,890**

Coverage Assessment 2020 DSS	Total Collections	Total Spending	Cumulative Remaining Balance
Balance from previous year			**$ 780,806**
July	$ -	$ -	$ -
August	$ -	$ -	$ -
September	$ 1,719,861	$ 1,993,930	$ 506,737
October	$ -	$ -	$ 506,737
November	$ -	$ -	$ 506,737
December	$ 1,719,861	$ 2,313,841	$ (87,242)
January	$ -	$ -	$ (87,242)
February	$ 2,357,236	$ -	$ 2,269,994
March	$ -	$ -	$ 2,269,994
April	$ 2,357,236	$ -	$ 4,627,229
May	$ -	$ -	$ 4,627,229
June	$ -	$ 1,351,884	$ 3,275,345
Coverage Assessment Year End Balance	**$ 8,154,194**	**$ 5,659,655**	**$ 3,275,345**

Combined Balance Remaining Total	**$ 54,360,235**

NOTES:

*This reflects future adjustments that will be processed next state fiscal year.

*June collections includes $4,278,454.49 for FY21 Q1 invoice.

Coverage Assessment Administrative Detail

DMAS Administrative Costs 2020

Expansion

Contract	Coverage Assessment Estimate			Funding Adjustments[1]			Total Current Appropriation			YTD Actuals as of June[2]			Balance Remaining			% Spent
	Total Funds	Special Funds	FED	Total Funds	Special Funds	FED	Total Funds	Special Funds	FED	Total	Special Funds	FED	Total	Special Funds	FED	
Claims Processing (MMIS)	$5,163,003	$1,367,693	$3,795,310	$0	$0	$0	$5,163,003	$1,367,693	$3,795,310	$2,229,286	$557,321	$1,671,964	$2,933,718	$810,372	$2,123,346	43%
Magellan BHSA PMPMs	$2,140,212	$667,213	$1,473,000	$0	$0	$0	$2,140,212	$667,213	$1,473,000	$2,783,054	$1,064,722	$1,718,332	-$642,842	-$397,509	-$245,333	130%
DentaQuest PMPMs	$618,302	$309,151	$309,151	$0	$0	$0	$618,302	$309,151	$309,151	$587,607	$293,804	$293,804	$30,695	$15,347	$15,347	95%
Consumer Directed PMPM SFY19	$0	$0	$0	$0	$0	$0	$0	$0	$0	$6,105	$3,052	$3,052	-$6,105	-$3,052	-$3,052	#DIV/0!
Consumer Directed PMPM SFY20	$0	$0	$0	$0	$0	$0	$0	$0	$0	$78,640	$39,320	$39,320	-$78,640	-$39,320	-$39,320	#DIV/0!
Total	**$7,921,518**	**$2,344,057**	**$5,577,461**	**$0**	**$0**	**$0**	**$7,921,518**	**$2,344,057**	**$5,577,461**	**$5,684,692**	**$1,958,219**	**$3,726,473**	**$2,236,826**	**$385,838**	**$1,850,989**	**72%**
CoverVA eligibility and system changes	$7,369,941	$1,842,485	$5,527,456	$0	$0	$0	$7,369,941	$1,842,485	$5,527,456	$8,725,122	$2,180,339	$6,544,783	-$1,355,181	-$337,854	-$1,017,327	118%
MMIS Operational Costs	$1,991,351	$497,838	$1,493,513	$0	$0	$0	$1,991,351	$497,838	$1,493,513	$2,010,628	$502,475	$1,508,153	-$19,277	-$4,637	-$14,640	101%
Medicaid ID Cards	$165,000	$82,500	$82,500	$0	$0	$0	$165,000	$82,500	$82,500	$143,997	$71,999	$71,999	$21,003	$10,501	$10,501	87%
VCU Eval	$300,000	$150,000	$150,000	$0	$0	$0	$300,000	$150,000	$150,000	$173,321	$86,661	$86,661	$126,679	$63,339	$63,339	58%
Magellan RX (PBMS)	$379,836	$189,918	$189,918	$0	$0	$0	$379,836	$189,918	$189,918	$862,813	$215,703	$647,109	-$482,977	-$25,785	-$457,191	227%
Project Connect Outreach	$200,000	$100,000	$100,000	$0	$0	$0	$200,000	$100,000	$100,000	$95,045	$47,523	$47,523	$104,955	$52,477	$52,477	48%
Myers & Stauffer	$510,000	$255,000	$255,000	$0	$0	$0	$510,000	$255,000	$255,000	$624,706	$312,353	$312,353	-$114,706	-$57,353	-$57,353	122%
Mercer - Rate Setting	$228,675	$114,338	$114,338	$0	$0	$0	$228,675	$114,338	$114,338	$21,916	$10,958	$10,958	$206,759	$103,379	$103,379	10%
Mckinsey & Company	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0%
Maximus Enrollment Broker	$2,307,530	$1,153,765	$1,153,765	$0	$0	$0	$2,307,530	$1,153,765	$1,153,765	$1,604,965	$802,482	$802,482	$702,565	$351,283	$351,283	70%
EQRO	$1,000,000	$250,000	$750,000	$0	$0	$0	$1,000,000	$250,000	$750,000	$0	$0	$0	$1,000,000	$250,000	$750,000	0%
DirectMail Mailings	$1,200,000	$600,000	$600,000	$0	$0	$0	$1,200,000	$600,000	$600,000	$249,712	$124,856	$124,856	$950,288	$475,144	$475,144	21%
KePRO Service Authorizations	$2,077,271	$519,318	$1,557,953	$0	$0	$0	$2,077,271	$519,318	$1,557,953	$685,236	$171,309	$513,927	$1,392,035	$348,009	$1,044,026	33%
Granicus/Communication	$215,000	$107,500	$107,500	$0	$0	$0	$215,000	$107,500	$107,500	$102,966	$25,742	$77,225	$112,034	$81,758	$30,275	48%
Print Communications	$750,000	$375,000	$375,000	$0	$0	$0	$750,000	$375,000	$375,000	$220,057	$110,029	$110,029	$529,943	$264,971	$264,971	29%
Focused Stakeholder Engagement	$250,000	$125,000	$125,000	$0	$0	$0	$250,000	$125,000	$125,000	$70,360	$35,180	$35,180	$179,640	$89,820	$89,820	28%
MedEx Website modifications	$500,000	$250,000	$250,000	$0	$0	$0	$500,000	$250,000	$250,000	$95,800	$47,900	$47,900	$404,200	$202,100	$202,100	19%
15 MEL (GA18)	$1,695,626	$847,813	$847,813	$0	$0	$0	$1,695,626	$847,813	$847,813	$1,434,030	$717,015	$717,015	$261,596	$130,798	$130,798	85%
14 MEL additional (for 6 months)	$1,592,890	$796,445	$796,445	$0	$0	$0	$1,592,890	$796,445	$796,445	$1,338,428	$669,214	$669,214	$254,462	$127,231	$127,231	84%
DSS VaCMS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$146,730	$120,588	$26,142	-$146,730	-$120,588	-$26,142	
Total	**$22,733,120**	**$8,256,919**	**$14,476,201**	**$0**	**$0**	**$0**	**$22,733,120**	**$8,256,919**	**$14,476,201**	**$18,459,104**	**$6,252,325**	**$12,327,367**	**$4,274,017**	**$2,125,182**	**$2,148,834**	**81%**

