SFY 2025 BH Comparison Rate Kick-Off Meeting

Washington Health Care Authority (HCA)

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Milliman

Agenda

Comparison Rate and Minimum Fee Schedule Project Overview

- Purpose of behavioral health comparison rates
- Summary of prior work
- SFY 2025 Proviso language applicable to comparison rates and minimum fee schedule
- Summary of upcoming work

Minimum Fee Schedule Implementation Plan

Rate Model Approach

Comparison Rate Interested Party Engagement Plan

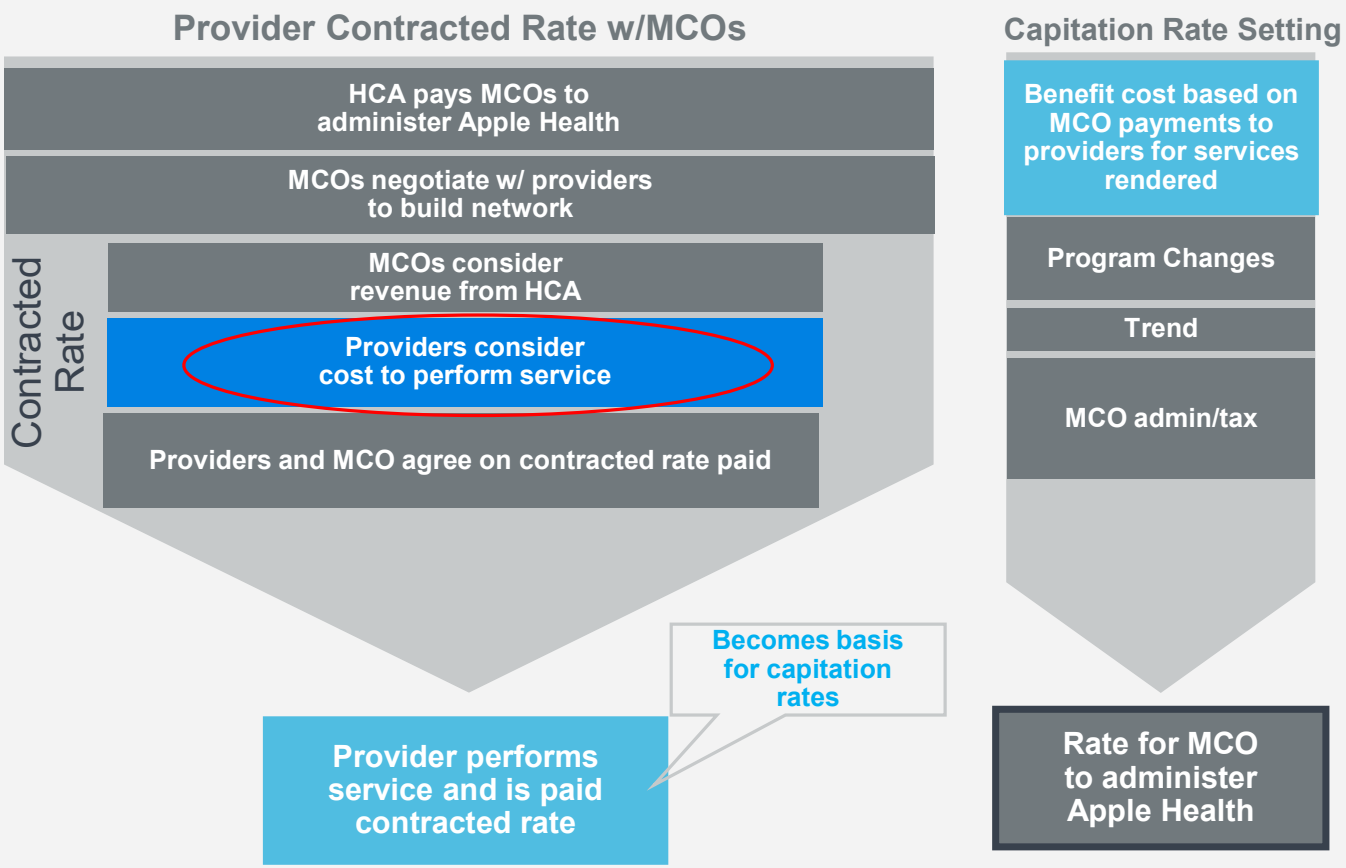
This presentation is intended for discussion related to behavioral comparison rates and minimum fee schedule implementation and is not complete without oral comment.

