Targeted Case Management: Rate Setting

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TCM Overview

- TCM is not a traditional medical service
- TCM is mostly paid by state’s medical assistance programs, very little Third Party Payer (TPP) reimbursement is available
- Payment rates and their corresponding methodologies tend to over-allocate cost to the Medicaid program
TCM Overview

- CMS has become increasingly more specific regarding acceptable rate setting methodologies

- CMS reviews rates in the context of:
  - Section 1902(a)(30)(A) and Section 1902(a)(4)
Annualizing the Rate—“Sniff Test”

- Upon receiving a TCM plan amendment, we annualize the proposed rate to get a general sense of how much money the state could possibly bill per practitioner in a given year.

- For example, $17/15 min. unit.
  - $17 x 4 units/hr x 2080 working hours/yr. = $141,440

- States will assert that rate includes permissible “bump-up” for nonproductive time ie. holidays, training, breaks
Overview of Allowable Cost

- Salary and fringe benefits
- Indirect Cost
- Transportation
- Adjustment for nonproductive time
Types of Allowable Cost

- Salary cost of direct practitioners
  - By type of practitioner (not supervisors or support staff) by FTE adjusted for other sources of funding such as Federal and State grants.

- Some fringe benefits such as employer cost of health insurance, Medicare and Social Security contributions.
  - The cost of each proposed benefit must be demonstrated for inclusion in the rate.
Allowable Cost – Indirect & Trans.

- Indirect costs
  - So far, CMS has accepted an indirect cost component of up to 10%

- Transportation
  - The state must use actual amounts for mileage and mileage rate
Development of the Rate

- CMS permits states to develop a rate that recognizes that not all time is available for billing.
- This time is referred to as general and administrative (G&A) or nonproductive time and includes holidays, training, breaks.
Adjustment for Nonproductive Time

- Reallocation of nonproductive time/G&A
  - CMS-approved, statistically valid time study to identify the percent of time spent performing these activities.
  - Or, the State must provide specific documentation to justify the amount of nonproductive time to be reallocated.
- For example, State statute specifying the number of required training hours, paid state holidays, etc.
Development of the Rate

Total Allowed Cost

\[
\frac{2,080 \text{ hours} - \text{G&A time}}{= \text{TCM Rate}}
\]

*This rate reflects the reallocation of nonproductive time to billable time.*
Testing Economy and Efficiency

- Allowable FTE Costs
  - For example, $48,000 per practitioner + indirect + allowable “bump-up” for nonproductive (general and administrative) time = reasonable and economic payment
The plan language should identify the types of cost used to build the rate.
The unit of service must be specified.
The State must assure that billed time does not exceed available productive time by practitioner to deliver the service (max/min hours).
Guidance to States

TCM rate guidance has been provided to states during the State Plan review process.
ANY QUESTIONS?

THANKS!