1115 Waiver

Waiver Vendor to manage Premium/Health and Wellness accounts[3]	$14,000,000	$7,000,000	$7,000,000	$0	$0	$0	$14,000,000	$7,000,000	$7,000,000	$0	$0	$0	$14,000,000	$7,000,000	$7,000,000	0.00%
Waiver contractor for implementation	$4,250,000	$2,125,000	$2,125,000	$0	$0	$0	$4,250,000	$2,125,000	$2,125,000	$2,619,871	$1,309,936	$1,309,936	$1,630,129	$815,064	$815,064	61.64%
Waiver Staff (8 total)	$1,030,572	$515,286	$515,286	$0	$0	$0	$1,030,572	$515,286	$515,286	$0	$0	$0	$1,030,572	$515,286	$515,286	0.00%
Waiver Evaluation	$200,000	$100,000	$100,000	$0	$0	$0	$200,000	$100,000	$100,000	$0	$0	$0	$200,000	$100,000	$100,000	0.00%
System Pre-Implementation Planning	$5,000,000	$500,000	$4,500,000	$0	$0	$0	$5,000,000	$500,000	$4,500,000	$0	$0	$0	$5,000,000	$500,000	$4,500,000	0.00%
Total	**$24,480,572**	**$10,240,286**	**$14,240,286**	**$0**	**$0**	**$0**	**$24,480,572**	**$10,240,286**	**$14,240,286**	**$2,619,871**	**$1,309,936**	**$1,309,936**	**$21,860,701**	**$8,930,350**	**$12,930,350**	**11%**

DSS Administrative Costs

DSS Eligibility Determination	$22,638,620	$5,659,655	$16,978,965	$0	$0	$0	$22,638,620	$5,659,655	$16,978,965	$22,638,620	$5,659,655	$16,978,965	$0	$0	$0	100.00%
DSS 1115 Waiver Eligibility Determination & System Changes	$4,200,000	$1,050,000	$3,150,000	$0	$0	$0	$4,200,000	$1,050,000	$3,150,000	$0	$0	$0	$4,200,000	$1,050,000	$3,150,000	0.00%
Total	**$26,838,620**	**$6,709,655**	**$20,128,965**	**$0**	**$0**	**$0**	**$26,838,620**	**$6,709,655**	**$20,128,965**	**$22,638,620**	**$5,659,655**	**$16,978,965**	**$4,200,000**	**$1,050,000**	**$3,150,000**	**84%**

Coverage Assessment Admin Totals	**$81,973,830**	**$27,550,917**	**$54,422,913**	**$0**	**$0**	**$0**	**$81,973,830**	**$27,550,917**	**$54,422,913**	**$49,402,287**	**$15,180,135**	**$34,342,740**	**$32,571,544**	**$12,491,371**	**$20,080,173**	**60%**

