

## **Proposal to Legislative Mental Health Workgroup**

**February 4, 2009**

### **Move from Retrospective to Prospective Rate Setting**

#### **Example:**

Fiscal year end June 30

Provider to submit cost report of previous fiscal year within 90 days (September 30) to IME, CRIS, County

If all reporting information is accepted, rate set December 1

New rate goes into effect on or after December 1 for fiscal year that began six months earlier and is based on costs that are 18 months old.

#### **Problem:**

Rates going forward are based on information that is at least 18 months old

Rate approval is often held up by IME for questions that are not based on rules or instructions of cost report format

Rate approval by IME does not mean this will be the provider rate accepted by the county – often negotiated down

Rate approval by IME does not mean the rate will go into effect on December 1. This is based on the individual decision of the provider's home CPC, and often not accepted until several months later.

Providers have no recourse. Even when reports are submitted in a timely and accurate manner, rates may not be accepted, may be held up, and at the very least are based on outdated information.

Last legislative session, funds were appropriated for a modest 1% increase for all Medicaid providers. Because of the current rate setting procedure, the intended increase was not realized, and cannot be realized until cost reports submitted over one year later.

**Solution:**

Providers set prospective rate (within cap or based on approved exception) for upcoming fiscal year.

Providers submit cost report at year end and, based on actual cost, rates are settled with provider for higher rate adjustment with payment to provider within 90 days, and, for lower rate adjustment with payment from provider within 90 days (same procedure as Targeted Case Management and Remedial Services, and was the procedure for Adult Rehabilitation Option).

The first year of the transition from retrospective to prospective may be burdensome to counties, but with the increase in the Federal Medicaid match (through the American Recovery and Reinvestment Act of 2009 which passed House last week, and is being debated in the Senate this week) retroactive to October 1, 2008, Medicaid funds will be available to assist with the transition.

This obviously does not solve all the problems of providers, the mental health system, nor those served, but it is a fairly simple solution that would make a tremendous difference to community-based providers of disability services.

There are existing systems in place with rules and instructions that could be used a template.

It is recommended prospective rate setting go into effect July 1, 2009.

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