

DMAS Hospital Payment Policy Advisory Council (HPPAC) Meeting

Minutes

Name of Meeting: Hospital Payment Policy Advisory Council
Date of Meeting: May 29, 2019
Length of Meeting: 1 hour and 25 minutes

Members Present:

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| Chris Gordon | Chris Bailey |
| Bill Lessard | Robert Broermann |
| Michelle Chesser, Ph.D. | Stephan Quiriconi |
| Kenneth McCabe | Donald Halliwill |

Other DMAS Attendees:

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| Tanyea Darrisaw | Beth Jones |
| Karen Cameron | Matthew Terrill |
| John Snouffer | Casie Curcie |

Other VHHA Attendees:

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| Lanette Walker | Jay Andrews |
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Objective of Meeting:

Review & approval of Hospital Assessment Report form & content for presentation to the Joint Subcommittee for Health & Human Resources Oversight

Call to Order and Introductions

Chris Gordon called the meeting to order at 2:05 PM.

Review of Statutory Requirements

Mr. Gordon reviewed the main requirements for this meeting of the Hospital Payment Policy Advisory Council (HPPAC), namely the 2019 Virginia Acts of Assembly §3-5.15 subsection H:

The Hospital Payment Policy Advisory Council shall meet to consider the implementation and provisions of the Provider Coverage and Payment Rate Assessments in order to consider and make recommendations to ensure the collection and use of such funds are appropriate and consistent with the intent of the General Assembly. Specifically, the Council shall consider the level of detail and format necessary to develop the report pursuant to paragraph E. The Council shall recommend a format and associated level of detail, to be included in the report to the Joint

Subcommittee for Health and Human Resources Oversight. The Joint Subcommittee shall approve the final format and associated level of detail of the report to be submitted by the Department of Medical Assistance Services.

Mr. Gordon reiterated that the purpose of this meeting was primarily for recommending format and detail to the following report described in §3-5.15 subsection G.2:

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. 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.

Review of Proposed Outline for Report

Bill Lessard opened by explaining that since June 2018 DMAS has been meeting regularly with the VHHA to implement both the coverage and the enhanced payment rate assessments and supplemental payment program. Tanyea Darrisaw introduced the proposed outline of the report's spreadsheets and tabs. She stated that its format initially had been developed by former DMAS Budget Director Lanette Walker prior to her departure from DMAS. The Council then reviewed the format and details of each worksheet with information for FY19 through April (with some exceptions)

Summary Worksheet

Ms. Darrisaw then highlighted on the summary sheet the special funds forecast and intra-agency budget adjustments. Kenneth McCabe noted that budgetary language does not allow for a "forecast" of administrative costs in the future, and suggested that they be considered "estimates for assessments." Ms. Darrisaw went on to state that the summary sheet had year to date actuals in columns H and I, which had been updated to reflect all costs incurred through April regardless of whether they had been administratively updated. Ms. Darrisaw stated that DMAs had "transferred" \$4.7 million to the Department of Social Services (DSS) to cover their costs for eligibility workers and determinations at the local level through the end of the year but that it also reflected the \$3.5 million in actual costs incurred by DSS as of March 19, 2019. She then stated DMAS would have a final invoice from DSS at the end of the state fiscal year for actual amounts incurred.

Stephan Quiriconi asked if the "invoices" reflected actual costs or overhead. Ms. Darrisaw replied that DSS provided a combination of both. , The agency does a quarterly "true up" and determines actual expenditures using "random moment" sampling for eligibility workers. She emphasized that this process collected more data points than was necessary. Chris Bailey asked what the indirect cost ration for DSS was and Ms. Darrisaw stated that she could provide that in the future. She stated that DSS' cost allocation plan is approved at the federal level.

Ms. Darrisaw described the last column as the appropriation amount minus actuals, and that as of the end of April, \$44.3 million is left. At the end of the year, any amount left will carry forward into the next fiscal year and reduce the coverage assessment. Mr. Bailey asked the timeframe for when the full year result would be available. Ms. Darrisaw stated that the fiscal year would end

June 30 and then the state accounting system would be unavailable for two weeks after that. She then stated that the information should be available no later than August 1.

