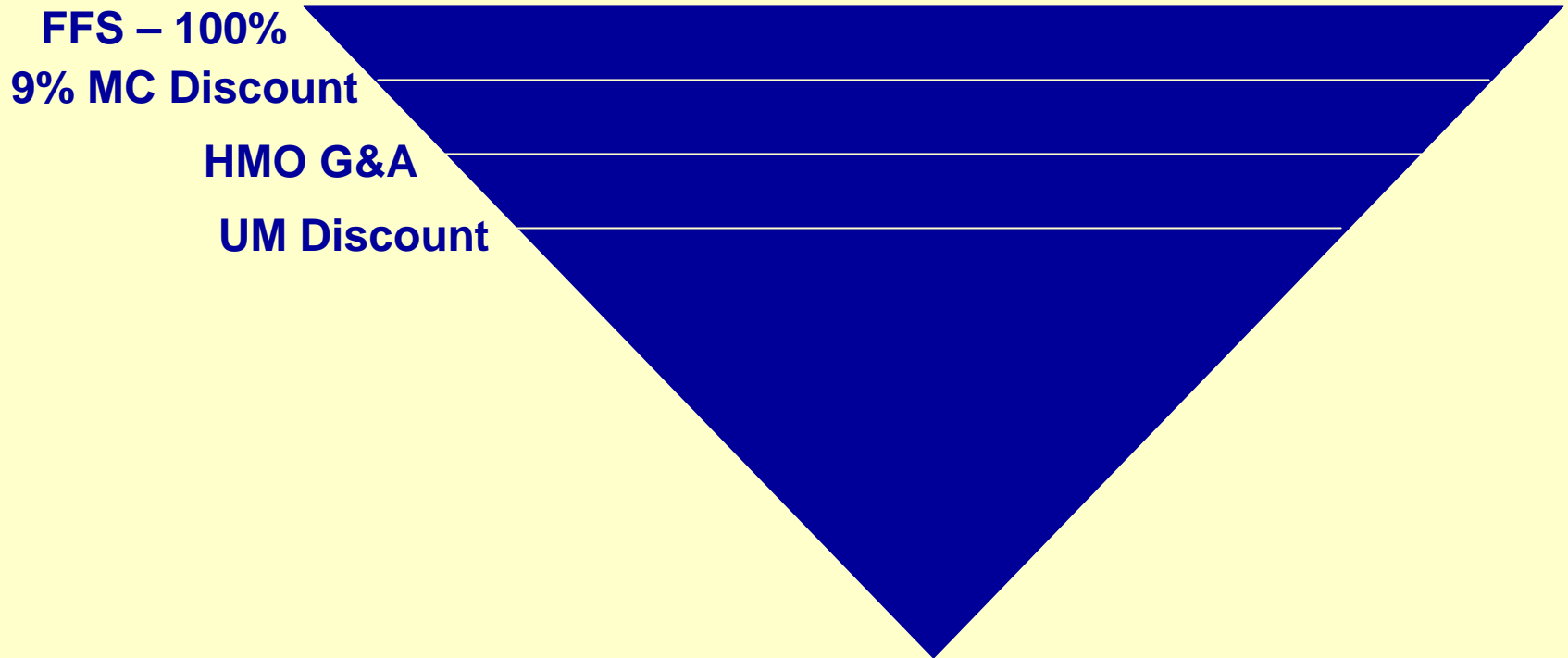


Medicaid Mental Health MCO Medical-Loss Requirements

**Florida Council for
Community Mental Health**

February 2007

The Discounting of the Medicaid Benefit



The HMO Proposal

FFS

**80% Medical-Loss
Requirement**

**HMO Proposal:
No Medical Loss Ratio
No Mental Health
Spending Minimum**

The 80-20 Rule – The Direct Care Share

- ◆ **Section 409.91294)(b), F.S., requires HMOs and other managed care plans to spend 80% of their Medicaid mental health capitation rate on direct care (behavioral health care).**
- ◆ **Behavioral health services have been defined by AHCA as the “community mental health” and targeted case management” components of the capitation rate.**
- ◆ **HMOs have consistently failed to meet the 80% direct spend requirement.**
- ◆ **Historically, for the initial two measurement periods (30 months) HMO repayments exceeded \$8 million; additional repayments are pending.**
- ◆ **HMOs spend as little as 70% of their capitation rates on direct care.**

The Medical Loss Ratio

$$\frac{\text{Total Plan Health Expenses/}}{\text{Total Plan Capitation Payments}} = \text{Medical Loss Ratio (Direct Care Spend)}$$

HMO Proposals

- ◆ **Eliminate the 80% Direct Spend Requirement – Legislatively or Administratively**

OR

- ◆ **Redefine Qualifying Expenditures to Include Drugs, Hospital Services and/or Physician Services**

The Medical-Loss Ratio

A Statutory Provision to Protect Consumers

- ◆ **Maintain the 80% direct spend/medical loss requirement – clearly and narrowly defining expenses that count as qualifying direct care expenses**
- ◆ **Ensure that the 80% medical loss requirement applies to managed care plans operating in Medicaid Reform counties**
- ◆ **Require an independent audit of managed care plans self-reports related to compliance with the medical loss ratio**
- ◆ **Establish a Mental Health Reinvestment Fund for the deposit of repayments by HMOs; authorize the use of funds in the Mental Health Reinvestment Fund for mental health care for Medicaid beneficiaries (legislative authorization required)**
- ◆ **Require MCOs failing to meet the 80% medical loss ratio to pay interest on the balance owed to the state (legislative authorization required)**
- ◆ **Authorize AHCA-imposed fines for MCOs repeatedly failing to meet the 80% medical loss requirement (legislative authorization required)**

Other Medicaid/SCHIP Medical Loss Requirements

State	Medical Loss Requirement
Arizona	90.0%
Tennessee	90.0%
Nebraska	87.5%
Iowa	85.0%
Maryland	85.0%
New Mexico	85.0%
Florida Healthy Kids	85.0%
New Jersey	80.0%

New Jersey imposes fines based on the size of under expenditure and number of offenses
Maryland can adjust a plan's capitation rate if spending is less than 85% of the capitation rate
New Mexico requires that 3% of the capitation be placed into a reinvestment fund
Nebraska requires a 5% reinvestment of capitation in MH/SA programs

Rationale for the 80% Medical Loss Requirement

- ◆ Maximizes investment in direct care and treatment
- ◆ Ensures a reasonable plan expenditure of its mental health capitation rate
- ◆ Prevents windfall profits to plans for failure to expend funds for a program with limited resources
- ◆ Requires managed care plans benefiting from large state contracts to invest/reinvest in a community's health
- ◆ A better deal for taxpayers
- ◆ Minimizes costs not directly related to patient care
- ◆ Protects Medicaid consumers