Comparison Rate and Minimum Fee Schedule Project Overview

Purpose of Behavioral Health (BH) Comparison Rates Projects

- Develop and publish Medicaid behavioral health comparison rates that are consistent with efficiency, economy, quality of care, and access to care. These comparison rates are specific to services provided under Section 13d of the State Plan.
- Provide an examination and understanding of the provider resources involved in delivering individual covered BH services.
- Provide transparent payment rate benchmarks for use by all stakeholders, including during negotiations between payors and providers. These benchmarks will allow HCA and other stakeholders to make meaningful comparisons to better understand the difference between the cost of delivering services and the current payment arrangements
- Support HCA's ability to:
  - Improve transparency in analysis and communication between HCA and other stakeholders, such as the program's authorizing environment (i.e., State Legislature and Office of Financial Management), providers, insurers, and advisory work groups
  - Evaluate variation in provider payments by comparing actual payment rates to comparison benchmark rates.
  - Make informed decisions when proposing changes to covered benefits.

Provider Costs Embedded in Capitation Rates



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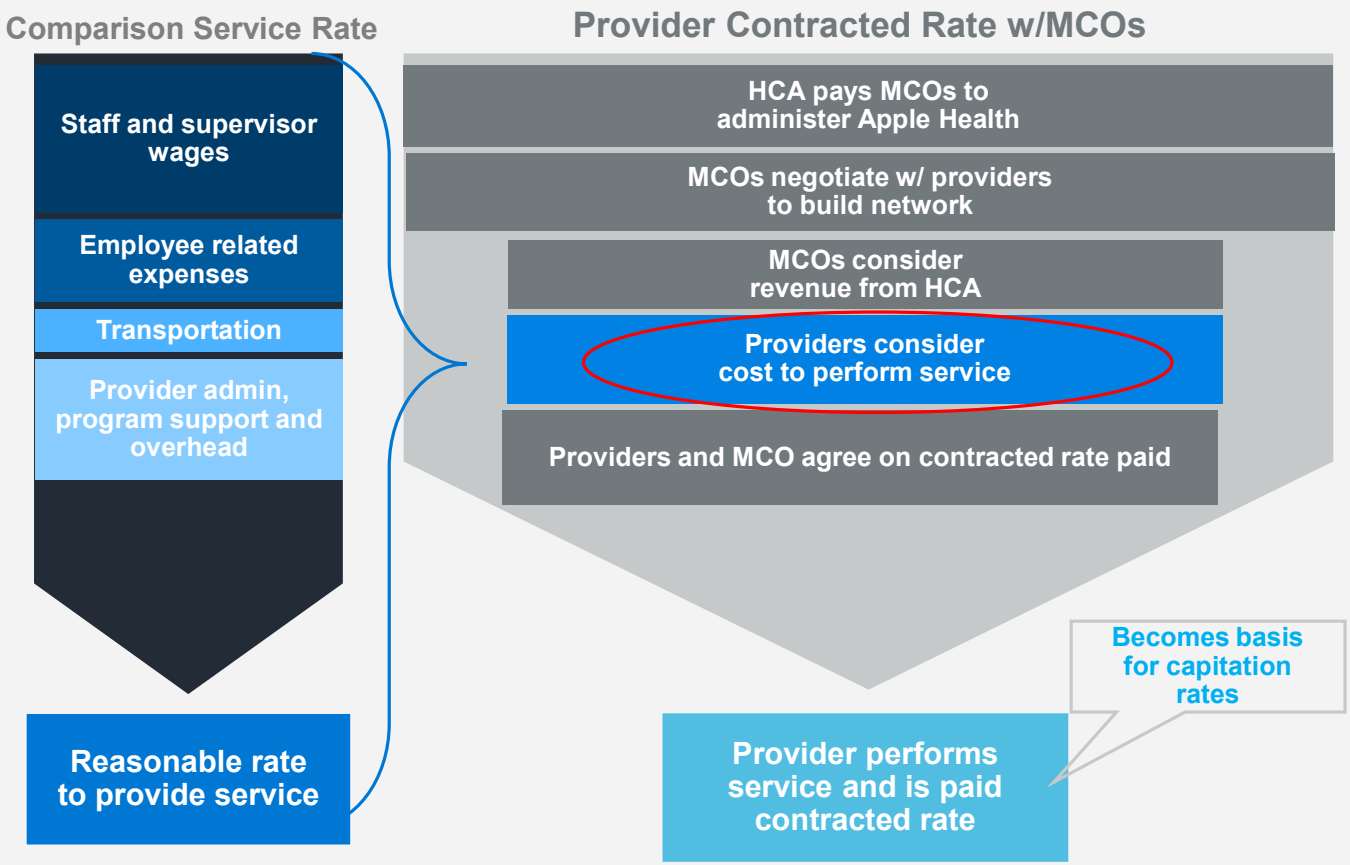
Capitation Rates Notes

