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June 21, 2024

Ms. Elizabeth Matney
Iowa Medicaid Director
Department of Health and Human Services
1305 East Walnut Street
Des Moines, IA 50319-0114

PROPRIETARY AND CONFIDENTIAL

Subject: **SFY25 Hawki Dental Capitation Rate Development**

Dear Ms. Matney:

Thank you for the opportunity to assist the Department of Health and Human Services (HHS) and Iowa Medicaid with the development of the SFY25 Healthy and Well Kids in Iowa (Hawki) dental capitation rates. The following report summarizes the methodology for the development of these capitation rates, effective July 1, 2024 – June 30, 2025 (SFY25). We have also provided our actuarial certification for these rates, compliant with CMS guidelines and requirements. Please email me at barry.jordan@optumas.com or call me at 480.588.2492, or email Stephanie at stephanie.taylor@optumas.com if you have any questions.

Sincerely,

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Director/Consulting Actuary, CBIZ Optumas

Stephanie Taylor, ASA, MAAA
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CC: Joanne Bush, Iowa Medicaid
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State of Iowa

Hawki Dental Actuarial Certification

July 1, 2024 – June 30, 2025 Capitation Rates

Table of Contents

Executive Summary

Background

This report provides documentation and actuarial certification for the State of Iowa's Healthy and Well Kids in Iowa (Hawki) dental capitation rate development for rates effective July 1, 2024 – June 30, 2025 (SFY25).

The State of Iowa implemented the Children's Health Insurance Program (CHIP) in 1997 and the "dental-only plan" on March 1, 2010 to provide health care coverage for children and families whose income is too high to qualify for Medicaid but cannot afford independent health coverage. The Hawki dental program provides dental services to children 18 and under, with full access to routine dental benefits. Orthodontia services had historically been reimbursed outside of the capitation rates and were provided to members if deemed medically necessary but were carved into the capitation rates effective starting July 1, 2023 (SFY24). Members enrolled in the program are limited to dental services up to $1,000 per year, excluding any medically necessary orthodontic services. The Hawki dental program is administered under Title XXI of the Social Security Act and Iowa Code Chapter 86. Dental services for the Hawki program are provided via a single dental plan, Delta Dental of Iowa (DDIA).

As the consulting actuaries to the Iowa Department of Health and Human Services (HHS) and Iowa Medicaid, CBIZ Optumas (Optumas) ensured that the methodology used to develop the SFY25 Hawki dental capitation rates complied with the Centers for Medicare & Medicaid Services (CMS) guidance for the development of actuarially sound rates, 42 CFR §438.4, as well as 438.5, 438.6, and 438.7. Optumas worked with HHS and Iowa Medicaid to identify the necessary rate development components for the July 1, 2024 – June 30, 2025 rating period, accounting for the covered services and populations as described in the Hawki dental contract. The final rates were developed according to actuarially sound principles and reasonably reflect the experience projected for the SFY25 Hawki dental program.

This document is structured consistent with the CMS 2024-2025 Medicaid Managed Care Rate Development Guide. Since the Hawki dental program only covers dental services for the CHIP Hawki population, Sections II and III of the CMS guidance regarding long-term services and supports and the new adult group populations are not applicable but have been included for completeness.

Summary of Capitation Rates

In developing the SFY25 capitation rates, Optumas adhered to guidance provided by CMS in accordance with 42 CFR 438.4, the CMS standards for developing actuarially sound capitation rates for Medicaid managed care programs. CMS defines actuarially sound rates as meeting the following criteria:

1. They have been developed in accordance with generally accepted actuarial principles and practices.
2. They are appropriate for the populations to be covered and the services to be furnished under the contract.

3. They have been certified by an actuary who meets the qualification standards established by the American Academy of Actuaries and follows practice standards established by the Actuarial Standards Board.

Optumas specifically considered the following Actuarial Standards of Practice (ASOPs) when developing the Hawki dental capitation rates:

- ASOP 5 – Incurred Health and Disability Claims
- ASOP 23 – Data Quality
- ASOP 41 – Actuarial Communications
- ASOP 49 – Medicaid Managed Care Capitation Rate Development and Certification

Optumas worked in conjunction with Iowa Medicaid to develop an appropriate rate setting methodology which incorporated the necessary adjustments to ensure that the rates for the contract period were reasonable, appropriate, and attainable. The body of this document outlines the CMS 2024-2025 Medicaid Managed Care Rate Development Guide with compliance to each section discussed in detail. The certified capitation rates for the Hawki dental managed care program, effective July 1, 2024 - June 30, 2025, can be found in *Table 1* below as well as in Appendix II.

Fiscal Impact Estimate

The aggregate fiscal impact of the SFY25 Hawki dental program rate changes is a decrease of $1.1M based on SFY23 enrollment. The fiscal impact of the SFY25 certified capitation rates, gross withhold, compared to the SFY24 rates, gross withhold, is shown in *Table 1* below.

