JLARC
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

Recommendations: Managing Spending in Virginia's Medicaid Program

RECOMMENDATION 1
The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to formally validate the children's criteria used with the Uniform Assessment Instrument to determine eligibility for Medicaid long-term services and supports. (Chapter 3)

RECOMMENDATION 2
The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to develop a single, comprehensive training curriculum on the Uniform Assessment Instrument for all screeners who conduct preadmission screenings for Medicaid long-term services and supports. (Chapter 3)

RECOMMENDATION 3
The General Assembly may wish to consider amending § 32.1-330 of the Code of Virginia to require screeners to be trained and certified on the Uniform Assessment Instrument prior to conducting preadmission screenings for Medicaid long-term services and supports. (Chapter 3)

RECOMMENDATION 4
The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to design and implement an inter-rater reliability test for the preadmission screening process. (Chapter 3)

RECOMMENDATION 5
The Department of Medical Assistance Services should strengthen oversight of the preadmission screening process to ensure that all screeners are trained and certified; that screenings are performed reliably; and that problems in the screening process are promptly addressed. (Chapter 3)

RECOMMENDATION 6
The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to work with relevant stakeholders to (i) assess whether hospital screening teams are making appropriate recommendations regarding placement in institutional care or home and community-based care; (ii) determine whether hospitals should have a role in the screening process; (iii) determine what steps must be taken to ensure the Uniform Assessment Instrument is implemented consistently and does not lead to unnecessary institutional placements; and (iv) report to the General Assembly on steps taken to address the risks associated with hospital screenings, including any statutory or regulatory changes needed. (Chapter 3)

RECOMMENDATION 7
The Department of Medical Assistance Services should implement a blended rate with established target mixes under the contract for managed long-term services and supports to incentivize MCOs to rebalance enrollment away from institutional care and toward home and community-based care. (Chapter 3)

RECOMMENDATION 8
The Department of Medical Assistance Services should require MCOs to develop the portion of the plan of care addressing the type and amount of long-term services and supports that each recipient needs. (Chapter 3)

RECOMMENDATION 9
The Department of Medical Assistance Services (DMAS) should work with its actuary to identify potential inefficiencies in the Medallion program and adjust capitation rates for expected efficiencies, effective no later than FY19. DMAS and its actuary should phase in this adjustment over time based on the portion of identified inefficiencies that MCOs can reasonably reduce each year. (Chapter 4)

RECOMMENDATION 10
The Department of Medical Assistance Services and its actuary should monitor Medallion medical spending for related-party arrangements and adjust historical medical spending when necessary to ensure that capitation rates do not cover spending above market value. (Chapter 4)

RECOMMENDATION 11
The Department of Medical Assistance Services and its actuary should adjust Medallion capitation rates to account for a portion of expected savings for initiatives required by the state. (Chapter 4)

RECOMMENDATION 12

The Department of Medical Assistance Services (DMAS) and its actuary should allow negative historical trends in medical spending to be carried forward when setting Medallion capitation rates, if DMAS and its actuary continue to project future trends based primarily on historical trends. (Chapter 4)

RECOMMENDATION 13

The Department of Medical Assistance Services and its actuary should annually rebase administrative expenses per member per month for projected enrollment changes beginning in FY19. (Chapter 4)

RECOMMENDATION 14

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to require in its next Medallion contract that MCOs return at least a portion of underwriting gain in excess of three percent of Medicaid premium income, and increase the percentage of excess underwriting gain that must be returned as the underwriting gain level increases. (Chapter 4)

RECOMMENDATION 15

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to annually incorporate findings on unallowable administrative expenses from audits of MCOs into its calculations of underwriting gain and administrative loss ratio for the purposes of ongoing financial monitoring, including enforcement of the underwriting gain cap. (Chapter 4)

RECOMMENDATION 16

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to adjust its calculations of underwriting gain and medical loss ratio by classifying as profit medical spending that is higher than market value due to related-party arrangements. (Chapter 4)

RECOMMENDATION 17

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to keep the underwriting gain cap in the next Medallion contract, rather than replace it with a provision that uses a minimum medical loss ratio to recoup excess funds from MCOs. (Chapter 4)

RECOMMENDATION 18

The Department of Medical Assistance Services should include additional financial and utilization reporting requirements in its next Medallion contract and Managed Care Technical Manual. Reported data should include (i) detailed income statements that show expenses by rate cell and detailed service category, (ii) balance sheets, (iii) related party transactions, and (iv) service utilization metrics. (Chapter 4)

RECOMMENDATION 19
The Department of Medical Assistance Services (DMAS) should regularly monitor, on at least a quarterly basis, detailed spending and utilization trends in managed care. Undesirable trends or concerns that are identified by DMAS should be further examined, addressed with the MCO, and addressed through the Medallion contract and rate-setting process as necessary. (Chapter 4)

RECOMMENDATION 20
The General Assembly may wish to consider including language in the Appropriation Act requiring the Department of Medical Assistance Services (DMAS) to report to the General Assembly annually on spending and utilization trends within Medicaid managed care, with detailed population and service information. DMAS should analyze and report on the underlying reasons for these trends, the agency's and MCOs' initiatives to address undesirable trends, and the impact of those initiatives. (Chapter 4)

