

Management of Medicaid Capitation

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Creating solutions. One person at a time.

Quick Overview

- Under Medicaid Waivers, Managed Behavioral Healthcare Organizations (MBHO) operate as a Prepaid Inpatient Health Plan (PIHP).
- The goal of a PIHP is to manage inpatient utilization by offering and managing cost and clinically effective community services.

Cost and Clinical Effectiveness

- A successful MBHO has an effective integration of:
 - Clinical tools to assess and offer cost effective treatment based on the medical necessity of the person.
 - Financial and operational data Management tools that monitors both inputs (resource utilization) and outcomes.
 - Contractual tools for developing an integrated network of providers that can partner with the MBHO to achieve cost and clinical effectiveness.

Funding Flow

- PIHP's are paid on a Per Member Per Month (PMPM) basis.
- The PIHP gets a set amount for each eligible Medicaid consumer for each month.
 - Who is eligible for Medicaid Services for the month?
 - What is their eligibility class?
 - What is the rate for that class?
- The capitation payment is made on the first check write of each month.

How is a PMPM calculated?

➤ The DATA BOOK

- Historical utilization based on encounter data or paid claims.
- For a given time period (by State Fiscal Year)
- For a defined region (the catchment area)
- By Covered Population
 - Aid to Families with dependent children AFDC (Age 3+)
 - Foster Children, Age 3+
 - Aged, Ages 65+
 - Blind and Disabled, (Age 3-20)
 - Blind and Disabled, (Age 21+)
 - Innovations (CAP-MR), all ages.

Covered Services

- Encounter data is grouped into categories of Service:
 - Inpatient
 - Community
 - Residential
 - Outpatient
 - ICF-MR
 - Innovations (CAP-MR)

Member Months

- Member Months is the unduplicated total of eligible consumers in each month over the evaluation period.

	Month 1	Month 2	Month 3	Period Total
Consumer 1	1	1	1	3
Consumer 2			1	1
Consumer 3	1	1		2
Consumer 4	1			1
	3	2	2	7

PMPM rate

- The PMPM rate is calculated by dividing the Paid Claims by service category by the number of member months in each aid category.
- Aid Category = AFDC
- Total Member months = 506,891
- Total Inpatient claims = \$1,575,891
- PMPM = \$3.11

Composite PMPM rate

Rating Group	Ages	Contract Rate
AFDC	3+	\$ 31.15
Foster Children	3+	\$ 634.38
Aged	65+	\$ 33.54
Blind/Disabled	3-20	\$434.97
Blind/Disabled	21+	\$306.16
Innovations (CAP-MR)	All Ages	\$ 4,747.59
Total	All Ages	\$137.36

Example of Monthly Payment Calculation

Rating Group	Member Months	Contract Rate	Monthly Capitation Payment
AFDC	44,070	\$ 31.15	\$1,372,781
Foster Children	995	\$ 634.38	631,208
Aged	7,459	\$ 33.54	250,175
Blind/Disabled	2,547	\$434.97	1,107,869
Blind/Disabled	10,224	\$306.16	3,130,180
Innovations (CAP-MR)	537	\$ 4,747.59	2,549,456
Total	All Ages	\$137.36	\$9,041,679

3 Components of the Capitation Payment

Service Cost	88.5%	\$8,001,886
Administrative Cost	9.5%	858,960
Risk Reserve	2.0%	180,833
Total	100.0%	\$9,041,879

Financial Summary

	Medicaid	IPRS	Total
Service Revenue	\$8,850,000	\$ 2,000,000	\$10,850,000
Service Expense	8,750,000	1,900,000	10,650,000
Net	100,000	100,000	200,000
Admin Revenue	950,000	190,000	1,140,000
Admin Expense	900,000	230,090	1,130,090
Net	50,000	(40,090)	9,910
Total Surplus	150,000	59,910	209,910
Risk Reserve	200,000	0	200,000
Risk Reserve/ Fund Balance	\$ 350,000	\$ 59,910	\$ 409,910



Accounting issues

- Accrual Basis of Accounting
- IBNR Calculation
- Direct service cost based on consumer eligibility and Service Type
- Administrative Cost Allocation based on Revenue
- Risk Reserve based on 2% of capitation payment and year end surplus

Got Questions?

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