Table 1. Hawki Dental Program Fiscal Impact

Rate Cell	SFY23 MMs	SFY25 Rates	SFY24 Rates	Percent Difference	PMPM Difference	Total Dollar Change
CHIP - Hawki	651,200	$26.95	$28.68	-6.01%	($1.72)	($1,121,982)

Rate Development Summary

A brief description of each component in the rate development process is shown in *Table 2* below. Each step of the SFY25 rate development will be discussed in further detail throughout the remainder of the document.

Table 2: Rate Development Process

Adjustment	Overview
Base Data	The base data for the SFY25 rate development includes SFY23 Hawki claims data received from DDIA and corresponding Hawki dental MMIS capitation payments.
Reporting/Incurred but not Reported (IBNR) Adjustment	Evaluation of reporting and IBNR factors by comparing the raw non-subcapitated claims data to the MCO reported financials.

Adjustment	Overview
Trend	Trend projections were created to account for the forecasted change in utilization and unit costs from the base to the contract period.
Non-Medical Loading	Administrative load to account for non-medical expenditures incurred by the Dental Managed Care Plan as well as a profit, risk, and contingency margin.

Appendices

Detailed tables containing data summaries, analyses, and assumptions used within the SFY25 rate development are shown within the appendices.

Appendix I contains a summary of the SFY25 Hawki dental capitation rate development, illustrating each component of the rate development outlined in *Table 2* above.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

i. Rate Range Standards

Optumas understands that unless otherwise stated, all standards and documentation expectations outlined in the CMS rate development guide for capitation rates also apply for the development of the upper and lower bounds of rate ranges, in accordance with 42 CFR §438.4(c). It should be noted that Optumas is certifying capitation rates and not capitation rate ranges. As such, any sections pertaining only to capitation rate ranges are not applicable but have been included for completeness.

ii. Contract Period

The rates contained in this certification are effective for the one-year period from July 1, 2024 through June 30, 2025 (SFY25).

iii. Required Components

Letter from Certifying Actuary

The rates contained in this document have been certified by Barry Jordan, Member of the American Academy of Actuaries (MAAA), and a Fellow of the Society of Actuaries (FSA) and Stephanie Taylor, Member of the American Academy of Actuaries (MAAA), and an Associate of the Society of Actuaries (ASA). Mr. Jordan and Ms. Taylor meet the requirements for an actuary in 42 CFR §438.2 and have certified that the final capitation rates meet the standards in 42 CFR §438.3(c), 438.3(e), 438.4, 438.5, 438.6, and 438.7. The certification letter is included at the end of this document.

Final Certified Capitation Rates

The final and certified capitation rates for all rate cells are provided in Appendix II in accordance with 42 CFR §438.4(b)(4) and 42 CFR §438.3(c)(1)(i).

Description of Program

The SFY25 capitation rates described throughout this document have been developed specifically for the Hawki dental managed care program; services under this program are currently provided via Delta Dental of Iowa (DDIA). The Hawki dental program is a statewide managed care program covering dental benefits for Hawki beneficiaries ages 18 and under whose family income is less than 302 percent of the Federal Poverty Level and began operating March 1, 2010. Age bands do not exist within the Hawki capitation rate development; therefore, only one rate cell exists for the entire population, consistent with prior cycles of rate development. The table below shows the rating categories of service that were used within the SFY25 rate development.

Table 3. Covered Services

Categories of Service (COS)	
Adjunctive General Services	Periodontics
Diagnostic	Preventive
Endodontics	Prosthodontics, Removable
Miscellaneous	Prosthodontics, Fixed
Oral & Maxillofacial Surgery	Public Health Services
Orthodontia (included beginning SFY24)	Restorative

The comprehensive dental services covered within the SFY25 contract period are consistent with the services covered within the SFY24 contract period.

The certification letter includes documentation for the following special contract provisions related to payment underlying the capitation rates:

- Withhold arrangement,
- Risk Corridor, and
- Minimum medical loss ratio requirement

If the State and Optumas determine that a retroactive adjustment to the capitation rates is necessary, these retroactive adjustments will be certified by an actuary in a revised certification and submitted as a contract amendment in accordance with 42 CFR §438.7(c)(2). The revised rate certification will include a description of the rationale for the adjustment, the data, assumptions, and methodologies used to develop the magnitude of the adjustment, whether the State adjusted rates in the rating period by a *de minimis* amount in accordance with 42 CFR §438.7(c)(3) prior to the submission of the rate amendment and will address and account for all differences form the most recently certified rates.

iv. Differences Among Capitation Rate Assumptions

Since there is only one rating cohort for this program, all populations receive the same federal match rate and any differences in the assumptions, methodologies, and factors used to develop the SFY25 Hawki capitation rate for the covered population are based on valid rate development standards that represent actual cost differences in providing covered services to the covered population. Any differences in the assumptions, methodologies, and factors used to develop the SFY25 Hawki capitation rate do not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs.

v. Rate Cell Cross-Subsidization

There is no rate cell cross-subsidization within the SFY25 Hawki dental capitation rates.