Total Collections & Spending Worksheet

Ms. Darrisaw described the second worksheet with total coverage assessment revenue and total spending. To date, DMAS has collected \$87.2 million while \$87.7 million was appropriated. The original amount to collect was based on the prior year forecast with the 8% budget multiplier. Through April DMAS has spent \$44.7 million. Ms. Darrisaw explained that on the first sheet the amount remaining was \$44.4 million but that on the second sheet \$44.7 million was displayed due to the variance with DSS. She reiterated that the \$4.7 million advanced to DSS was regarded as a true DMAS payment and that this report would be updated monthly. Ms. Darrisaw noted that in FY20, DSS will receive payments quarterly instead of annually.

Mr. Bailey noted that there is a significant remaining difference due to medical expenditures running behind the estimated amount and that this is unlikely to close before the end of June. .

Ms. Darrisaw went on to details of the administrative expenditures, which includes all contracts and work related to the 1115 waiver. Donald Halliwill asked if DMAS would have a better sense of actual costs within a few months. Ms. Darrisaw replied that there is good oversight of administrative expenditures. She indicated that DMAS will provide the documentation used to track administrative costs. Mr. Gordon also stated that some of these administrative costs, such as the McKinsey analysis of Virginia's readiness for Medicaid Expansion, would be reduced or eliminated entirely next fiscal year since it was part of the initial start-up costs.

Mr. Bailey then had a comment on the 1115 waiver section. He reiterated that the Virginia Hospital & Healthcare Association's position is that it is not appropriate to apply the cost of work supports and requirements to the coverage assessment. He then asked what the \$1 million in fiscal year 2019 allocated to this waiver would be spent towards, as CMS has not yet authorized the 1115 waiver. Mr. Gordon replied that, according to Dr. Lee's presentation to the Senate Finance committee, this amount represented staffing costs and time to prepare the waiver application and do preliminary planning but not to implement them. Mr. Bailey then asked if there was any new timeline for this process and Mr. Gordon replied that there were ongoing negotiations but no more clarity. Mr. Bailey then asked if those amounts were not spent on work requirements if they would be reconciled in the FY20 assessment and Mr. Gordon confirmed that position.

Mr. Halliwill asked if DMAS would identify ways in which providers or MCOs could help to reduce costs. Ms. Walker suggested to add a "Total" row on the third sheet to assist in reconciliation.

Medical Expenditures Worksheet

Mr. Lessard noted that the medical accuracy report is prepared by budget, for all expenditures and that the medical component of the report under review was just expansion expenditures. He stated that the largest component is managed care organization (MCO) capitation payments.

Jay Andrews asked if there was any way to provide service level detail for managed care expenditures. Mr. Lessard stated that DMAS now reports MCO expenditures quarterly, but not broken out by expansion. He stated it is currently available through the Division of Legislative Automated Services (DLAS). He stated that the level of detail is comparable to the level of detail provided for fee-for-service. Mr. Bailey asked if agencies have had difficulties in the past using encounter data. Mr. Lessard responded that current data all comes from the new system, the encounter processing solution (EPS), which is an upgrade from prior data. DMAS is still working on accessing it easily during the MES transition. Beth Jones has sent some current SAS programs used for the rate assessment and supplemental payments to the Office of Data Analytics (ODA) to convert them for use with the data warehouse. Ms. Jones stated that DMAS plans to test these programs when this is complete and that the process is still labor intensive.

Mr. Quiriconi stated that there were several categories under FFS that were over the budget forecast and asked about possible causes, noting that transportation cost was the biggest miss by percentage. Mr. Lessard noted that more members were in FFS rather than managed care than expected. Mr. Gordon noted that while transportation costs were about 530% larger, the medical costs for FFS as a whole was close to estimate. Mr. Lessard stated that these expenditures were DMAS expenditures.

Mr. Bailey stated that managed care plans have not had the same incentives for complete and accurate reporting of encounters as hospitals. He noted that DMAS indicated it will use this information to build up capitation rates. Mr. Lessard reiterated that MCO compliance is a high priority for the agency and that MCOs know it is critical for rate setting. He affirmed that while using encounter data for rate setting is two years out, MCOs know noncompliance will impact them and consider it a serious financial issue.