[1]General Assembly and Intra-Agency Budget Adjustments

[2]YTD actuals provided by DSS on a quarterly basis

DMAS Medical Resources Needed for Medicaid Expansion

2020

	Forecast		Funding Adjustments[1]		Total Current Forecast		YTD actuals as of June		Balance Remaining	
	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds[2]	Total Funds	Special Funds
General Medical Care: MCOs	**2,580,289,897**	**219,324,641**	**-**	**-**	**2,580,289,897**	**219,324,641**	**2,389,348,007**	**208,687,375**	**190,941,890**	**10,637,266**
Capitation Payments: Low-Income Adults & Children	1,931,694,440	164,194,027	-	-	1,931,694,440	164,194,027	1,948,610,164	168,516,400	(16,915,724)	(4,322,373)
Capitation Payments: Aged, Blind & Disabled	-	-	-	-	-	-		-	-	-
Capitation Payments: Duals/CCC Program	-	-	-	-	-	-		-	-	-
Capitation Payments: CCC+ Program	648,595,457	55,130,614	-	-	648,595,457	55,130,614	608,228,440	52,403,276	40,367,017	2,727,338
MCO Pharmacy Rebates	-	-	-	-	-	-	(167,490,597)	(12,232,301)	167,490,597	12,232,301
General Medical Care: Fee-For-Service	**427,550,338**	**36,341,779**	**-**	**-**	**427,550,338**	**36,341,779**	**304,623,342**	**26,128,121**	**122,926,996**	**10,213,658**
Inpatient Hospital	272,948,123	23,200,590	-	-	272,948,123	23,200,590	211,380,959	17,820,871	61,567,164	5,379,719
Outpatient Hospital	65,086,648	5,532,365	-	-	65,086,648	5,532,365	47,485,182	3,950,441	17,601,466	1,581,924
Physician/Practitioner Services	43,523,641	3,699,509	-	-	43,523,641	3,699,509	25,058,195	2,245,991	18,465,446	1,453,518
Clinic Services	9,230,398	784,584	-	-	9,230,398	784,584	7,292,037	623,146	1,938,361	161,438
Pharmacy	10,896,299	926,185	-	-	10,896,299	926,185	10,455,177	893,371	441,122	32,814
FFS Pharmacy Rebates	-	-	-	-	-	-	(21,462,301)	(1,543,257)	21,462,301	1,543,257
Dental	16,928,351	1,438,910	-	-	16,928,351	1,438,910	14,221,571	1,269,307	2,706,780	169,603
Transportation	4,164,869	354,014	-	-	4,164,869	354,014	6,137,632	518,307	(1,972,763)	(164,293)
All Other	4,772,009	405,621	-	-	4,772,009	405,621	4,054,890	349,943	717,119	55,677
Behavioral Health & Rehabilitative Services	**6,797,043**	**577,749**	**-**	**-**	**6,797,043**	**577,749**	**7,983,639**	**677,878**	**(1,186,596)**	**(100,129)**
MH Case Management	-	-	-	-	-	-	580,517	49,226	(580,517)	(49,226)
MH Residential Services	-	-	-	-	-	-	40,137	4,014	(40,137)	(4,014)
MH Rehabilitative Services	-	-	-	-	-	-	7,017,156	590,174	(7,017,156)	(590,174)
Early Intervention & EPSDT-Authorized Services	-	-	-	-	-	-	345,829	34,464	(345,829)	(34,464)
Long-Term Care Services	**21,560,602**	**1,832,651**	**-**	**-**	**21,560,602**	**1,832,651**	**19,024,432**	**1,649,781**	**2,536,170**	**182,870**
Nursing Facility	12,898,207	1,096,348	-	-	12,898,207	1,096,348	6,840,520	565,820	6,057,687	530,527
Private ICF/MRs	-	-	-	-	-	-	1,583,943	135,145	(1,583,943)	(135,145)
PACE	-	-	-	-	-	-	782,172	70,507	(782,172)	(70,507)
HCBC Waivers: Personal Support	-	-	-	-	-	-	2,278,901	197,116	(2,278,901)	(197,116)
HCBC Waivers: Habilitation	8,662,395	736,304	-	-	8,662,395	736,304	6,560,545	593,767	2,101,850	142,537
HCBC Waivers: Nursing, EM/AT, Adult Day Care, Alzheimers	-	-	-	-	-	-	222,870	20,319	(222,870)	(20,319)
HCBC Waivers: Case Management & Support	-	-	-	-	-	-	755,481	67,107	(755,481)	(67,107)
Hospital Payments	36,210,458	2,812,062	-	-	36,210,458	2,812,062	70,223,055	6,618,280	(34,012,597)	(3,806,218)
Total Medicaid EXPANSION Expenditures (coverage)	**$ 3,072,408,338**	**$ 260,888,882**	**$ -**	**$ -**	**$ 3,072,408,338**	**$ 260,888,882**	**$ 2,791,202,474**	**$ 243,761,435**	**$ 281,205,864**	**$ 17,127,447**
Federal Funds	2,811,519,462	-	8,264,343	-	2,819,783,805	-	2,547,441,039	-	264,078,416	-
Coverage Assessment	260,888,882	-	767,725		261,656,607		243,761,435	-	17,127,447	-

[1]General Assembly and Intra-Agency Budget Adjustments

[2] This balance does not include $465,996.33 in expenditure refunds that will be adjusted in the next state fiscal year.

DMAS Payment Rate Assessment Summary 2020

REVENUES

Rate Assessment 2020	0979		
	Total Collections	**Total Spending**	**Cumulative Remaining Balance**
Balance from previous year			**$ 8,958,622**
July	$ 100,434,272	$ -	$ 109,392,894
August	$ -	$ 109,122,605	$ 270,289
September	$ -	$ -	$ 270,289
October	$ 85,169,658	$ -	$ 85,439,947
November	$ -	$ 85,072,600	$ 367,347
December	$ -	$ 93,480	$ 273,867
January	$ 85,114,056	$ -	$ 85,387,923
February	$ -	$ 85,015,004	$ 372,919
March	$ -	$ -	$ -
April	$ 63,961,671	$ -	$ 63,961,671
May	$ -	$ 63,892,469	$ 69,202
June	$ 105,599	$ -	$ 174,801
Rate Assessment Year End Balance	$ 334,785,256	$ 343,196,158	**$ 174,801**

EXPENDITURES

	Medical Accuracy Report														
	Assessment Estimate			Funding Adjustments[1]			Total Current Forecast			YTD actuals as of June			Balance Remaining		
	Total Funds	Special Funds	Federal Funds	Total Funds	Special Funds	Federal Funds	Total Funds	Special Funds	Federal Funds	Total Funds	Special Funds	Federal Funds	Total Funds	Special Funds	Federal Funds
MedEx Medical Supplemental Rate Assessment	318,580,182	27,079,315	291,500,867	-	-	-	318,580,182	27,079,315	291,500,867	365,618,877	31,411,255	334,207,622	(47,038,695)	(4,331,940)	(42,706,755)
Base Medicaid Rate Assessment	835,241,463	417,620,732	417,620,731	-	-	-	835,241,463	417,620,732	417,620,731	669,927,357	311,784,903	358,142,454	165,314,106	105,835,829	59,478,277
MedEx Administration Rate Assessment[2]	111,675	55,838	55,838	-	-	-	111,675	55,838	55,838	-	-	-	111,675	55,838	55,838
Total	**$1,153,933,320**	**$444,755,885**	**$709,177,436**	**$0**	**$0**	**$0**	**$1,153,933,320**	**$444,755,885**	**$709,177,436**	**$1,035,546,234**	**$343,196,158**	**$692,350,076**	**$118,387,086**	**$101,559,727**	**$16,827,360**