vi. Program Change Dates

The assumptions used for development of the SFY25 Hawki dental capitation rates are consistent with the effective dates of changes to the Hawki dental program. The assumptions and adjustments are described in greater detail in Section I.2 in this document.

vii. MLR

The Hawki dental capitation rates were developed using generally accepted actuarial practices and principles. The rates were developed in such a way that they provide reasonable, appropriate, and attainable non-benefit costs and that each plan would reasonably achieve a medical loss ratio (MLR) of at least 85% for the contract period. As part of the Iowa Hawki dental contract, the State requires a minimum MLR of 87.75% for the dental plan within the program. Further details on this arrangement are described within the Risk-Sharing Mechanisms portion of this document.

viii. Rate Range Certification

This document certifies the specific SFY25 Hawki dental capitation rate and does not certify a capitation rate range.

ix. Rate Range Documentation

This document certifies the specific SFY25 Hawki dental capitation rate and does not certify a capitation rate range.

x. Generally Accepted Actuarial Practices

Reasonable, Appropriate, and Attainable Costs

All adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate, and attainable costs in the actuary's judgment and are included in the rate certification.

Adjustments Outside the Rate Setting Process

No adjustments are made outside of the rate setting process described in the rate certification. Adjustments to the rates that are performed outside of the rate setting process described in the rate certification are not considered actuarially sound under 42 CFR §438.4.

Final Contracted Rates

Consistent with 42 CFR §438.7(c) and 438.4(c)(2)(i), the final contracted rates in each rate cell match the capitation rates in the rate certification.

xi. Rate Certification Periods

The rates in this document were developed for the SFY25 contract period and are certified for the SFY25 period, effective from July 1, 2024 through June 30, 2025.

xii. COVID-19 PHE

Optumas has included narrative support describing the evaluation conducted, and the rationale for any applicable assumptions included in the rate development related to the COVID-19 PHE within the applicable sections of this rate certification.

xiii. Amendments

FFP

The State of Iowa intends to claim FFP for the Hawki dental capitation rates and will comply with the time limit for filing claims for FFP specified in section 1132 of the Social Security Act and implementing regulations at 45 CFR Part 95.

Changes to Rates

Any changes to the rates will result in the submission of a new rate certification, except for changes permitted as specified in 42 CFR §438.7(c) or 42 CFR §438.7(c)(3).

Contract Amendments

If contract amendments revise the covered populations, services furnished under the contract, or other changes that could reasonably change the rate development and rates, supporting documentation will be provided indicating the rationale as to why the rates continue to be actuarially sound in accordance with 42 CFR §438.4.

Limited Payment Changes

Supporting documentation rather than a new or revised certification will be provided to CMS if the actuarially sound capitation rates per rate cell outlined in this certification increase or decrease, as required in 42 CFR §438.7(c) and 438.4(b)(4), up to 1.5 percent during the rating period, in accordance with 42 CFR §438.7(c)(3).

Other Changes

A contract amendment will be submitted any time a rate changes for any reason other than application of an approved payment term included in the initial managed care contract. There are currently no approved payment terms associated with the Hawki dental managed care contracts expected to be implemented within the SFY25 contract period.

Changes in Federal Statutes or Regulatory Authority

Optumas and Iowa Medicaid will submit a rate amendment if any Hawki dental program features are invalidated by courts of law, or by changes in federal statutes, regulations, or approvals. The rate amendment will adjust the capitation rates to remove costs that are specific to any program or activity that is no longer authorized by law, taking into account the effective date of the loss of program authority.

B. Appropriate Documentation

i. Certification of Capitation Rates or Rate Ranges

This document certifies the specific SFY25 Hawki dental capitation rate and does not certify a capitation rate range.

ii. Documentation of Data, Assumptions, and Methodology

Data used, secondary data sources, justification for assumptions, and methods for analyzing data and developing adjustments are described in the relevant sections of this certification letter.

iii. MLR

The Hawki dental capitation rates were developed using generally accepted actuarial practices and principles. The rates were developed in such a way that they provide reasonable, appropriate, and attainable non-benefit costs and that each plan would reasonably achieve a medical loss ratio (MLR) of at least 85% for the contract period. As part of the Iowa Hawki dental contract, the State requires a minimum MLR of 87.75% for the dental plan within the program. Further details on this arrangement are described within the Risk-Sharing Mechanisms portion of this document.

iv. Rating Assumption Variations

This document provides rate certification for the Hawki dental program, and the actuaries certify to a specific rate, not rate range, in accordance with 42 CFR §438.4(b)(4) and 438.7(c). The certification discloses and supports the specific assumptions that underlie the certified rate, including the magnitude and narrative support for each specific assumption or adjustment.

v. Rate Range Requirements

This document certifies the specific SFY25 Hawki dental capitation rate and does not certify a capitation rate range.

vi. Index

This rate certification follows the structure of the CMS 2024-2025 Medicaid Managed Care Rate Development Guide. The table of contents at the beginning of this document serves as an index that documents the page number or the section number for the items described within the guidance. Inapplicable sections of the guidance are included for completeness and marked as “Not Applicable.”

