

A decorative graphic consisting of a large orange circle on the left side, partially overlapping a horizontal orange bar. The bar contains the text 'Targeted Case Management: Rate Setting'. The bar is enclosed in large white and orange brackets on the left and right sides respectively.

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.
 - $\$17 \times 4 \text{ units/hr} \times 2080 \text{ working hours/yr.} =$
\$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

$$\frac{\text{Total Allowed Cost}}{\text{2,080 hours – G\&A time}} = \text{TCM Rate}$$

*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

State Plan Language

- 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!