[1]General Assembly and Intra-Agency Budget Adjustments

[2]Not included in the Medical Accuracy Report

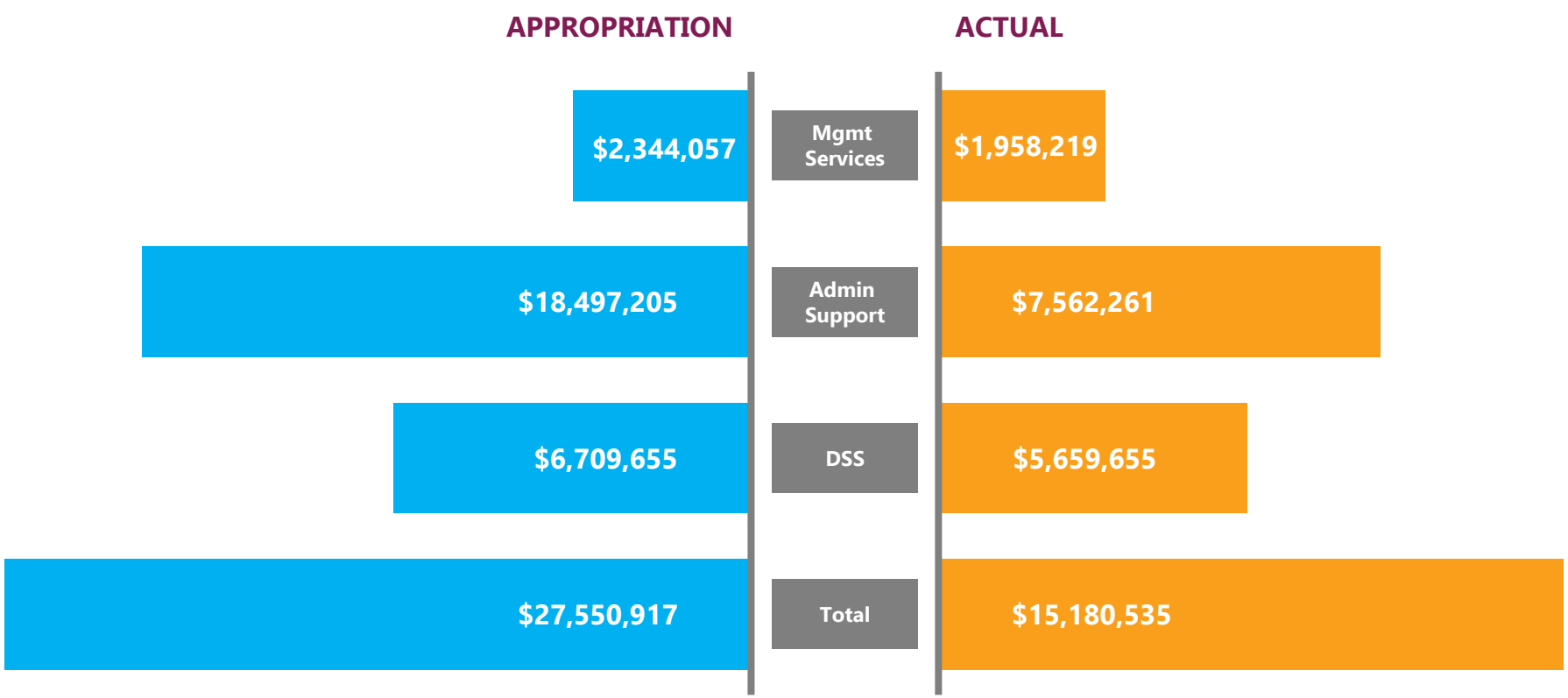
HPPAC MEETING

ADMINISTRATIVE VARIANCE ANALYSIS

OCT 7, 2020

DEPT OF MEDICAL ASSISTANCE SERVICES
TANYEA DARRISAW
BUDGET DIRECTOR

Appropriation to Actuals Comparison



All amounts shown are Coverage Assessment funds only

Utilization Based

Actuals exceeded initial Budget

Contract	Budget	Actual	Variance	% Spent
Magellan BHSA	$667,213	$1,064,722	($397,509)	160%
Consumer Directed Care	$0	$42,372	($42,372)	N/A
Conduent CoverVA	$1,842,485	$2,180,339	($337,854)	118%
Conduent MMIS Operational	$497,838	$502,475	($4,637)	101%

Actuals lower than initial Budget

Contract	Budget	Actual	Variance	% Spent
Conduent Claims Processing	$1,367,693	$557,321	$810,372	41%
Dentaquest	$309,151	$293,804	$15,347	95%
Conduent Medicaid ID Cards	$82,500	$71,999	$10,501	87%
Maximus Enrollment Broker	$1,153,765	$802,482	$351,283	70%
Direct Mail Works Agency Mailings	$600,000	$124,856	$475,144	21%

**All amounts shown are Coverage Assessment funds only*

Invoice Timing

FY19 invoices that were paid in FY20

Contract	Budget	Actual	Variance	% Spent
Magellan RX PBMS	$189,918	$215,703	($25,785)	114%