vii. FFP Assurance

Optumas confirms that any proposed differences in the assumptions, methodologies, or factors used to develop the capitation rate for the covered population complies with 42 CFR §438.4(b)(1), and that any

differences in the assumptions, methodologies, or factors used to develop the capitation rate for the covered population are based on valid rate development standards that represent actual cost differences in providing covered services to the covered population, and that these differences do not vary with the rate of FFP associated with the population in a manner that increases federal costs.

viii. Federal Medical Assistance Percentage (FMAP)

Since the Hawki dental program only covers individuals in the Children's Health Insurance Program (CHIP), all populations receive the same FMAP.

ix. Rate Change Comparison

The SFY25 Hawki dental program capitation rates, gross withhold, compared to the SFY24 certified rates, gross withhold, can be found below in *Table 4*.

Table 4. Hawki Dental SFY24 and SFY25 Capitation Rate Comparison

Rate Cell	SFY23 MMs	SFY25 Rates	SFY24 Rates	Percent Difference
CHIP - Hawki	651,200	$26.95	$28.68	-6.01%

The SFY25 Hawki capitation rates, gross withhold, compared to the SFY24 Hawki certified rates, gross withhold, can also be found in Appendix II.

In general, the SFY25 Hawki capitation rates saw a modest decrease from SFY24. The primary driver of the rate change is the updated SFY23 base data. All other material changes to the capitation rates compared to the prior rating period are addressed in other sections of this guidance.

x. Known Amendments

There are no known amendments associated with the SFY25 contract period.

xi. COVID-19 Public Health Emergency Documentation

State-Specific, National, or Regional Data and Information

Optumas used Iowa state specific data in determining how to address the COVID-19 PHE in rate setting. Optumas reviewed January 2022 through January 2024 IA Hawki claims and enrollment data to determine whether an acuity adjustment was needed for the SFY25 rates.

Description of Direct and Indirect Impacts

The SFY25 Hawki capitation rates directly account for the impacts of the COVID-19 PHE on member behavior and changes in utilization by using SFY23 data as the base data period. The SFY25 Hawki rates do not include an acuity adjustment since Optumas did not see a material change in per-member per-

month (PMPM) costs throughout the later part of CY23 as the PHE continuous enrollment requirement continued to unwind. Due to Iowa reinstating eligibility redeterminations, membership within the Hawki dental program has continued to increase throughout SFY24 as children who were no longer eligible for Medicaid shifted from the Dental Wellness Plan Kids program into the Hawki dental program. Since the emerging experience for SFY24 shows no material change in PMPMs even with the increase in membership, no explicit adjustment has been made for acuity changes.

Non-Risk Basis Costs

There are no COVID-19 related costs that are covered on a non-risk basis outside of the capitation rates for the Hawki dental program.

Risk Mitigation Strategies

Consistent with the SFY24 contract period, a two-sided risk corridor and minimum MLR requirement remain in place for the Hawki dental program for the SFY25 contract period.

2. Data

A. Rate Development Standards

i. Base Data

Encounter Data, FFS Data, and Audited Financial Reports

As part of the SFY25 rate setting process, Optumas received detailed Hawki dental MMIS encounter data and capitation data for incurred dates between January 1, 2015, through December 31, 2023, submitted through January 31, 2024. The detailed enrollment information was merged on to the encounters to ensure that the base data used for rate development was only for members with valid Hawki eligibility. The State also provided Optumas with the most recent financial report for Delta Dental which was used to help validate the MMIS encounter data. When comparing the expenditures in DDIA's financial report to the MMIS encounter data, Optumas observed that the MMIS data was understated by approximately 37% for October 2022 through December 2022 (SFY23 Q2). The other three quarters of SFY23 encounter data benchmarked well to the financials, but the aggregate SFY23 encounters were underreported by approximately 10% due to the SFY23 Q2 missing encounters. As a result, DDIA submitted an additional claims extract for incurred dates between January 2022 through February 2024 for use in rate development. After validating the supplemental claims data through benchmarking to the MMIS encounters and submitted financials, Optumas used DDIA's ad hoc claims data for developing the base data, along with the MMIS capitation data.

Appropriate Base Data

Optumas selected SFY23 (July 1, 2022 – June 30, 2023) claims data as the base data period for the SFY25 rate development. Optumas deemed this the most appropriate base data since it was the most recent and complete year of data available and is comprised of experience with inherent impacts of the COVID-19 pandemic and PHE.

Medicaid Population

The SFY23 base data used for rate setting represents detailed claims data and enrollment for the Hawki population in Iowa.

Exceptions

The base data used for rate development falls within the most recent and complete three years prior to the rating period so no request for an exception is necessary.

B. Appropriate Documentation

i. Base Data

Optumas relied on SFY23 Hawki claims data submitted by DDIA and MMIS capitation data provided by HHS and Iowa Medicaid as the base data for the SFY25 rate development.

ii. Rate Development Data

Optumas relied on SFY23 claims data submitted by DDIA as the base data for rate development. A summary of the SFY23 base data can be found in Appendix I.A.