- MCO capitation rates are based on the **cost to the MCO** to administer the Apple Health program
- Key elements of MCO cost are **MCO payments to providers** for Medicaid clients
- Provider costs are a consideration in MCO and provider negotiations when contracting
- **Provider service costs currently embedded** in claims and non-claim benefit cost used in MCO rate setting

Comparison Rates Increase Transparency in Cost



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Comparison Service Rates Notes

- Provider costs are a consideration in MCO and provider negotiations when contracting
- Provider service costs are currently embedded in MCO payments used in capitation rate setting
- Development of comparison rates illustrate key components of service cost for providers
- **Comparison rates increase transparency for embedded costs**

Summary of Prior BH Comparison Rate Work

Previous work performed in two phases (see list of procedure codes included in Reference 1)

Legislatively funded

- Phase 1 and 2: 2021-2023 State Operating Budget, Section 215, proviso #98 of Engrossed Substitute Senate Bill 5693

Phase 1

Initial development of comparison rates for a limited set of services with the highest utilization volume in the program, based on expected Calendar Year (CY) 2023 costs

- Service Categories Developed in Phase 1 (see Reference 1 for service listing):
  - MH Outpatient (MH OP)
  - SUD Outpatient (SUD OP)
  - SUD Residential Services
- Additionally, PACT and WISe team services were also developed

Phase 2

- Refinement of Phase 1 comp rates to consider a provider survey that collected staffing, wage, and cost data related to behavioral health service delivery.
- Development of Secure Withdrawal Management and Stabilization (SWMS) service comparison rate.
- Evaluation of historical Medicaid managed care organization (MCO) payment rates vs comparison rates.
- Based on expected CY 2024 costs

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2024 WA Supp. Budget Summary (ESSB 5950, Sec. 215, proviso 146)

Section 215 (146) directs HCA to prepare to implement a minimum fee schedule based on the comparison rates (previously developed and those being developed in SFY 2025). Preparation efforts will be summarized in the following two reports:

By December 31, 2024, the Authority must provide a *preliminary report* that:

- Estimates the cost and other impacts to fee for service and managed care programs of establishing a minimum fee schedule
- Based on comparison rates developed in phase 1 & 2
- This is prior to the 2025 legislative session, where a concrete directive is required for CY 2026 changes

Source: https://lawfilesext.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/Senate/5950-S.SL.pdf?q=20240823084138

By June 30, 2025, the authority must provide a *final report* that:

- Summarizes comparison rates developed as part of SFY 2025 comparison rate efforts
- Updates comparison rates developed previously
- Describes implementation of the minimum fee schedule, to better match Medicaid payments to the cost of care
- This is prior to the 2026 legislative session, where a concrete directive is required for CY 2027 changes

Summary of Upcoming Work

Comparison rate development supports HCA with the implementation of a Minimum Fee Schedule

Comparison Rate Development

- HCA is continuing the development of comparison rates for most major BH services
- Several provider workgroups will be leveraged to solicit feedback and input on service assumptions for BH comparison rates
  - OTPs
  - SUD Outpatient/ Residential
  - MH Outpatient
  - Focus groups for day habilitation and intensive outpatient/ partial hospitalization
  - MH Residential and E&T services are scheduled for future evaluation by HCA; however, they are not included in the SFY 2025 comparison rate development services.

Minimum Fee Schedule Implementation

- HCA intends to implement a minimum fee schedule for select services in CY 2026 based on their comparison rates
- HCA intends to expand the list of services covered by a minimum fee schedule in future years in alignment with Section 215 (proviso 146) of ESSB 5950
- HCA will be engaging MCOs and providers to support the implementation of a minimum fee schedule

Interested Party Engagement

- **Provider Survey**: HCA will be sending out a staffing and expense survey to all BH providers that is critical to support assumptions underlying the comparison rates.
- **Workgroups and Focus Groups**: HCA will be engaging a variety of interested parties to support the comparison rate development and the implementation of a minimum fee schedule, including MCOs, BH-ASOs, and providers.
- **Draft Comparison Rate Meeting:** HCA will reconvene all interested parties to share a draft of the work in May 2025.
- **Dedicated email inbox**: Interested parties can submit questions at any time throughout this work to: **AppleHealth.Info@milliman.com**

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Minimum Fee Schedule Implementation Plan

What is a Minimum Fee Schedule and Why is it Useful?

What is a minimum fee schedule?