FY20 invoices that were paid in FY21

Contract	Budget	Actual	Variance	% Spent
VCU Expansion Impact Evaluation	$150,000	$86,661	$63,339	58%
Project Connect Outreach	$100,000	$47,523	$52,477	48%

**All amounts shown are Coverage Assessment funds only*

Agency Need

Actuals exceeded initial budget

Contract	Budget	Actual	Variance	% Spent
DSS VaCMS	$0	$120,588	($120,588)	N/A

Actuals are lower than initial budget

Contract	Budget	Actual	Variance	% Spent
Mercer Rate Setting	$114,388	$10,958	$103,379	10%
Granicus Marketing Outreach	$107,500	$25,742	$81,758	24%
Reingold Print Communications	$375,000	$110,029	$264,971	29%

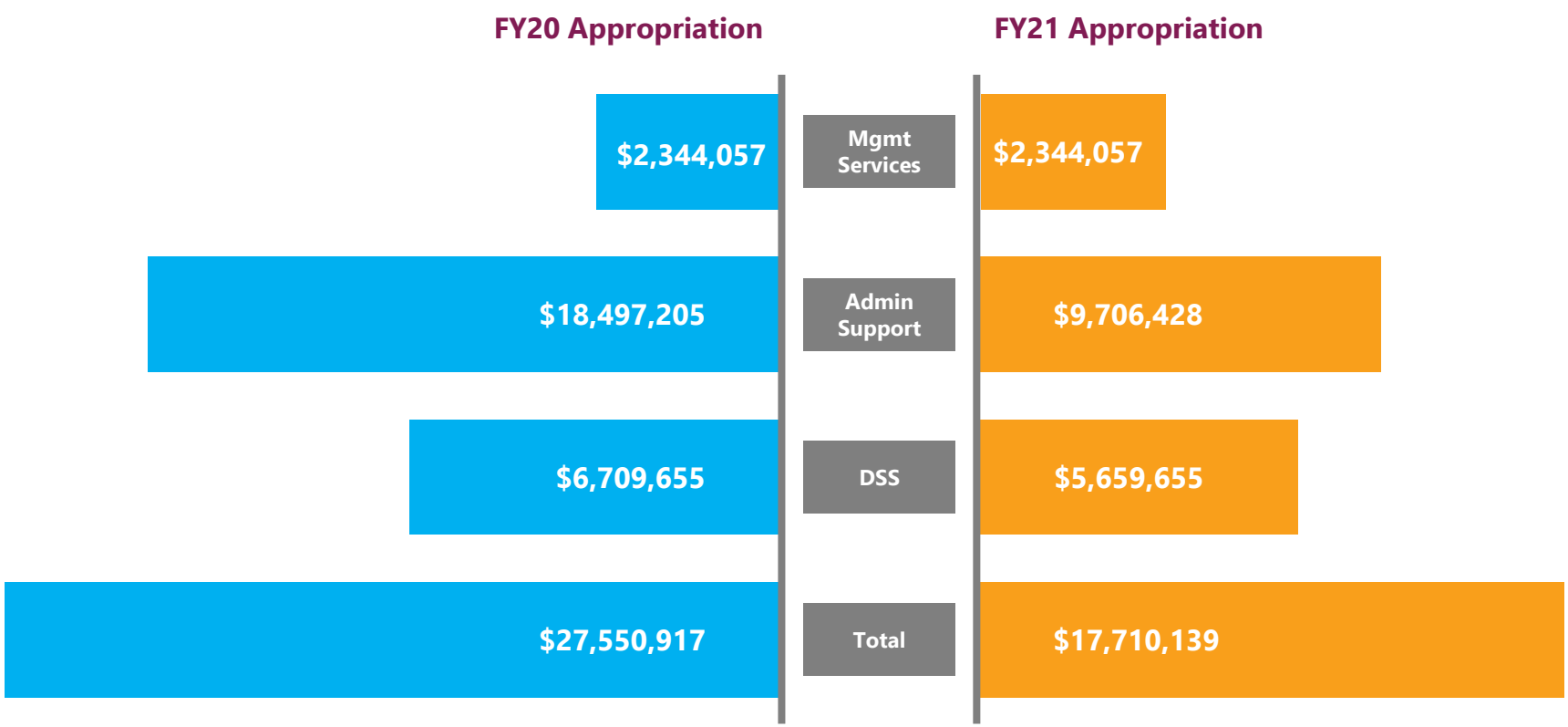
**All amounts shown are Coverage Assessment funds only*

Miscellaneous

Contract	Budget	Actual	Variance	
Myers & Stauffer PERM/Eligibility Audits	$255,000	$312,353	($57,353)	Fixed price $52,058/month signed on 11/30/18
KePro Service Authorizations	$519,318	$171,309	$348,009	Fixed price of $57,103/month signed on 10/29/18
Health Services Advisory Group EQRO	$250,000	$0	$250,000	Work not performed
Focused Stakeholder Engagement	$125,000	$35,180	$89,820	Contract period ended 12/31/19
MedEx Website Modifications	$250,000	$47,900	$202,100	Reduced scope of work
Manatt 1115 Waiver Implementation	$2,125,000	$1,309,936	$815,064	Based on milestones and technical assistance hours

**All amounts shown are Coverage Assessment funds only*

FY20 and FY21 Appropriation Comparison



All amounts shown are Coverage Assessment funds only

COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

KAREN KIMSEY
DIRECTOR

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September 15, 2020

MEMORANDUM

TO: The Honorable Janet Howell
Chair, Senate Finance and Appropriations Committee

The Honorable Luke Torian
Chair, House Appropriations Committee

Dan Timberlake
Director, Department of Planning and Budget

Sean Connaughton
President, Virginia Hospital and Healthcare Association

FROM: Karen Kimsey
Director, Department of Medical Assistance Services

SUBJECT: Report on the Coverage and Payment Rate Assessment

This report is submitted in compliance with the Virginia Acts of the Assembly - Item 3-5.15 E of the 2020 Appropriation Act, which states:

DMAS shall submit a report, due September 1 of each year to the Director, Department of Planning and Budget and Chairmen of the House Appropriations and Senate Finance Committees, and the Virginia Hospital and Healthcare Association. The report shall include, for the most recently completed fiscal year, the revenue collected from the coverage assessment, expenditures for purposes authorized by this Item, and the year-end coverage assessment balance in the Health Care Coverage Assessment Fund. The report shall also include a complete and itemized listing of all administrative costs included in the coverage assessment.