No services rendered through the Hawki dental program are provided through subcontractors with the dental plan; thus, there are no sub-capitated arrangements or payments present in the claims data used as the basis for rate development.

To ensure compliance with ASOP 23 – Data Quality, Optumas conducted the following data validation analyses:

1. **Referential Integrity Checks** – Optumas ensured that all claims and encounters included in the base data were incurred by a member with a valid Medicaid eligibility span that coincided with the incurred date associated with the specific claim.

2. **Volume Checks** – Optumas checked both volume of claims and total dental service expenditures by looking at utilization, unit cost, and per-member per-month expenditures totals longitudinally. This ensured that any gaps or spikes in the data were identified and addressed before creating the base data. No additional adjustments to the SFY23 base data were required after switching to use SFY23 DDIA claims rather than the SFY23 MMIS encounters.

3. **Benchmark Comparison** – Optumas compared summarized data to other base data summaries used in reference dental programs in other states for benchmarking purposes. Additionally, Optumas compared the encounter and claims data to the reported financials from the Hawki dental plan to ensure consistency of the data across sources and that the SFY23 base data used for rate development was complete.

Optumas relied upon the claims provided by DDIA and the capitation data provided by Iowa Medicaid as the basis of rate setting. Optumas determined that the data used was suitable for the purpose of developing actuarially sound rates for the SFY25 contract period since there were no concerns over the availability or quality of the data received in DDIA's supplemental claims data.

iii. Adjustments

Data Credibility

No adjustments were necessary to account for the credibility of the data.

Completion Factors

Optumas summarized the detailed SFY23 base data and compared it to the financial data shared by the dental plan. Optumas determined that a Reporting/IBNR adjustment was unnecessary due to sufficient runout in the claims data submission provided by DDIA. A placeholder Reporting/IBNR adjustment of 0% was included in the rate summaries for completeness and can be found in Appendix I.B.

Errors in Data

Optumas benchmarked and validated the data and concluded that no errors existed within the data.

Program Changes

No program changes impacting the Hawki program have occurred between the SFY23 base data and SFY25 contract period.

Service and Payment Exclusions

Optumas ensured that only services included in the contract were considered for rate development.

3. Projected Benefit Costs and Trends

A. Rate Development Standards

i. Services Allowed

Final capitation rates are based only upon the services allowed in 42 CFR §438.3(c)(1)(ii) and 438.3(e).

ii. Trend Assumptions

In accordance with 42 CFR §438.5(d), each projected benefit cost trend assumption is reasonable and developed in accordance with generally accepted actuarial principles and practices. Trend assumptions are developed primarily from actual experience of the Hawki population and include consideration of other factors that may affect projected benefit cost trends through the rating period.

Trend factors were applied to estimate the change in utilization rate (frequency of services) and unit cost (pure price change, technology, acuity/intensity, and mix) of services over time. These trend factors were used to project the costs from the base period to the contract period. Trends were developed on an annualized basis and applied by major category of service (e.g., Preventive, Diagnostic, etc.) for the Hawki population. Prospective trends were applied from the midpoint of the SFY23 base data to the midpoint of the SFY25 contract period.

Prior to reviewing historical Hawki dental experience, Optumas normalized the SFY23 base data for any applicable programmatic changes, to ensure that the impact of these changes was not duplicated as both a rating adjustment and as trend. Once this was done, the claims data was arrayed by COS and month of service, so that historical utilization/1,000, unit cost, and PMPMs could be reviewed. The data was arrayed so that 3-month moving averages (MMA), 6 MMA, and 12 MMA could be calculated. In general, a combination of these three metrics was used to determine prospective trends. However, there is not a pre-determined algorithm in place and trend assumptions vary based on nuances within a COS; given that prospective trend is a projection of future experience, it is necessary to make adjustments considering that historical trend experience may differ from what will materialize in the future.

The annualized prospective utilization and unit cost trend assumptions by rating category of service are included within Appendix I.C.

iii. In-Lieu-Of Services

Rate setting for the SFY25 Hawki dental program capitation rates does not include in-lieu-of services.

iv. Projected In-Lieu-of Services Cost Percentage and Managed Care Costs

Rate setting for the SFY25 Hawki dental program capitation rates does not include in-lieu-of services.

v. IMD as In-Lieu-of Service

Services covered under the Hawki dental program only consist of certain dental procedures. As such, IMD benefits are not applicable to the Hawki dental program SFY25 rate development.

B. Appropriate Documentation

i. Final Projected Benefit Costs

The rate certification documents the final projected benefit costs by rate cell in Appendix I.C.

ii. Development of Projected Benefit Costs

Description of Data, Assumptions, and Methodologies

As described in the Trend Assumptions section above, Optumas relied on the claims data provided by DDIA for the development of projected benefit cost trends and therefore projected costs of the SFY25 contract period. No material changes to the data, assumptions, and methodologies used outside of the program change adjustments previously described have occurred since the SFY24 rate certification.

