



Congress Must Urge CMS to Address Medicaid Managed Care Rate Setting Process to Protect Taxpayers' Dollars and Enrollees' Access to Care

Request

To protect enrollees in Medicaid managed care and protect taxpayer dollars, ACAP urges Congress to hold CMS accountable for addressing the inadequate enforcement of federal requirements on actuarial sound payments to Medicaid health plans. In addition, ACAP calls on Congress to hold hearings on the proper enforcement of federal actuarial soundness requirements for Medicaid health plans.

Background

In 1997, Congress passed the *Balanced Budget Act* requiring that Medicaid managed care payment rates be "actuarially sound." Actuarial soundness is an essential enrollee protection because low Medicaid payments to health plans have the potential to result in an adverse impact on access and quality. Payment rates that are actuarially sound ensure that plans are sufficiently paid to maintain adequate provider networks and reimburse providers fairly. In 2002, Centers for Medicare and Medicaid Services' regulations defined actuarially sound rates as those that are (1) developed in accordance with generally accepted actuarial principles and practices; (2) appropriate for the populations to be covered and the services to be furnished; and (3) certified as meeting applicable regulatory requirements by qualified actuaries.

The *Children's Health Insurance Program Reauthorization Act of 2009* (CHIPRA) required the Government Accountability Office (GAO) to examine the extent to which state Medicaid managed care payment rates are actuarially sound. In their report issued in August 2010¹, GAO found a lack of consistent enforcement of federal actuarial soundness requirements on the part of CMS' Regional Offices. The report also found that "CMS's regulations do not include standards for the type, amount, or age of the data used to set rates, and states are not required to report to CMS on the quality of the data." Furthermore, the report found that "CMS officials focused primarily on the appropriateness of the data rather than their reliability."

ACAP agrees with the GAO's recommendations to improve the actuarial soundness review process within CMS and urges CMS to quickly implement the actions outlined in the CMS response to the report. In addition, ACAP calls on CMS to issue a Letter to State Medicaid Directors defining how actuarial soundness is measured by CMS and adding transparency to the state's rate setting process. Additional actions such as increased use of the CMS Office of the Actuary to ensure an independent voice in the rate setting process and a workable appeal process for health plans to challenge rates would also positively contribute to this effort.

¹ "MEDICAID MANAGED CARE: CMS's Oversight of States' Rate Setting Needs Improvement", Government Accountability Office, August 2010.