RECOMMENDATION 21
The Department of Medical Assistance Services (DMAS) Compliance Unit should reassess the reasons for which the state will mitigate or waive sanctions and amend the Medallion contract to specify these reasons. DMAS should consider limiting the basis for mitigating or waiving sanctions to the following reasons: (i) for an infraction due to unforeseen circumstances beyond the MCO's control; (ii) during the first year of the MCO's operation; (iii) for instances when the MCO self-reports an infraction; and (iv) the first time the MCO incurs the infraction. (Chapter 4)

RECOMMENDATION 22
The Department of Medical Assistance Services should only mitigate or waive sanctions for reasons explicitly stated in the contract and report all reasons for waiving sanctions in its monthly compliance reports, referencing the applicable section of the contract. (Chapter 4)

RECOMMENDATION 23
The Department of Medical Assistance Services should annually review the results of its contract compliance enforcement action process and include the results in its Medallion annual report. The report should include, for each MCO, the percentage of points and fines mitigated or waived and the reasons for mitigating or waiving them. (Chapter 4)

RECOMMENDATION 24
The Department of Medical Assistance Services should incrementally increase the amount of the Performance Incentive Award to create a stronger incentive for MCO improvement and retain at least one metric related to chronic conditions. (Chapter 5)

RECOMMENDATION 25
The Department of Medical Assistance Services should share the MCO report cards directly with new enrollees as part of their enrollment communication. (Chapter 5)

RECOMMENDATION 26
The Department of Medical Assistance Services should regularly analyze its spending on chronic conditions and service utilization by recipients with chronic conditions, and use this information to better understand MCO performance and develop incentives targeting the opportunities for greatest improvement in recipient outcomes and reductions in spending. (Chapter 5)

RECOMMENDATION 27
The Department of Medical Assistance Services should require Medallion MCOs, after behavioral health services are included in the program, to report their policies and processes for identifying behavioral health providers who provide inappropriate services and the number of such providers that are disenrolled. (Chapter 6)

RECOMMENDATION 28
The Department of Medical Assistance Services should allow Medallion MCOs to determine utilization controls but should monitor the impact of utilization controls on utilization rates and spending to assess their effectiveness. (Chapter 6)

RECOMMENDATION 29
The Department of Medical Assistance Services should include language in the MLTSS contract requiring MCOs to provide a plan that establishes: (i) a standardized process to determine members' capacity to self-direct; (ii) criteria for determining when a member is no longer fit for consumer-direction; and (iii) the roles and responsibilities of services facilitators, including requirements to regularly verify that appropriate services are provided. (Chapter 6)

RECOMMENDATION 30
The Department of Medical Assistance Services should review utilization and spending data on long-term services and supports (LTSS) across MCOs, once the managed LTSS program is implemented, and work with MCOs to make necessary changes to their prior authorization and Quality Management Review processes when undesirable trends are identified. (Chapter 6)

RECOMMENDATION 31
The Department of Medical Assistance Services should include financial and utilization reporting requirements in the managed long-term services and supports (LTSS) contract and Technical Manual and use the reports to monitor spending and utilization trends for managed LTSS, address those trends with relevant MCOs, and address identified issues through the managed LTSS contract or rate-setting process as necessary. These reports should include detailed income statements that show expenses by rate cell and detailed service category, balance sheets, related party transactions, and service utilization metrics. (Chapter 6)

RECOMMENDATION 32

The Department of Medicaid Assistance Services should include additional behavioral health-specific metrics in the Medallion contract and Technical Manual and use these metrics to identify undesirable trends in service utilization, assess the effectiveness of MCO utilization controls, and work with MCOs to address identified issues. (Chapter 6)

RECOMMENDATION 33

The Department of Medical Assistance Services should include additional LTSS-specific metrics in the MLTSS contract and Technical Manual and use these metrics to identify differences between models of care, assess progress and challenges to keeping more recipients in community-based care, and work with MCOs to address identified issues. (Chapter 6)

RECOMMENDATION 34

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to require in the MLTSS contract that MCOs return at least a portion of underwriting gain in excess of three percent of Medicaid premium income, and increase the percentage of excess underwriting gain that must be returned as the underwriting gain level increases. (Chapter 6)

RECOMMENDATION 35

The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services (DMAS) to assess and report on additional or different resources needed to implement recommendations in the JLARC report *Managing Spending in Virginia's Medicaid Program*. DMAS should submit its report to the House Appropriations and Senate Finance Committees no later than November 1, 2017. (Chapter 6)

OPTION 1

The General Assembly could consider including language in the Appropriation Act directing the Department of Medical Assistance Services to evaluate the potential cost savings and impact to recipients of narrowing the eligibility criteria for the Medicaid program by lowering the income threshold for, or eliminating, optional eligibility categories. (Chapter 2)

OPTION 2

The General Assembly could consider including language in the Appropriation Act directing the Department of Medical Assistance Services to develop a plan to implement cost-sharing requirements based on family income for individuals eligible for long-term services and supports through the optional 300 percent of SSI eligibility category, and apply to the Centers for Medicare and Medicaid Services for approval to implement the cost-sharing plan. (Chapter 2)