Changes to Data, Assumptions, and Methodologies

Projected costs were developed in a manner consistent with the development of the SFY24 rates and generally accepted actuarial principles and practices.

Overpayments to Providers

Prior to summarizing the SFY23 base data used for rate development, the detailed data was adjusted to include only last-in-chain, or final, versions of claims for Hawki dental covered services.

iii. Projected Benefit Cost Trends

The Trend Assumptions section above describes the methodologies Optumas used to develop projected dental benefit trends. Optumas relied on the historical data and emerging experience for the periods between January 1, 2022 – December 31, 2023 Hawki claims provided by DDIA as the primary basis for trend development. The annual utilization and unit cost trend assumptions are shown within Appendix I.C.

iv. Mental Health Parity and Addiction Equity Act

The Mental Health Parity and Addiction Equity Act is not applicable to the Hawki dental program since only dental services are covered within the program.

v. In-Lieu-Of Services

In-lieu-of services do not exist within the SFY25 Hawki dental rate development.

vi. Retrospective Eligibility

Retrospective eligibility dates have not historically been covered by the Hawki dental program and will not be covered during the SFY25 contract period.

vii. Changes in Covered Benefits

No material changes to covered benefits or services have occurred since the last rate certification.

viii. Impact of Changes

The impact of the policy changes in effect between the SFY23 base data and the SFY25 contract period are shown in Appendix I. All policy changes related to changes in covered benefits or services have been accounted for and itemized within the rate development. No other policy changes or adjustments applicable to the Hawki dental program were deemed to be immaterial or were excluded from the rate development.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

There are no incentive arrangements included in the contract between the State and the dental plan in the Hawki dental program.

B. Withhold Arrangements

i. Rate Development Standards

Per the SFY25 Hawki dental contract, 2.0% of premium is withheld by the State of Iowa and the dental plan can earn back the withhold to the extent that specific quality and performance measures are met as stated in the contract. These quality and performance measures are distinct from general operational requirements under the contract.

Per CMS guidance, contracts that provide for a withhold arrangement must ensure that the capitation payment minus any portion of the withhold that is not reasonably achievable is actuarially sound as determined by an actuary. The total amount of the withhold, achievable or not, must be reasonable and take into consideration the MCO's, PIHP's or PAHP's financial operating needs accounting for the size and characteristics of the populations covered under the contract, as well as the MCO's, PIHP's or PAHP's capital reserves as measured by the risk-based capital level, months of claims reserve, or other appropriate measure of reserves.

The estimated percentage of the withhold that is expected to be earned back is between 75% and 100% based on a review of the amounts earned back for the SFY23 contract period as well as the specific measures in place for SFY25. As part of the rate development, Optumas has evaluated the capitation rate alongside the 2.0% withhold and determined that the capitation rate net of the expected withhold earn back results in net capitation rates that are actuarially sound and consistent with the CMS guidance mentioned above.

Appendix II shows the SFY25 capitation rates, gross and net of the withhold.

ii. Appropriate Documentation

The withhold arrangement is applicable for the entire SFY25 contract period and the purpose of the withhold arrangement is to incentivize the dental plans to meet specific quality and performance measures as stated in the SFY25 contract. The total percentage of the withhold arrangement is 2.0% of the final certified capitation rates, after non-medical load has been applied.

The Hawki dental specific withhold arrangement and performance metrics had no impact on the development of the capitation rate; all rating adjustments made within the capitation rate development were made independent of any consideration to the withhold arrangement.

To the extent that the dental plan does not earn back the withhold, the payment rate would still be reasonable and appropriate for the covered services and population and the resulting rate would still be actuarially sound.

C. Risk-Sharing Mechanisms

i. Rate Development Standards

This section provides supporting documentation and describes the risk-sharing arrangements between the State and the dental plan. During the SFY25 contract period there will be a program-wide risk corridor. Optumas worked with the State to develop a program-wide risk corridor based on the aggregate MLR percent experience across all services. The profit and loss shares for the plan and the State for the different risk corridor bands are shown in the table below.

Table 5: Delta Dental SFY25 Risk Corridor Arrangement

SFY25 Risk Corridor Bands		Profit/Loss Share	
Min. Threshold %	Max Threshold %	Dental Plans	State
0%	87.75%	0%	100%
87.75%	89.75%	100%	0%
89.75%	91.75%	100%	0%
91.75%	91.75%+	0%	100%

The risk corridor reconciliation will be applied prior to the calculation of the minimum MLR and any recoupments necessary between the MCO and State will be incorporated as an adjustment to revenue prior to the minimum MLR calculation.

ii. Appropriate Documentation

The overall MLR risk corridor percentage is calculated as total adjusted dental expenditures divided by the total capitation revenue for the SFY25 period. Adjusted dental expenditures shall be determined by the State/Optumas based on encounter data and plan financial data submitted by the dental plan. Items like fraud, waste, and abuse, or activities that improve health care quality or other administrative-related expenditure, are not considered in the numerator of the MLR risk corridor calculation.