This report is also submitted in compliance with the Virginia Acts of the Assembly - Item 3-5.16 G of the 2020 Appropriations Act.

DMAS shall submit a report, due September 1 of each year to the Director, Department of Planning and Budget and Chairmen of the House Appropriations and Senate Finance Committees, and the Virginia Hospital and Healthcare Association. The report shall include, for the most recently completed fiscal year, the revenue collected from the payment rate assessment, expenditures for purposes authorized by this

Item, and the year-end assessment balance in the Health Care Provider Payment Rate Assessment Fund.

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

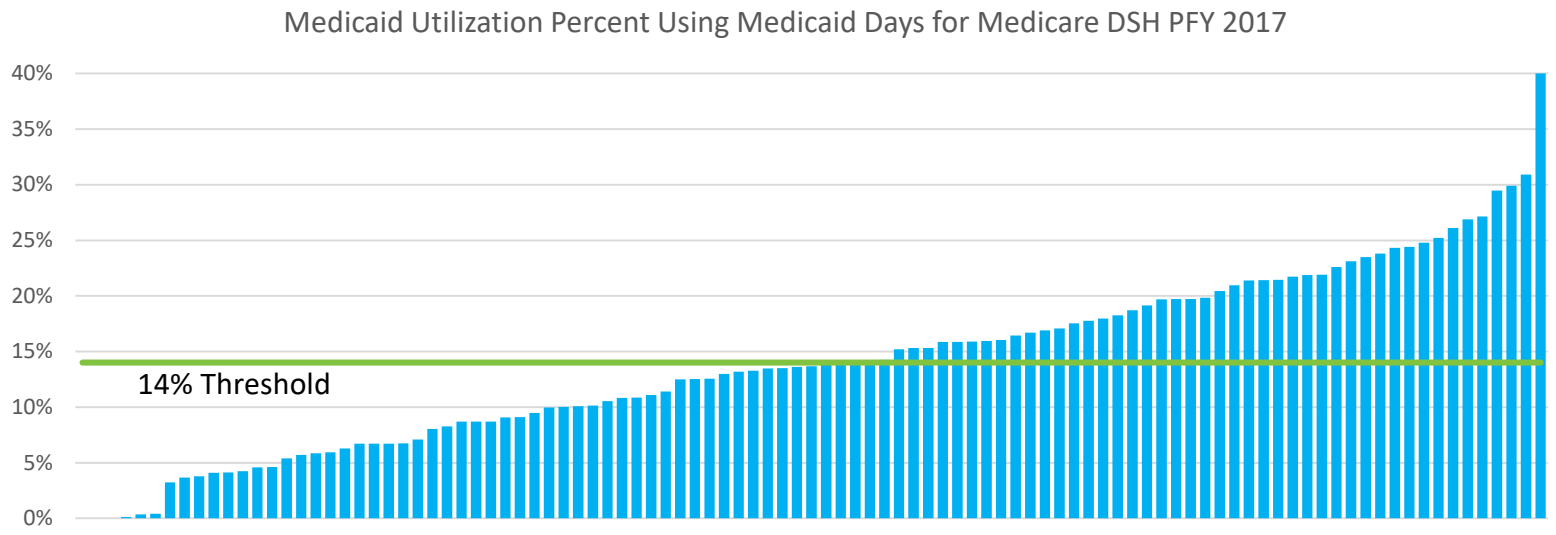
Enclosure

Pc: The Honorable Daniel Carey, M.D., Secretary of Health and Human Resources

DISPROPORTIONATE SHARE HOSPITAL (DSH) EXPENDITURES

Sonja Lee-Austin
Healthcare Reimbursement Manager
Provider Reimbursement Division

14% DSH Utilization Qualifies a Hospital for DSH Payments



- A fixed DSH Amount of about $25 million is Allocated to Private Hospitals & Inflated Annually
- Payments are distributed in proportion to utilization
  - The higher the utilization, the more of the DSH pie a private hospital receives

Medicaid Expansion Utilization Increase Makes a 14% DSH Threshold Less Representative of a Disproportionate Share of Medicaid

- Hospital Medicaid utilization is expected to increase with expansion
- Should the Medicaid DSH threshold be revised?
- How should a new utilization threshold be determined?
  - Look at current cost and utilization experience?
  - Wait to get more Expansion experience?
    - For Expansion estimates, DMAS assumed a 50% increase in utilization

When should 14% DSH Threshold be revised?

Completeness of Medicaid Expansion experience varies depending on when DSH Threshold change is proposed.