- Minimum amount that MCOs can pay a provider to provide specific services, based on HCA's published FFS fee schedule.
- HCA will update FFS fee schedule to be consistent with BH comparison rates and plans must pay at this level or higher.
- Does not stop MCOs from paying more
- Commonly used in Washington Medicaid for Physical Health services, but not traditionally for behavioral health
- Applies **directly** to services paid for through **FFS arrangements**, and **indirectly** to services paid for through **non-FFS arrangements**

Benefits

- Intended to better align service costs with payments and provide a baseline funding level
- More targeted than historical "flat percentage" rate increases
- More payment consistency across providers
- Greater benefits to providers that are currently being paid the least
- Adds an incentive for providers under non-FFS contract arrangements to report better encounter data

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FFS versus non-FFS payment arrangements (paid by MCOs)

Fee for service (FFS) Arrangements paid by MCOs

MCOs have a contract with providers to pay a defined amount (a.k.a. fee for service) for a unique service

Payment is triggered by delivering a unique contracted service

Non-FFS Arrangements paid by MCOs

MCOs have a contract with providers other than FFS

Examples include:

- Capitated PMPM
- Percent of Premium
- Budget-based or lump sum
- Case rates (excl. WISe and New Journeys)

Contract defines how the payment is triggered

General Approach – FFS Arrangements paid by MCOs

Proposed approach – Requires Legislative action to implement

Minimum Fee Schedule amounts would be determined using the "BH comparison rate" methodology

- Developed using independent rate model
- Includes significant input from providers and MCOs
- Will initially be set at the same level for all provider types; may be more specific in the future

HCA would adopt a minimum fee schedule for some services in January 2026

Preliminary codes to be implemented are:

- **90834, Psychotherapy**
- **90837, Psychotherapy**
- **H0004, BH Counseling and Therapy**
- **H0018, Short-Term Res. ASAM 3.5**
- **H0038, Peer Support**

Most behavioral health services would be implemented as a minimum fee schedule by 2028.

Exceptions include:

- Some service codes with minimal utilization
- Crisis services that are paid through a firehouse model
- Standalone E&Ts

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General Approach – Non-FFS Arrangements paid by MCOs

Proposed approach – Requires Legislative action to implement

Intent

- Support transparency, accountability, and sustainability
- Incentivize improvement of encounter reporting
- Align payments for non-FFS arrangements with encounter data and the minimum fee schedule where appropriate
- Incremental changes over time

Impacts to providers will vary depending on contract structure and encounter reporting

To support complete and accurate encounter reporting, HCA will be further engaging both providers and MCOs to identify and resolve key issues limiting encounter data

Options under consideration to impact Non-FFS arrangement financing:

1. MCO risk corridor
2. MCO capitation rates

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Minimum Fee Schedule (MFS) Implementation Timeline (proposed)

	2024	2025	2026	2027	2028
HCA/Milliman Development	**Phase 3 Comparison Rates**	**CY 2026 Rate Dev**	**CY 2027 Rate Dev**	**CY 2028 Rate Dev**	**CY 2026 Risk Corridor**
FFS Arrangements			Partial FFS Minimum Fee Schedule in Effect	Partial FFS Minimum Fee Schedule in Effect	Full* Minimum Fee Schedule in Effect
Non-FFS Arrangements			Non-FFS MFS consideration in Risk Corridor	Non-FFS MFS consideration in Risk Corridor	Non-FFS MFS consideration in Capitation Rates and Risk Corridor

* Most behavioral health services would be implemented as a minimum fee schedule by 2028

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Rate Model Approach

Independent Rate Model Framework

Overview

Ground-up approach

- Statewide rates are built from the ground up
- Based on sum of independently determined rate inputs and components
- Inputs are based on expected resources required to provide the service

