



News Release

For Immediate Release

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Medicaid Health Plans of America Applauds GAO Report Card Calling for Improved CMS Oversight in States' Medicaid Managed Care Rate-Setting

Washington, DC; August 4, 2010 — Today, Medicaid Health Plans of America (MHPA) responded to a U.S. Government Accountability Office (GAO) report that found that the Centers for Medicare & Medicaid Services (CMS) has not been consistently reviewing states' compliance with actuarial soundness requirements (developed in accordance with actuarial principles, appropriate for the population and services, and certified by actuaries) in setting Medicaid managed care rates. According to MHPA, states not meeting this standard could lead to failure of plans being paid at appropriate rates, resulting in decreased access of our nation's poor to quality health care.

"Federal law mandates that states provide Medicaid health plans with prepaid capitated payments that are actuarially sound, a requirement which helps these health plans obtain adequate reimbursement and provide needed care," explained Thomas L. Johnson, President & CEO of MHPA. "States, however, use a variety of rate-setting methods that are often influenced by state budgetary factors and not by the cost of health care expenditures. While CMS is required to certify that states' rates are actuarially sound, Medicaid health plans have long felt that enforcement of this requirement through the CMS regional offices has been inconsistent. The findings of this study confirm the experiences of our member health plans."

The report by the GAO, the investigative arm of Congress, is titled *Medicaid Managed Care: CMS's Oversight of States' Rate Setting Needs Improvement*, and cited variation in CMS regional office practices as a contributing factor to this inconsistency. For instance, the extent to which regional offices tracked state compliance with actuarial soundness requirements differed among the various offices as well as the criteria used to determine actuarial soundness. The report also noted CMS's limited ability to ensure the quality of data used in rate setting due to lack of minimum data standards and quality reporting requirements in CMS regulations. To address these issues, the GAO recommends that CMS implement a mechanism to track state compliance with the actuarial soundness requirements, clarify guidance for CMS officials on rate-setting reviews, and make use of available information on data quality.

"Medicaid managed care rates can significantly affect the viability of Medicaid health plans and their ability to deliver quality health care to our nation's most vulnerable populations," noted Mr. Johnson. "We agree with Senate Finance Committee Chairman Baucus and Ranking Member Grassley in their statement today that CMS must improve its oversight to ensure that states are paying accurate rates to Medicaid health plans. The GAO recommendations to help CMS in this effort are definitely a step in the right direction. MHPA looks forward to working with CMS to address this important issue."

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Medicaid Health Plans of America (MHPA) is the leading trade association solely focused on representing Medicaid health plans. MHPA provides advocacy, research and organized forums that support the development of policy solutions to enhance the delivery of quality health care. For more information, visit <http://www.mhpa.org> or email us at info@mhpa.org.