

# Managed Care Capitation Rate Setting

State of Michigan, Department of Health and Human Services

Presented by  
Robert M. Damler, FSA, MAAA  
Principal and Consulting Actuary

Chris T. Pettit, FSA, MAAA  
Principal and Consulting Actuary

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## Managed care capitation rates

Represents projected average cost to provide healthcare to covered members

- Capitation payments made by the state to Medicaid health plans

Developed using Medicaid health plan submitted data

- Claim level encounter data submitted for each service/admission/prescription
- Established on a statewide basis

Certified by actuary and reviewed by federal government

- Performed on annual basis
- Complies with actuarial standards of practice and regulations



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## Capitation rate setting process

Receive and summarize  
encounter data

Base data adjustments

Adjust for program changes  
and prospective trends

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## Validation of the data for rate setting

### Macro level

- Continuous monitoring of submitted data
- Month-to-month and year-over-year comparisons
- Reasonability of per member per month values
- Comparison with other data sources (Financials, EQI, surveys, etc.)

### Micro level

- Review completeness of the data
- Validating expenditures at a service category level
- Identifying variability across health plans
- Checking reimbursement levels

### Confirm with health plan

- Encounter Quality Initiative (EQI) process
- Sharing monthly emerging encounter data via dynamic tool
- Confirming items not reflected in submitted data

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