DSH Payment Year (FY)	Data Source Year (FY)	Data Source Expansion Experience	General Assembly to Consider Change
2022	2019	Some Expansion experience	2021
2023	2020	Full year of Expansion experience for many hospitals but not all. A significant amount of the Expansion experience will be part of the ramp up	2022
2024	2021	Full year of Expansion experience for all hospitals	2023

Significant Available DSH Allotment

FY20 Remaining Allotment is high due to hospitals no longer eligible for DSH

- UVA, VCU & CHKD due to uncompensated care cost (UCC) calculation change are no longer eligible for DSH
- IMDs Piedmont & Catawba are no longer eligible for Medicaid
- 70% of the FY20 DSH expenditures or $25.4 million was for Private Hospitals
  - Remaining expenditures were for CHKD which will be recouped

Uncompensated Care Cost Calculation Change

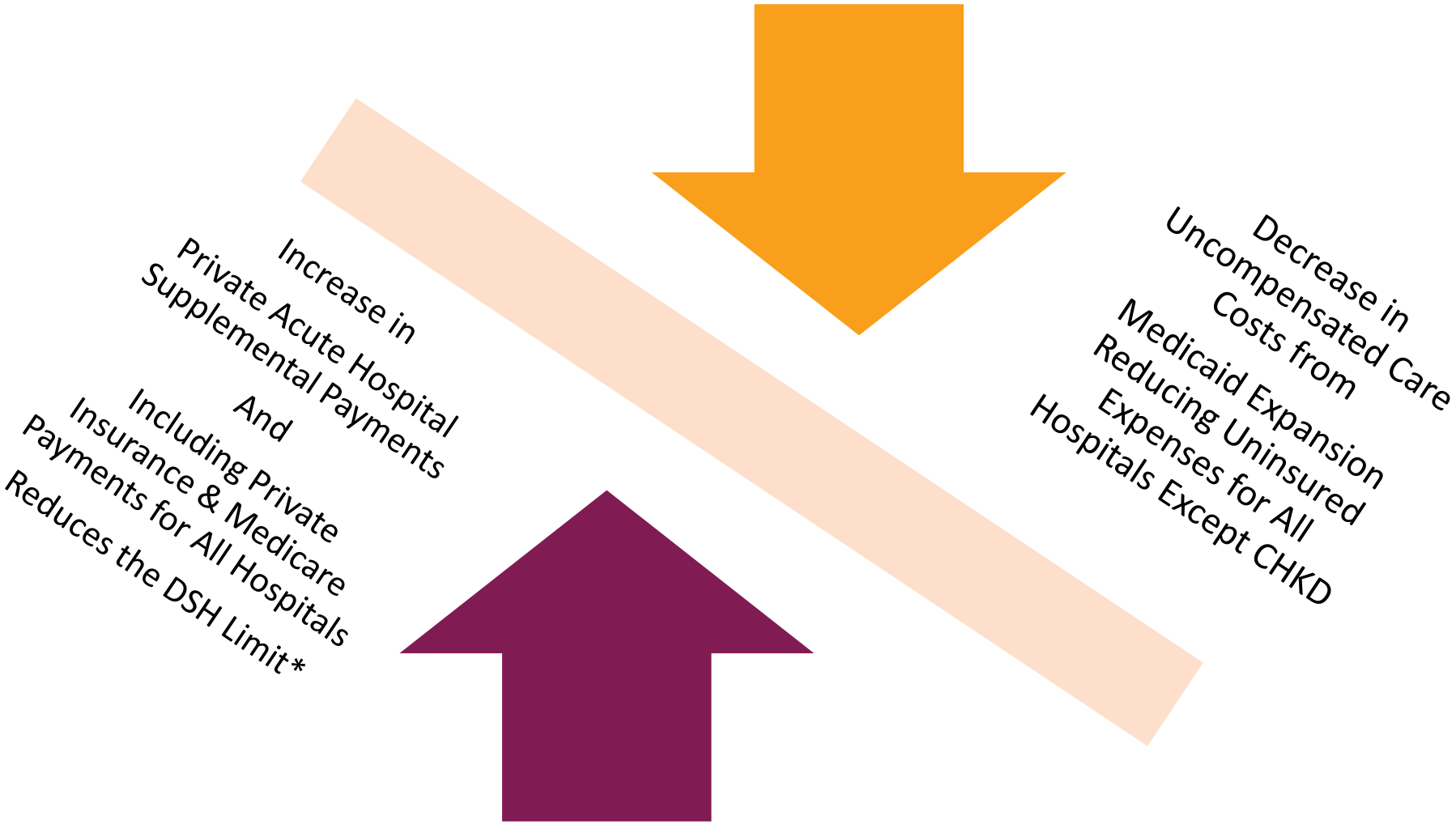
- DSH is limited to each hospitals' Uncompensated Care Costs (UCC)
- Total UCC = Medicaid UCC + Uninsured UCC
- Previous Medicaid UCC Calculation:

  Medicaid Costs - Medicaid Payments

- Change in Medicaid UCC calculation due to CMS rule effective June 2, 2017:

  Medicaid Costs – (Medicaid Payments + Medicare Payments & Third Party Liability Coverage by Private Insurance)