Adjusted dental expenditures only include services covered by the Hawki dental contract and may include valued-based purchasing arrangements or other provider incentives that were pre-approved by the State on a prospective basis. The dental plan may provide value-add services to enrollees that are in addition to those covered under the State Plan. The cost of these value-add services may not be included within the dental expenditures portion of the risk corridor calculation for the SFY25 contract period. Additionally, the risk corridor is anchored around the administrative load percent the plan. This ensures that the risk-sharing arrangement will not result in a remittance/payment based on the pricing assumptions used in the capitation rate development.

The implementation of the risk corridor and MLR requirement did not impact the development of the actuarially sound capitation rates or influence any of the adjustments made within rate development.

The minimum MLR is established as 87.75%. If a dental plan's claims experience for the contract period after the risk corridor reconciliation is less than 87.75%, the dental plan must refund the State the difference. The payment amount will be the amount that results in an 87.75% MLR relative to the effective net revenue, after risk corridor reconciliation. Plan submitted MMIS encounters and reported financials will be reconciled to the assumed experience included in the SFY25 rate to evaluate any MLR payments necessary after the risk corridor calculation reconciliation.

The methodology that will be used to calculate the MLR under the Hawki dental contract, to the extent each item exists within the contract period, is as follows:

A. The numerator for the MLR calculation will be comprised of the following components:

1. Incurred claims
2. IBNR estimate for claims incurred in contract period
3. Non-claim service-related payments (incentive and bonus payments)
4. Costs for Activities that Improve Health Care Quality (per 42 CFR §438.8 (e)(3))
5. Fraud prevention costs (per 42 CFR 438.8 (e)(4))
6. Reinsurance premiums less recoveries
7. Less related-party medical margin

   This will result in the sum of items 1-6, minus item 7.

B. The denominator for the MLR calculation will be comprised of the following components:

1. Capitation payments net of withhold
2. Earned withhold amount
3. Risk corridor reconciliation amount
4. Less other applicable federal/state taxes

   This will result in the sum of items 1-3, minus item 4.

The MLR calculation will then be conducted as the numerator (A) divided by the denominator (B). To the extent that A/B is below the established minimum MLR, a payment will be triggered from the dental plan to the State.

D. State Directed Payments

i. Rate Development Standards

There are no delivery system or provider payment initiatives applicable to the SFY25 Hawki dental program capitation rates.

ii. Appropriate Documentation

There are no delivery system or provider payment initiatives applicable to the SFY25 Hawki dental program capitation rates.

E. Pass-Through Payments

i. Rate Development Standards

There are no pass-through payments for the SFY25 Hawki dental program capitation rates.

ii. Appropriate Documentation

There are no pass-through payments for the SFY25 Hawki dental program capitation rates.

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Required Components

In accordance with 42 CFR §438.5(e), the development of the non-benefit component of the rate includes reasonable, appropriate, and attainable expenses related to the program administration, taxes, licensing and regulatory fees, contribution to reserves, risk margin, and cost of capital.

ii. PMPM and Percentage of Capitation Rates

Non-benefit costs were developed as a percentage of the capitation rates.

B. Appropriate Documentation

i. Development

Non-benefit costs were developed using financial data reported by the dental plan for SFY23 and emerging SFY24 experience along with a review of non-benefit costs in Medicaid programs from states with similar covered populations and services. In developing the non-benefit cost assumption, consideration was given to economies of scale and the changing covered population size as a result of the COVID-19 PHE unwinding.

ii. Cost Categories

The non-benefit cost load includes administrative costs and an allocation for profit, risk, and contingency. The profit, risk, and contingency component of the rates is 2% of premium.

iii. Historical Non-Benefit Cost Data

As described in the sections above, the historical non-benefit cost data provided by the dental plan was relied on when developing the non-medical load assumption within the SFY25 capitation rates. The plan provided financial information for the SFY23 and the first half of SFY24 experience periods. Optumas will continue to monitor the Hawki dental program non-benefit cost data provided by the dental plan in future rate development cycles.

6. Risk Adjustment

A. Risk Development Standards

i. Risk Adjustment

No risk adjustment methodology or relative risk factors were used in the development of the SFY25 Hawki dental capitation rates.

ii. Methodology

Not applicable, no risk adjustments were utilized to develop the SFY25 Hawki dental capitation rates.

B. Appropriate Documentation

i. Prospective Risk Adjustment

Not applicable, no prospective risk adjustments were made for the Hawki dental program in SFY25.

ii. Retrospective Risk Adjustment

Not applicable, no retrospective risk adjustments were made for the Hawki dental program in SFY25.

iii. Changes to Risk Adjustment Model and Budget Neutrality

Not applicable, no risk adjustments were made for the Hawki dental program for either SFY24 or SFY25 rate development.

7. Acuity Adjustments

A. Rate Development Standards

i. Acuity Adjustment

Not applicable, no acuity adjustments were made for the Hawki dental program in SFY25.