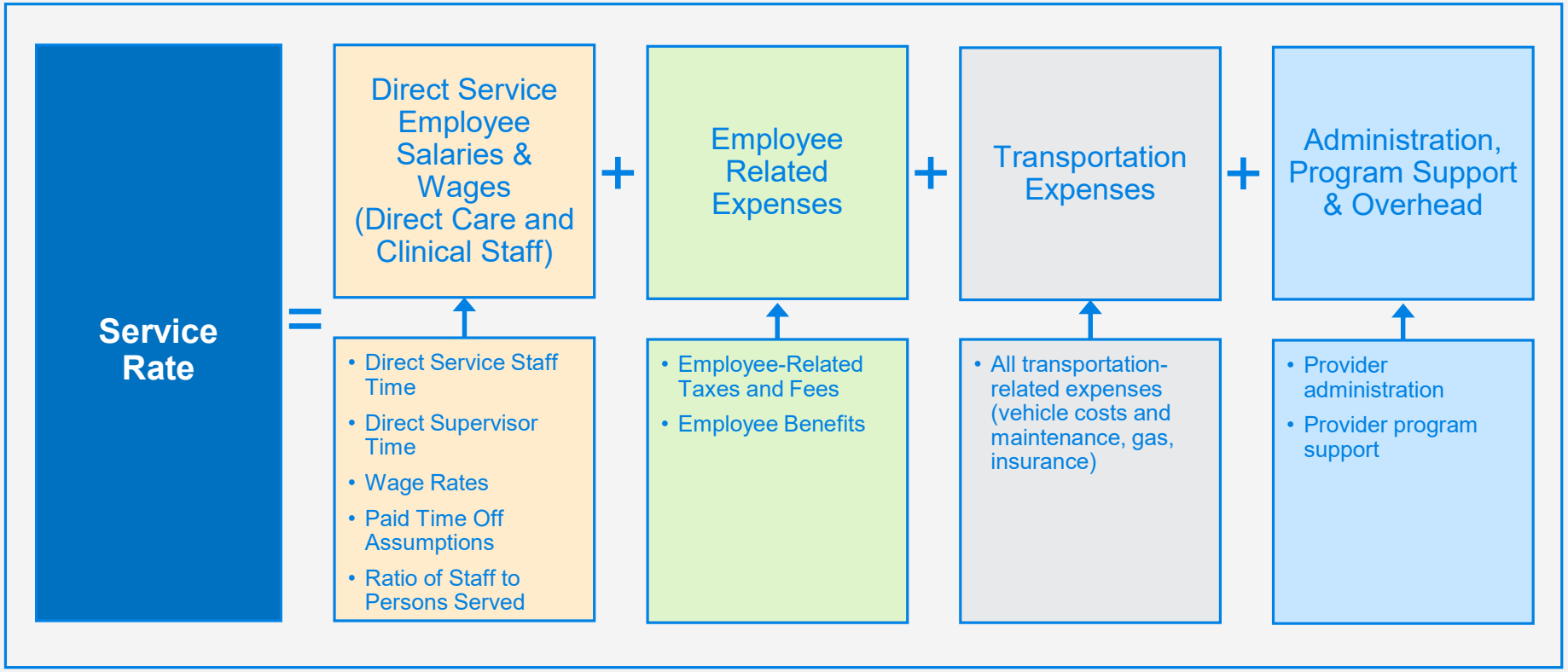
Commonly applied method for rate determination for community-based services including behavioral health

- Many states employ independent rate model approach
- One acceptable method based on CMS guidance for home and community-based services

Benefits

- Provides transparency as to the reasonable costs required to provide the service
- Facilitates payment rate updates and modification efforts
- Facilitates comparison of actual costs of providing services
- Developed independently from actual costs incurred
- Rates developed are not tied to historical payments

