Department of Human Services

Addictions and Mental Health Division

DATE: **August 7, 2007**

TO: **Actuarial Services Unit**

FROM: **Robert E. Nikkel, M.S.W.**
Assistant Director

RE: *August 1* **AMH Recommendations for 2008 ISA Rates - Updated**

Items in Italics have been added since the first release of the memo.

These are the recommendations made by AMH. If after analyzing the data PwC does not believe that a particular recommendation is supported by the data, AMH and PwC may amend the recommendation and thus, these recommendations may not be the final methodology used to develop the 2008 ISA MHO capitation rates.

Before Services can be analyzed, the children included in the Integrated Service Array (ISA) rate must be determined.

The Department of Human Services, Addictions and Mental Health Division (AMH) proposes that no change be made to the 2007 methodology of identifying these children. This includes children identified through the submission of Exhibit N, Level of Need Determinations, and supplementing that list with children for whom we have day treatment or residential service (procedure codes H0017, H0018, H0019, H0037, H2012) claims or encounters.

Each level of care needs to be calculated independently but reported as one rate (as it was done in 2007):

Psychiatric Residential Treatment Services (PRTS) – Because services can be accessed equally by all children, a statewide rate is the preferred methodology. Providing time for the rates to be adjusted from plan specific to statewide is warranted. AMH proposes 2008 be a 50/50 mix of statewide and plan specific data. Continuing down the glide path is AMH intention and would include a 2009 rate based on a 75/25 split and 2010 be 100% statewide.

Psychiatric Day Treatment Services (PDTS) – AMH recognizes the need to keep day treatment funds in the geographic areas that have existing programs and recommend utilizing a plan specific rate methodology for day treatment services. Policy Option Packages will be sought in future budget periods in order to increase the availability of day treatment services statewide.

Community Based Services – A look at the data as well anecdotal evidence indicates the creation of community-based alternatives have developed at differing rates across the state. In order to support the existing programs we recommend a plan specific methodology be utilized in developing the ISA rates. AMH believes that new community-based alternatives can be funded within the rates based on a reduction of day treatment or residential utilization. AMH would recommend a move to statewide rates at a point when the data show a more stable system of service provision.

AMH recognizes that a methodology developed of these blended strategies will create a financial incentive for MHOs to serve clients in the community whenever possible. This is in line with the Children's System Change Initiative. Additionally, since we are using a 50/50 glide path in 2008 for Residential services and basing the rates of the experiences of 2006, we do not expect the financial impact to be substantial.

In regards to:

- **Diagnostic risk adjusters** as applied to children, *utilize a minimum factor of 0.900. The data period used to develop the diagnostic risk adjustors originally is not reflective of the current system. At the time, the most restrictive and as such, most costly, levels of care were not included because they were not a part of managed care. Thus, AMH recommends applying a minimum diagnostic risk adjustment factor of 0.900 to rate groups "PLM, CHIP, or TANF Children Aged*

01-05", "PLM, CHIP, or TANF Children Aged 06-18", "and "SCF Children". Although other rate groups contain children (AB/AD without Medicare for one) they also contain adults and we do not recommend using a minimum factor on other rate groups. Once the data period used in the risk development reflects the current system, we would propose to remove the minimum factor application.

- ***End to ISA Episodes of Care**, it is recommended that a file generated from the Client Process Monitoring System (CPMS) be used to develop dates as a proxy measure of the end to an ISA episode of care. CPMS is a system managed with data input from providers and is therefore independent of the MHOs. Beginning with submissions on or after July 31, 2007, MHOs have agreed to submit ISA End Dates with their Exhibit N data so the proxy methodology will only be necessary until that time after which, CPMS can be used to validate MHO reporting of end dates.*