

## DRAFT Recommendations on Trend

The following are draft recommendations on trend based on discussion at the November 20 PAP meeting. This list is not exhaustive, and will be added to and modified following further discussion at the December PAP meeting. Please let me know if you have additions or changes that should be made prior to that meeting, by the afternoon of Friday, December 14, and I will make those additions/changes for distribution at the meeting on Dec. 18.

Thanks for your help.

Bob DiPrete

1. DHS should develop an explicit method for comparing trend factors against a benchmark based on experience, in order to gauge and improve the accuracy of the methodology for developing trend factors. DHS should also identify how often this comparison will be made and what adjustments can and will be made as a result.
2. DHS should consider the utility of and need for paid claims data from contracting health plans. DHS should also consider other forms of experiential input from contracting health plans on trend factor development, consistent with an appropriate degree of transparency.
3. DHS should explore the feasibility of a stabilization mechanism that would smooth the variances in trend rates.
4. In reviewing and enhancing the methodology for developing trend factors, DHS should pay attention not only to data available at the time trend factors are developed, but also to policy objectives and the reality check provided by a benchmark comparison.
5. DHS should explore ways to explicitly address the risk inherent in trending, both for contracting health plans and for the State.
6. DHS should develop ways to assure that trend factors are not shaped by budget constraints.

7. In developing trend factors, DHS should account for the fact that reduced capitation amounts for the past several rate cycles have caused MHOs to reduce wages, resulting in higher staff turnover.