Independent Rate Model Framework

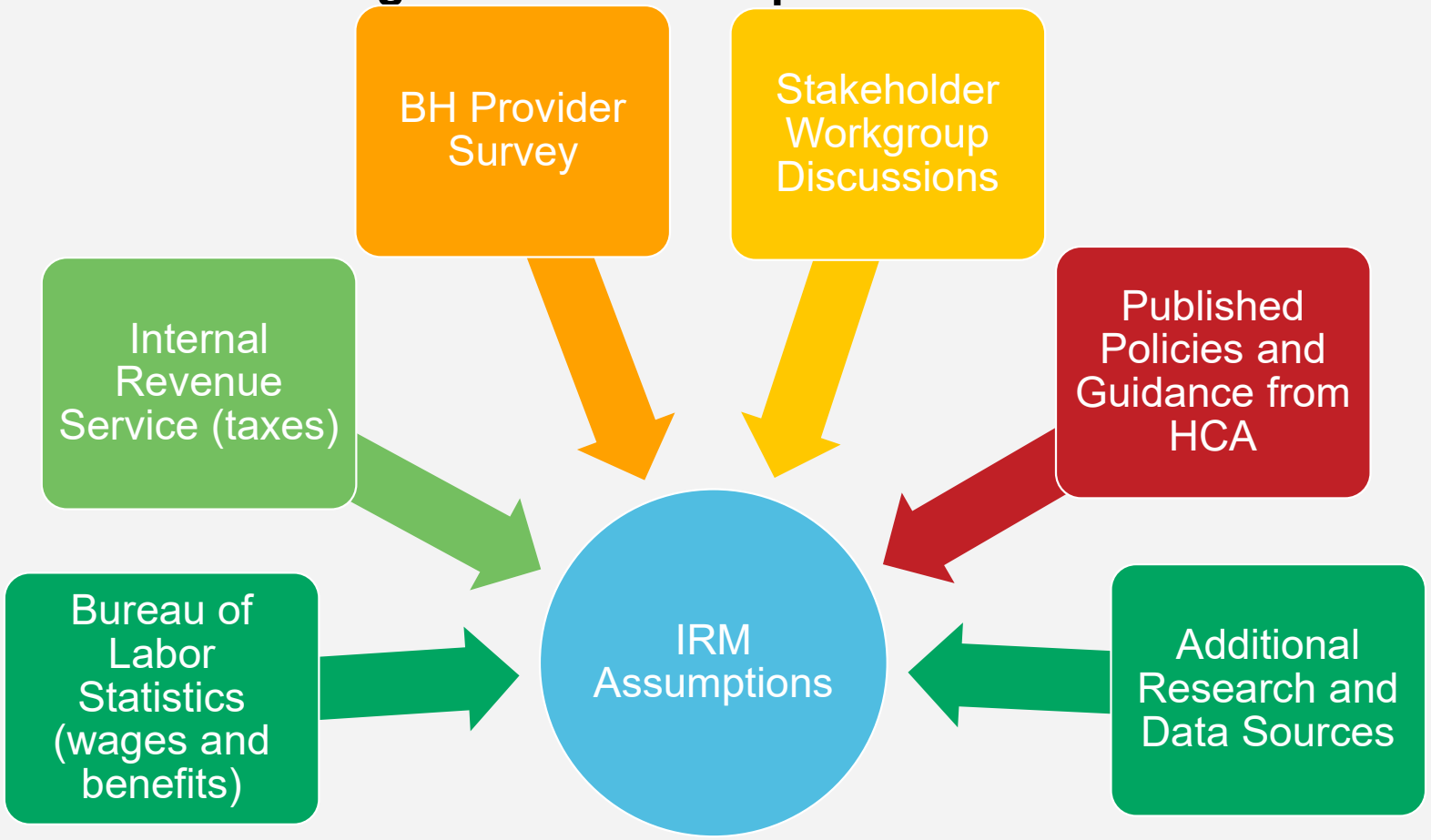


Independent Rate Model Framework

Major Components and Elements

COMPONENT	ELEMENTS	SUB-ELEMENTS	CLARIFYING NOTES
Clinical Staff and Supervisor Salaries and Wages	Service-related Time	Direct time	• Corresponding time unit or staffing requirement assumptions where not defined. • Adjusted for staffing ratios for some services (i.e., more than one person served concurrently, e.g., in group counseling sessions).
		Indirect time	• Service-necessary planning, note taking and preparation time
		Transportation time	• Travel time related to providing service
		PTO/training/ conference time	• Paid vacation, holiday, sick, training and conference time. • Also considers additional training time attributable to employee turnover
		Supervisor time	• Accounted for using a span of control variable
	Wage Rates	Can vary for overtime and weekend shift differentials	• Wage rates vary depending on types of direct service employees, which have been assigned to provider groups
	Stipends	Payments for on-call capacity	• Used for selected services
Employee Related Expenses	Payroll-related Taxes and Fees	Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA), State Unemployment Insurance (SUI), Workers Compensation	• Applicable to all employees, and varies by wage level assumption
	Employee Benefits	Health, dental, vision, life and disability insurance, and retirement benefits	• Amounts may vary by provider group
Transportation – Fleet Vehicle Expense	Vehicle Operating Expenses	Includes all ownership and maintenance-related expenses	• Varies by service. Some services assume employee-owned vehicle at federal rate. Other services assume fleet vehicle expenses or vans.
Administration, Program Support, Overhead	All other business-related costs	Includes program operating expenses, including management, accounting, legal, information technology, laboratory resources, etc.	• Excludes expenses related to managed care administration

