

Appendix A: Additional considerations for using Medicaid managed care data in the development of the AWOP

Background

As states create and expand Medicaid managed care programs, including Managed Long-Term Services and Supports (MLTSS), the options for participants also eligible for PACE has changed. Fee for service (FFS) is often no longer the only alternative to PACE for eligible participants. To determine the amount that would have otherwise been paid (AWOP), the use of Medicaid managed care data may be more appropriate in states where Medicaid managed care programs cover all or a portion of the benefits for the population also eligible to enroll in PACE. If a state with significant Medicaid managed care presence decides not to use available Medicaid managed care data to develop the AWOP, the state should provide adequate justification within the PACE documentation.

Options for incorporating Medicaid managed care data

This Appendix lays out three options on how to incorporate Medicaid managed care data into the development of the AWOP:

- Base AWOP on Medicaid managed care rates (Option 1)
- Base AWOP on Medicaid managed care encounter and/or financial data (Option 2)
- Base AWOP on a blend of FFS data and Medicaid managed care rates/data (Option 3)

CMS does not prescribe any one option for states considering using Medicaid managed care data in the development of the AWOP. Justification for the option selected and how the Medicaid managed care data is incorporated in the development of the AWOP should be documented. To the extent the AWOP documentation relies on the certified Medicaid managed care rates or Medicaid managed care data/adjustments, the state should include the referenced actuarial rate certifications and exhibits with the PACE rate setting package.

General considerations for states to evaluate and select the most appropriate option include:

- How prevalent Medicaid managed care is in the state, including whether the Medicaid managed care program is mandatory or voluntary; and
- How closely the specific Medicaid managed care program design and state eligibility requirements align with the PACE program.

Making appropriate adjustments

When the Medicaid managed care program and the PACE program do not fully align in terms of the population composition, eligibility requirements and/or required services, states should consider the differences in eligibility and benefits between the Medicaid managed care program and PACE and make appropriate adjustments.

Appropriate adjustments to the Medicaid managed care data/rates in developing the AWOP include, but are not limited to:

- Adjust Medicaid managed care data/rates if the Medicaid managed care rate cell includes participants under age 55
- Adjust Medicaid managed care data/rates based on PACE geographic regions
- Include additional state plan services or populations not included in the Medicaid managed care contract but required in PACE
- Adjust or combine Medicaid managed care rates in a different rating period to align with the PACE rating period
- Exclude Medicaid managed care participants who do not meet the state's PACE eligibility criteria for nursing home level of care
- Adjust Medicaid managed care rate setting assumptions (between PACE and Medicaid managed care) to account for differences appropriate for the PACE eligible population including:
 - a. Trend
 - b. Program change adjustments
 - c. Administrative costs
 - d. Managed care efficiencies/savings
 - e. Risk/acuity of a comparably frail population
 - f. Case mix for Nursing Facility/HCBS
- Explanations should be provided for all adjustments listed above, including those that are not applicable.

Other Medicaid managed care considerations

When there are mid-year rate changes in the Medicaid managed care program that is used to develop the AWOP, states should discuss the need for an alternative rating period length of less than one year, such as for interim rate adjustments, with the CMS Analyst in advance of developing the PACE rates or modifying the AWOP. PACE rates should not be adjusted during the year without advanced approval from CMS. However, PACE rates are required to be less than the AWOP for the same time period. If the interim rate adjustments impact the data, assumptions and methodologies used in determining the AWOP, CMS may require the AWOP and PACE rates to be recalculated.

When the AWOP is based on Medicaid managed care rate ranges, the assumptions certified in the final Medicaid managed care rate should be selected. States should provide sufficient justification in the documentation when the rate assumption used to determine the AWOP deviates from the certified assumptions used to determine the Medicaid managed care rate. For

example, if a state chooses the upper bound (instead of the certified best estimate) of the Medicaid managed care rate range to be the base for AWOP, states should sufficiently document why the upper bound selection is more appropriate.