

NORTHCARE NETWORK

POLICY TITLE: Medicaid Capitation Allocation Methodology	CATEGORY: Financial Management	
EFFECTIVE DATE: 3/1/12	BOARD APPROVAL DATE: 5/14/14	
REVIEW DATE: 8/30/17	REVISION(S) TO POLICY STATEMENT: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	OTHER REVISION(S): <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
RESPONSIBLE PARTY: Chief Financial Officer	CEO APPROVAL DATE: 9/12/17 William Slavin, CEO	

APPLIES TO

NorthCare Network Personnel
Member CMHSPs

POLICY

NorthCare Network sub-capitates for shared risk with Member CMHSPs using an actuarially sound methodology. Medicaid Capitation consists of State Plan, B3, Habilitation Support Waiver, Autism and Healthy Michigan.

PURPOSE

This procedure addresses the methodology to allocate the regional Medicaid Capitation funds to Member CMHSPs in the NorthCare Network Affiliation.

DEFINITIONS

1. **HICA:** Health Insurance Claims Assessment.
2. **HRA:** Hospital Rate Adjustment.
3. **ISF:** Internal Service Fund.
4. **MUNCR:** Medicaid Utilization Net Cost Report.
5. **MUNCR Summary:** Under development in ELMER.

REFERENCES

N/A

HISTORY

REVISION DATE: 3/20/13, 1/2/14, 5/6/14, 12/3/14, 8/31/16, 8/30/17

REVIEW DATE: 3/20/13, 3/5/14, 5/6/14, 12/3/14, 10/30/15, 8/31/16, 8/30/17

CEO APPROVAL DATE: 3/20/13, 3/5/14, 5/6/14, 12/3/14, 11/9/15, 9/6/16, 9/12/17

BOARD APPROVAL DATE: 2/1/12, 3/21/13, 5/14/14

PROCEDURES

Monthly, NorthCare Network will receive an FSR from each Member CMHSP. This will be supplied by the last day of the following month.

Annually, the Medicaid Capitation Methodology and percentages will be reviewed and may be adjusted based on prior fiscal years' encounters, expenditures, and consumer disability category.

Annually, the Medicaid Savings Plan and Internal Service Fund Policy will be followed.

Methodology for State Plan and B3 Capitation:

- A. A regional average cost per case will be developed for each population by dividing the sum of total cost and allocated administration, as reported on the Sub Element Report, by the total cases served, as reported on the Sub Element Report. (Via the most recent Sub-Element report: take the total dollars for each population + the Administrative costs and divide by the total cases served per population to = an average cost per case per population.)
- B. The average cost per case for each population calculated in (A) will then be multiplied by the number of each population's Medicaid cases from each Member CMHSP's MUNCR detail, or MUNCR Summary, report, from ELMER to calculate a total Medicaid cost per population for each Member CMHSP. These population costs will then be aggregated to yield a total Medicaid cost for each Member CMHSP (via the most recent MUNCR detail, or MUNCR Summary, report by each population from ELMER go to the Board level and take each population x each average cost per case = total cost per population. Add the total costs per population to = total MA per Member CMHSP.)
- C. An allocation percentage for each Member CMSHP will be calculated by dividing each Member CMHSP's total Medicaid cost from (B) by the sum of all Member CMHSP total Medicaid costs.

Percentages will carry forward into the subsequent year. Percentages for each year will be calculated based on information and reports from the prior year. Finalized prior year data will not be available until 1st or 2nd quarter of the subsequent year. Therefore, changes in the percentages, by Member CMHSPs, will be made retroactive to March 1st of the new fiscal year and adjustments to capitation allocations will be made.

With the significant change in funding allocation using the average cost per case methodology, NorthCare Network will establish a Medicaid budget amount for each Member CMHSP based on historical allocations and prior Medicaid budget surplus/deficit. For FY18, the following percentages will be used:

Copper Country	15.50%
Gogebic	7.50%
Hiawatha	18.50%
Northpointe	17.25%
Pathways	41.25%

According to this schedule: FY17 rates will be reviewed when finalized prior year data is available, in the 1st or 2nd quarter of FY18. Any changes necessary for FY18 will be applied retroactively to 3/01/18.

Methodology for Habilitation Supports Waiver (HSW):

Habilitation Supports Waiver (HSW) Funds will be paid and recoupment will be made based upon actual dollars received, per slots, and evidence of services delivered from data provided by MDHHS.

Methodology for Healthy Michigan:

Healthy Michigan funds will be distributed based on county of enrollment.

Methodology for Autism:

Autism funds will be distributed based on evidence of services delivered from data provided by MDHHS. Final settlement will be determined based on the fee schedule provided by MDHHS at the lesser of cost or fee schedule. Any unfunded Autism funds will be reimbursed by Medicaid.

Deductions from Capitation Payments:

- A. NorthCare Network costs will be retained by NorthCare Network,
- B. HICA will be retained by NorthCare Network,
- C. HRA will be retained by NorthCare Network

Local Match:

The Local Match contribution will also be reallocated based on the State and B(3) Medicaid allocation percentages. The Local Match “rate” per Medicaid dollar will be the same for each Member CMSHP.

Progressive Sanctions:

- A. When a Member CMSHP is overspent for the first year, a plan of correction is expected after year end close, for NorthCare Network’s approval and monitoring, via its Performance Management Committee (PMC).
- B. When a Member CMHSP is overspent for the second year in a row, a plan of correction is expected after year end close, for NorthCare Network’s approval and monitoring, via its PMC. NorthCare Network may/will require the CMHSP to implement cost reductions. The Member CMHSP must show where and how these cuts will be implemented. CMHSPs are prohibited from cutting medically necessary consumer services.
- C. When a Member CMHSP is overspent for the third year in a row, a plan of correction is expected after the year end close, for NorthCare Network’s approval and monitoring, via its PMC, AND NorthCare Network may/will advise the Board of its intent to bid out that Member CMHSP’s services.