Mr. Andrews asked for clarification that the \$70 million figure projected was only medical costs and this was confirmed by Mr. Lessard.

Payment Rate Assessment Worksheet

Ms. Darrisaw presented the last document which concerns monthly activity for the payment rate assessment. As of April 30th, DMAS has collected \$143 million and paid out \$84 million. She stated that the second round of supplemental payments went out in May and were not reflected in the document. Mr. Lessard stated that \$59 million was paid in May and that the balance at the end of the year would be zero.

Discussion & Recommendations on Report Format and Details

Ms. Darrisaw agreed to re-label “forecast” to “estimate” where applicable and include certain footnotes. Mr. Andrews suggested that “coverage assessment estimate” on the first spreadsheet may be better. Mr. Lessard suggested that additional labeling for medical expenses would be useful.

Mr. Bailey then asked if the template would be populated with new actual amounts. Ms. Darrisaw replied that once the fiscal year was complete, an update would be provided for May and June, then updated monthly in FY20.

Ms. Walker had noted earlier that the difference in total spending of special due to the difference in the DSS spending should be shown to reconcile the two. Ms. Walker also stated that if there are amounts remaining from DSS that the coverage assessment amounts should be reduced. Mr. Lessard stated that at the end of the fiscal year this would be reflected.

Ms. Walker then indicated that the format on the rate assessment worksheet was inconsistent with the format on other worksheets. Ms. Walker stated for sections one and two on the coverage assessment, having a total line to reconcile with the summary page would be beneficial.

Mr. Bailey asked the cumulative remaining fund balance on the rate assessment was intended to show, as this would be presented to the General Assembly audience. Mr. Lessard agreed that it would likely be appropriate to include both a “fund” and “appropriations” balance on this page. Mr. McCabe noted that “appropriations” would be needed for the Department of Planning & Budget (DPB) and that it is estimated as an expense to the Commonwealth.

Mr. Gordon asked that if there were no more objections, DMAS would send the report out with requested changes and consider it approved if there were no disagreements. He recognized there would be future opportunities for more changes. Ms. Darrisaw reiterated that the breakout would appear on a monthly basis and not on the year-end report. Mr. Lessard noted that at some point after the changes this report would be sent to the Joint Subcommittee. Mr. McCabe looked at the calendar and reported that the Senate Finance Committee meets on August 20th which is when the Joint Subcommittee typically meets.

Additional Discussion

Mr. Bailey asked if trends held, how to apply the remainder of assessed amounts to the FY20 coverage assessment. Mr. Lessard stated it would not be adjusted for the first assessment, and that the amount for the second adjustment has not been determined yet. He stated that as DMAS gains more experience it should be able to be adjusted more quickly in the future. He also raised that DMAS has more authority granted for flexibility on the coverage assessment.

Mr. Bailey thanked DMAS for providing the report. He asked if DMAS could share internal policies and procedures used to track expansion costs. He acknowledged that the administrative costs would change but asked how costs are attributed specifically for expansion. Mr. Gordon stated that DMAS has opportunity to improve on its documentation of these and other processes. He noted that a contractor would be brought in Monday to assist with this. Mr. McCabe affirmed that this process would be more transparent and that the current process relies on discrete Governor’s decision packages with explanations for separate categories. Mr. Gordon asked if this was the same itemized process for DSS and Ms. Darrisaw replied that DSS has policies that itemize and details how costs are allocated.

Mr. Halliwill asked how key dates would be determined for next year, and Mr. Gordon replied that the General Assembly instructed DMAS to provide these in the near term.

Mr. Bailey proposed HPPAC meet again in late July to review a and Ms. Darrisaw agreed noting that in mid-July the state accounting system closes. Mr. Lessard noted that if the report to the General Assembly is solely data, then it will be easier to report earlier and that DMAS has not been asked to do more than that. Karen Cameron observed that additional notes may be provided to the data spreadsheets for better understanding by outside audiences while allowing the data report to maintain its essential format.

Meeting Adjourned

The meeting was adjourned by Mr. Gordon at 3:30 PM.