B. Appropriate Documentation

i. Description of Acuity Adjustment

Not applicable, no acuity adjustments were made for the Hawki dental program in SFY25.

Section II. Medicaid Managed Care Rates with Long-Term Services and Supports

The Hawki dental program only covers dental services for the Hawki population. Therefore, the following sections regarding Managed Long-Term Services and Supports (MLTSS) are not applicable to the Hawki dental program and have been omitted from this document.

Section III. New Adult Group Capitation Rates

The Hawki dental program only covers CHIP Hawki children under the age of 19. Therefore, the subsections of Section III regarding the New Adult Group (ACA Expansion population) are not applicable to the Hawki dental program and have been omitted from the certification letter.

Actuarial Certification Letter

We, Barry Jordan, Director/Consulting Actuary at Optumas and Member of the American Academy of Actuaries (MAAA) and a Fellow of the Society of Actuaries (FSA), and Stephanie Taylor, Senior Manager/Consulting Actuary at Optumas and Member of the American Academy of Actuaries (MAAA) and an Associate of the Society of Actuaries (ASA), certify the calculation of the capitation rates described in this certification letter. Appendix II contains the SFY25 capitation rate for the Hawki dental program. We meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time to time by the Actuarial Standards Board.

The capitation rates provided with this certification are considered actuarially sound for purposes of 42 CFR 438.4, according to the following criteria:

- The capitation rates have been developed in accordance with generally accepted actuarial principles and practices
- The capitation rates are appropriate for the populations to be covered, and the services to be furnished under the contract; and
- The capitation rates meet the requirements of 42 CFR 438.4.

The actuarially sound rates that are associated with this certification are effective July 1, 2024 through June 30, 2025 for the IA Hawki dental program.

The actuarially sound capitation rates are based on a projection of future events. Actual experience may vary from the experience assumed within the rate projection. The capitation rates offered may not be appropriate for any specific Managed Care Organization (MCO). An individual MCO should review the rates in relation to the benefits that it is obligated to provide to the covered population and to its specific business model. The MCO should evaluate the rates in the context of its own experience, expenses, capital, surplus, and profit requirements prior to agreeing to contract with Iowa Medicaid. As a result of this evaluation, the MCO may require rates above or below the actuarially sound rates associated with this certification.

Please feel free to contact Barry at 480.588.2492 or Stephanie at stephanie.taylor@optumas.com for any additional information.

Sincerely,

Barry Jordan, FSA, MAAA
Director/Consulting Actuary, CBIZ Optumas

Stephanie Taylor, ASA, MAAA
Sr. Manager/Consulting Actuary, CBIZ Optumas

Appendices

Appendix I: Rate Development

i. Appendix I.A: Base Data

	SFY23 Base Data					
Rate Cell	MMs	Dollars	Units	Util/K	Unit Cost	PMPM
CHIP - Hawki	651,200	$14,812,165	216,428	3,988	$68.44	$22.75

ii. Appendix I.B: Reporting/IBNR Adjustment

	Reporting/IBNR Adjustment			
Rate Cell	% Impact	Util/K	Unit Cost	PMPM
CHIP - Hawki	0.0%	3,988	$68.44	$22.75

iii. Appendix I.C: Trend

	Annual Trend Assumptions - Base Data to SFY25 Contract Period					
COS	Util/K Trend	UC Trend	PMPM Trend	Util/K	Unit Cost	PMPM
Adjunctive General Services	1.0%	3.0%	4.0%	21	$108.37	$0.19
Diagnostic	0.5%	1.5%	2.0%	1,454	$41.97	$5.08
Endodontics	0.5%	0.5%	1.0%	17	$187.77	$0.26
Miscellaneous	1.0%	3.0%	4.0%	0	$396.39	$0.00
Oral & Maxillofacial Surgery	0.5%	3.5%	4.0%	140	$159.40	$1.86
Orthodontia	0.5%	1.5%	2.0%	28	$1,776.63	$4.22
Periodontics	2.0%	2.0%	4.0%	3	$95.96	$0.02
Preventive	0.5%	1.5%	2.0%	1,774	$42.22	$6.24
Prosthodontics Removable	0.5%	0.5%	1.0%	0	$451.19	$0.01
Prosthodontics, Fixed	0.5%	0.5%	1.0%	0	$390.98	$0.00
Public Health Services	1.0%	4.0%	5.0%	163	$20.02	$0.27
Restorative	0.5%	0.5%	1.0%	430	$153.26	$5.49
Total CHIP – Hawki	**0.5%**	**1.4%**	**2.0%**	**4,030**	**$70.42**	**$23.65**

iii. Appendix I.D: Non-Medical Loading

	Non-Medical Load	
Rate Cell	NML %	Loaded PMPM
CHIP - Hawki	12.25%	$26.95

Appendix II: Payment Rates

Rate Cell	SFY23 MMs	SFY25 Rates	Withhold Percent	Withhold PMPM	Rates Net Withhold
CHIP - Hawki	651,200	$26.95	2.00%	$0.54	$26.41