Data Sources Informing the Rate Buildup



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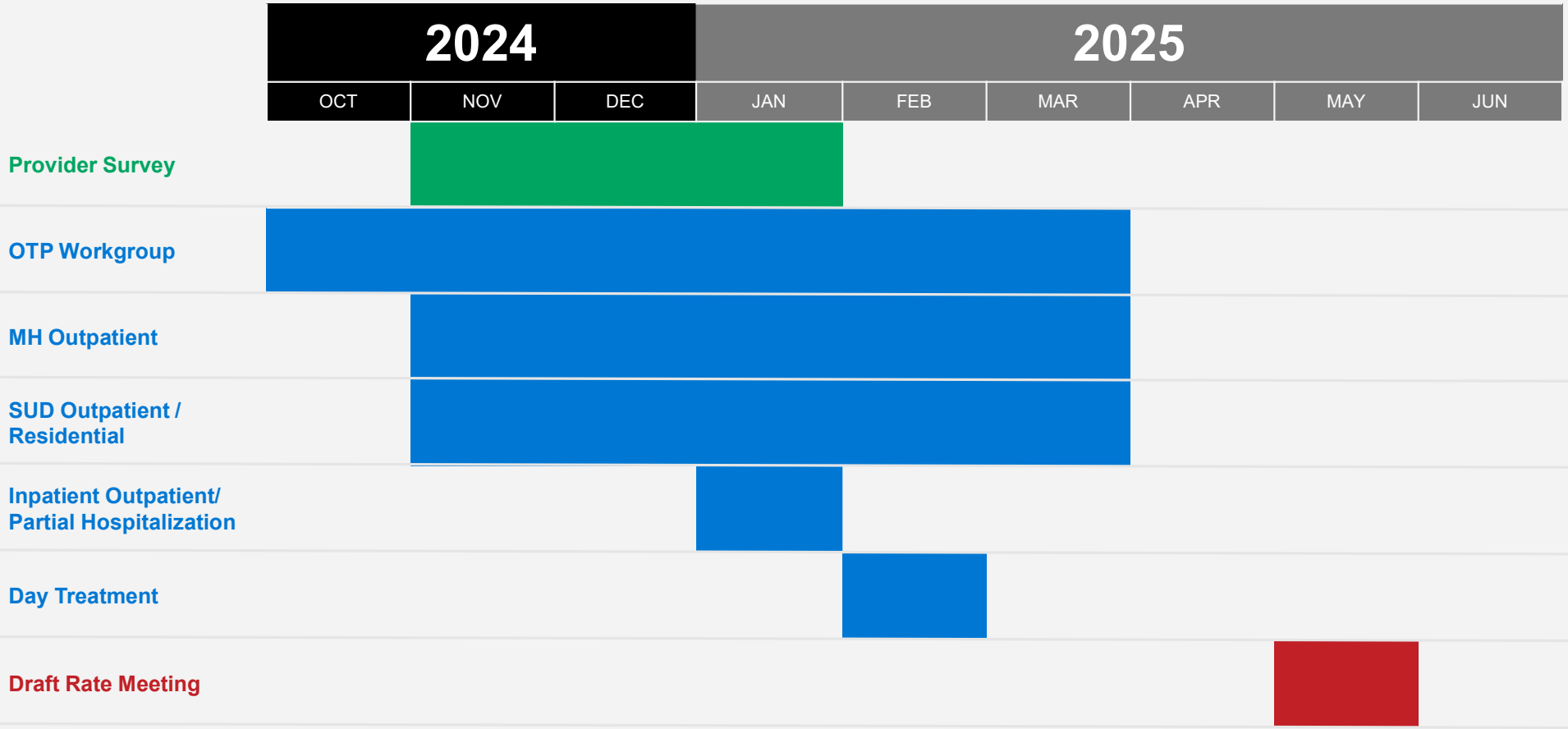
Comparison Rate Interested Party Engagement Plan

Comparison Rate Interested Party Engagement Timeline



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Workgroups and Focus Groups for BH services

Workgroup/ Focus Group	Services of Interest	Notes
Opioid Treatment Program (OTP) Workgroup	H0020	• Developing partially bundled rates that vary by medication, separately for brick-and-mortar OTPs and Mobile Medication Units (MMUs)
SUD Outpatient/ Residential Workgroup	Various	• Services included depends on HCAs approach to implementing ASAM 4th edition • Impacted codes include SUD residential and withdrawal management codes included in Phase 2
MH Outpatient Workgroup	99212, H0033, H0034, T1001, H2027, S9446, H0046, 90834, 90837	• Includes Medication Management & Monitoring, Therapeutic Psychoeducation, and Individual Treatment Services • Review 90834 and 90837 comparison rates included in Phase 2 for minimum fee schedule implementation
Intensive Outpatient / Partial Hospitalization Focus Group	H0035, S9480	• HCA indicated these services were primarily used for mental health. Depending on ASAM 4th edition direction, may overlap with SUD services as well
Day Habilitation Focus Group	H2012	

- *MH Residential and E&T services are scheduled for future evaluation by HCA; however, they are not included in the SFY 2025 comparison rate development services.*

Behavioral Health Provider Staffing and Expense Survey Overview

Purpose: Collect information on provider staffing and expense information to assist with developing payment rate assumptions for purposes of comparison rates and the minimum fee schedule.

Timeframe for Reporting: Snapshot in time (e.g., average hourly wage as of 10/1/2024) and others will require looking at one year's worth of data (e.g., administrative and program support costs for State Fiscal Year (SFY) 2024).