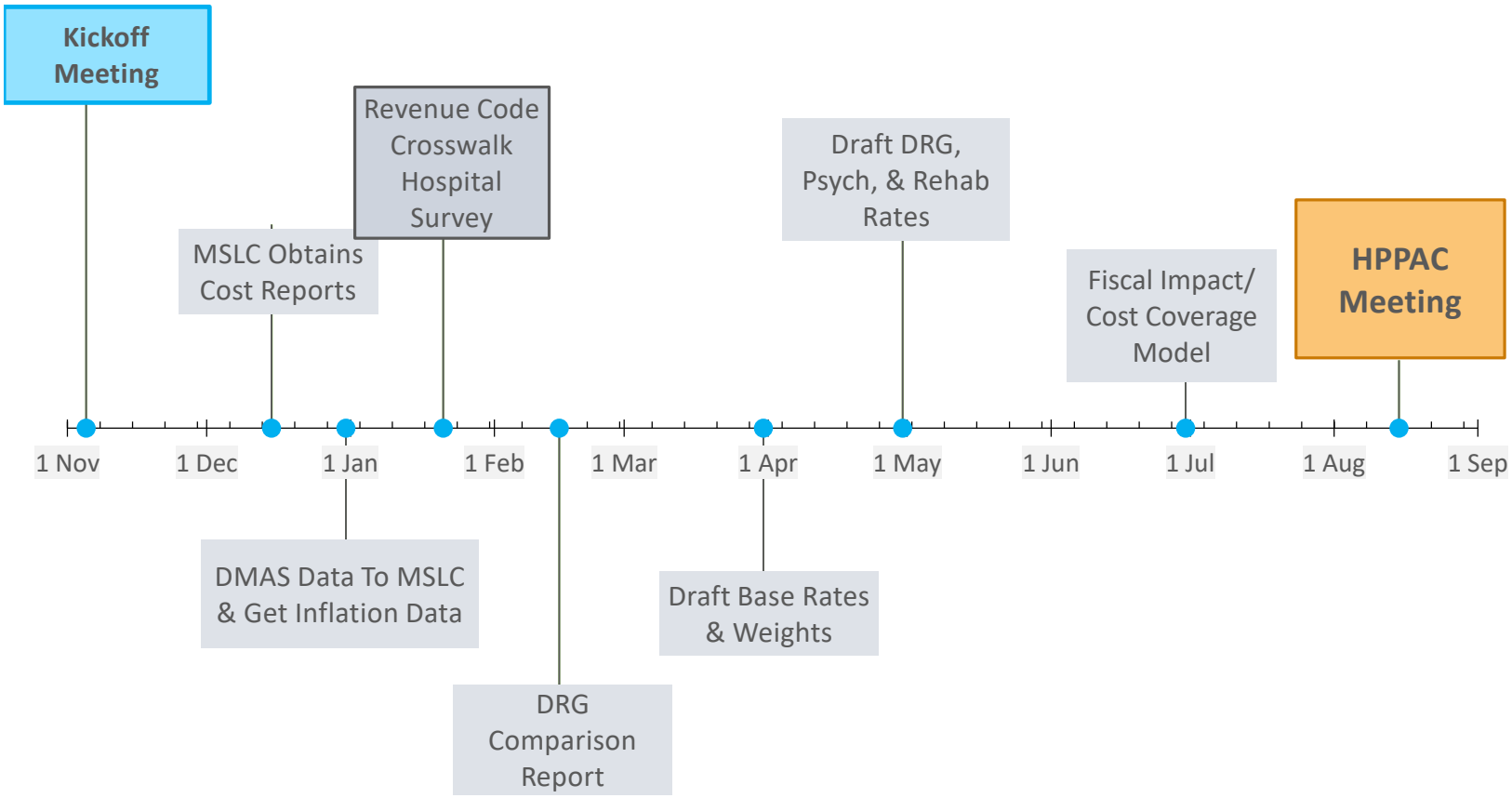
Uncompensated Care Costs are Decreasing



* DMAS has not determined DSH limit change impact on Private Acute Hospitals

HOSPITAL REBASING TIMELINE

Hospital Rebasing Timeline



MANAGED CARE UPL FOR DIRECTED PAYMENTS OPTIONS & REQUIREMENTS

Karen Cameron, FACHE

Senior Project Manager

Provider Reimbursement Division

HPPAC 10/7/2020

Basic Approaches to Managed Care UPL Determination

- FFS Medicare UPL adjusted for any differences that apply to managed care *(DMAS currently uses)*
- Calculate a separate Medicare UPL for managed care using FFS rules
- Reimbursement level for the targeted providers (not the private hospital UPL class) needs to be "reasonable, appropriate and attainable" (ACR - average commercial rate) *(VHHA would like DMAS to use)*

No decision has been made regarding future methodology for UPL determination

Why Consider Changing Methodologies?

- Managed care (MC) is approximately 95% of Medicaid utilization
- Opportunity for higher MC directed payments limits
- Less fluctuation from year to year then using the FFS Medicare cost per diem approach we currently use

- Downside – would require the calculation of two UPLs for both inpatient & outpatient – one for FFS and one for MC

CMS Requirements/Recommendations

- Recommended a minimum fee schedule approach rather than "separate terms" *(% of expenditure – what we do now)*. Likely increased scrutiny for "separate terms" or supplemental capitation payments.
- Encouraged a pay for value approach.
- Pushed certifying a specific dollar amount and then paying that out during the year.
- The certification and paid amount should reflect the dates of service in the rate year *(even though it may be calculated and paid based on paid claims).*

How to determine a separate MC UPL?

- Calculating an ACR would require extensive documentation.
- However, CMS indicated that they have approved 120% of Medicare costs and it seems like 120% of Medicare is a safe harbor
- The farther "north" of Medicare cost or closer to ACR, the more scrutiny by CMS.

Potential Managed Care UPL Calculation

1. Continue to use the Medicare cost per diem methodology for inpatient and cost to charge ratio methodology for outpatient to determine "Medicare UPL".	MSLC would obtain Medicare cost report information
2. Restrict it to the 69 private hospitals eligible for directed payments.	MSLC
3. Multiply the Medicare UPL amounts by 120%	MSLC
4. Substitute FFS Medicaid days and payments with Medicaid managed care inpatient and outpatient data by hospital.	DMAS summarizes managed care encounter data by hospital DMAS provides Medicaid costs and IME and GME payments from cost reports
5. Mercer certifies the results	Pages 18-21 of the most current Rate Development Guide at https://www.medicaid.gov/Medicaid/downloads/2019-2020-medicaid-rate-guide.pdf

When to implement any changes?

- If implemented for SFY22, UPLs would need to be calculated for submission with preprint by April 1, 2021 for approval by July 1, 2021

- June 2020 Medicare & Medicaid cost reports would be submitted by end of November 2020

Questions?

Discussion