Anticipated Release: **Week of November 4, 2024**

Anticipated Deadline: **January 10, 2025**

Technical Support:

Survey training	**Dedicated email** for questions	**Q&A session** offered two weeks after survey distribution	**FAQs** posted on HCA website
Virtual Webinar: November 12, 2024 **Recorded:** The recording will be posted to HCA's website once available			

***The 2024 Behavioral Health Provider Staffing and Expense Survey** has been updated and streamlined as compared to the 2022 survey to support ease of provider completion; separate service-specific data collection may also occur on an ad hoc basis.*

Questions

Thank you

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Limitations

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The information contained in this presentation has been prepared for the State of Washington, Health Care Authority (HCA) and is subject to the terms of Milliman's contract with HCA (Contract No. K4889).

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Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Jeremy Cunningham, Davis Burge, Jacob Epperly, and Daniel Gerber are members of the American Academy of Actuaries and meet the qualification standards to offer this presentation.

Reference 1: BH Comparison Rate Phase 1 and 2 Service Listing

MH Outpatient Services

Modality	HCPCS	SERI Description*
Intake Evaluation	90791	Psych Diag. Eval
	90792	Psych Diag. Eval w/ med srvcs
	H0031	MH health assess by non-MD
	99205	Office/OP visit, new patient, high MDM or 60-74 total time of encounter
Individual Treatment Services	90832	Psychotherapy w/ PT. and/or fam. mem., approx. 30 mins.
	90834	Psychotherapy w/ PT and/or fam. mem., approx. 45 mins
	90837	Psychotherapy approx. 60 mins w/ PT and/or fam. mem.
	H0004	BH cnsling and ther., per 15 minutes
	H0036	Comm. psych. supp. tx., face-face, per 15 mins
	H2014	Skills train and dev, per 15 mins
	H2015	Comprehensive community support services, per 15 mins
Family Treatment	90846	Fam. psychother. w/o PT
	90847	Fam. psychother. w/ PT present
Group Treatment Services	90853	Grp psychother. (other than of a multiple-fam. grp)
Medication Management	99213	Office/OP visit, established patient, low MDM or 20-29 minutes total time of encounter.
	99214	Office/OP visit, established patient, moderate MDM or 30-39 minutes total time of encounter.
	99215	Office/OP visit, established patient, high MDM or 40-54 minutes total time of encounter.
Peer Support	H0038	Self-help/peer srvcs, per 15 mins

*Washington State Health Care Authority, March 1, 2021. IMC Service Encounter Reporting Instructions to be implemented on or before July 1, 2021.

SUD Outpatient Services

Modality	HCPCS	SERI Description*
Outpatient Treatment	H0004	Behav. Hlth Cnsling and thrpy, per 15 mins
	96164	Behav. Hlth Intrvtn. w/ grp (2 or more) face to face, first 30 minutes
	96165	Behav. Hlth Intrvtn. w/ grp (2 or more), face-to-face; each additional 15 minutes (List separately in addition to code for primary service)
Assessment Services	H0001	Alcohol/drug assessmt
Case Management	T1016	Case management, each 15 mins

*Washington State Health Care Authority, March 1, 2021. IMC Service Encounter Reporting Instructions to be implemented on or before July 1, 2021.

SUD Residential Services

Modality	HCPCS	SERI Description*
Withdrawal Management	H0010	Alcohol/drug services; subacute detox in Free Standing E&T facility, per diem (inpatient residential addiction program); Use this code for Clinically Managed Withdrawal Management
	H0011	Alcohol/drug services; acute detox in Free Standing E&T facility, per diem (inpatient residential addiction program); Use this code for Medically Monitored Withdrawal Management
Intensive Inpatient Residential Services	H0018	Behavioral health; short-term resid. (nonhospital residential trx program), w/o room and board, per diem; ASAM Level 3.5.
Secure Withdrawal Management and Stabilization	H0017 plus Rev Code 1002 or 1026	Secure Withdrawal Management and Stabilization Facility service in a Free Standing RTF, Per Diem; use this code for Secure Withdrawal Management and Stabilization services

- For purposes of H0018, comparison payment rates were developed as follows:
  - ASAM Level 3.5 – Adult
  - ASAM Level 3.5 – Adult co-occurring
  - ASAM Level 3.5 – Youth
  - ASAM Level 3.5 – Pregnant and Parenting Women (PPW)

- Room and board costs are not included in comparison rates as these are not allowable costs per Medicaid federal regulations.

*Washington State Health Care Authority, March 1, 2021. IMC Service Encounter Reporting Instructions to be implemented on or before July 1, 2021.