



June 16, 2023

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

PROPRIETARY AND CONFIDENTIAL

Subject: SFY24 Hawki Dental Capitation Rate Development

Dear Ms. Matney:

Thank you for the opportunity to assist the Department of Health and Human Services (DHHS) and Iowa Medicaid with the development of the SFY24 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, 2023 – June 30, 2024 (SFY24). We have also provided our actuarial certification for these rates, compliant with CMS guidelines and requirements. Please send me an e-mail at barry.jordan@optumas.com or call me at 480.588.2492, or e-mail Dan at dan.skinner@optumas.com or call at 505.800.9525 if you have any questions.

Sincerely,

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State of Iowa

Hawki Dental Actuarial Certification

July 1, 2023 – June 30, 2024 Capitation Rates



CBIZ Optumas
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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, 2023 – June 30, 2024 (SFY24).

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 have historically been reimbursed outside of the capitation rates and are provided to members if deemed medically necessary, however are carved into the capitation rates effective starting 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.

As the consulting actuaries to the Iowa Department of Health and Human Services (DHHS) and Iowa Medicaid, CBIZ Optumas (Optumas) ensured that the methodology used to develop the SFY24 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 DHHS and Iowa Medicaid to identify the necessary rate development components for the July 1, 2023 – June 30, 2024 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 SFY24 Hawki dental program.

This document is structured consistent with the CMS 2023-2024 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 SFY24 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, and

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 2023-2024 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, 2023 - June 30, 2024, can be found in Table 1 below as well as in Appendix II.

Fiscal Impact Estimate

The aggregate fiscal impact of the SFY24 Hawki dental program rate changes is an increase of \$5.3M based on SFY22 enrollment. The primary driver is the inclusion of orthodontia in the SFY24 rates accounting for \$4.5M or 87.0% of the \$5.3M increase. The fiscal impact of the SFY24 certified capitation rates, gross withhold, compared to the SFY23 rates, gross withhold, is shown in Table 1 below.

Table 1. Hawki Dental Program Fiscal Impact

Rate Cell	SFY22 MMs	SFY24 Rates	SFY23 Rates	Percent Difference	PMPM Difference	Total Dollar Change
CHIP - Hawki	726,277	\$29.65	\$22.48	31.9%	\$7.17	\$5,208,250

Rate Development Summary

A brief description of each component in the rate development process is shown in Table 2 below. Each step of the SFY24 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 SFY24 rate development includes SFY22 Hawki MMIS encounter experience and corresponding Hawki dental capitation payments.

Adjustment	Overview
Orthodontia Coverage	The SFY24 rates include medically necessary orthodontia services to children under 19 years old. In contract periods prior to SFY24, orthodontia services were carved-out of the capitated rate and reimbursed through a non-risk invoice process with each dental plan.
Reporting/IBNR Adjustment	Developed reporting and IBNR factors by comparing the raw non-subcapitated encounter data to the MCO reported financials.
Trend	Trend projections are created to account for the forecasted change in utilization and unit costs from the base to the contract period.
Public Health Services Addition	Estimate for public health services newly added to the Hawki benefit package.
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 SFY24 rate development are shown within the appendices.

Appendix I contains a summary of the SFY24 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 the capitation rate and not capitation rate range. 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, 2023 through June 30, 2024 (SFY24).

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 Dan Skinner, Member of the American Academy of Actuaries (MAAA), and a Fellow of the Society of Actuaries (FSA). Mr. Jordan and Mr. Skinner 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. A letter from Mr. Jordan and Mr. Skinner 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 SFY24 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. 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 SFY24 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	Restorative
Public Health Services	Orthodontia (included beginning SFY24)

The comprehensive dental services covered within the SFY24 contract period are consistent with the services covered within the SFY23 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 from 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 SFY24 Hawki capitation rate for the covered population is 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 SFY24 Hawki capitation rate does 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 SFY24 Hawki dental capitation rates.

vi. Program Change Dates

The assumptions used for development of the SFY24 Hawki dental capitation rates is 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. Medical Loss Ratio

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 88% for the contract period. As part of the Iowa Hawki dental contract, the State requires a minimum MLR of 88.0% 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 SFY24 Hawki dental capitation rate and does not certify a capitation rate range.

ix. Rate Range Documentation

This document certifies the specific SFY24 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 SFY24 contract period and are certified for the SFY24 period, effective from July 1, 2023 through June 30, 2024.

xii. COVID-19 Public Health Emergency (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

Federal Financial Participation

The State of Iowa intends to claim Federal financial participation (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 and not 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 SFY24 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, considering 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 SFY24 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. 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.

iv. Rate Range Requirements

This document certifies the specific SFY24 Hawki dental capitation rate and does not certify a capitation rate range.

v. Index

This rate certification follows the structure of the CMS 2023-2024 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”.

vi. 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 is 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.

vii. FMAP

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

viii. Rate Change Comparison

The SFY24 Hawki dental program capitation rates, gross withhold, compared to the SFY23 certified rates, gross withhold, can be found below in Table 4.

Table 4. Hawki Dental SFY23 and SFY24 Capitation Rate Comparison

Rate Cell	SFY22 MMs	SFY24 Rates	SFY23 Rates	Percent Difference
CHIP - Hawki	726,277	\$28.68	\$22.48	27.6%

The SFY24 Hawki capitation rates, gross withhold, compared to the SFY23 Hawki certified rates, gross withhold, can be found in Appendix II.

In general, the SFY24 Hawki capitation rates saw modest increase from SFY23. Excluding the impact of adding orthodontia services, the primary driver of the rate changes are the updated SFY22 base data and non-medical load. All other material changes to the capitation rates compared to the prior rating period are addressed in other sections of this guidance.

ix. Known Amendments

There are no known amendments associated with the SFY24 contract period.

x. 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 CY19 through SFY22 IA Hawki claims and enrollment data, including reviewing average costs by member duration to derive the acuity adjustment described in this report.

Description of Direct and Indirect Impacts

The SFY24 Hawki capitation rates directly account for the impacts of the COVID-19 PHE by using SFY22 data as the base data period. The SFY22 base data period includes experience during the COVID-19 pandemic and PHE and reflects the changes in utilization and member behavior that have resulted due to the pandemic and PHE. The SFY24 Hawki rates do not include an acuity adjustment due to the anticipated increase in enrollment associated with member attribution from the DWP program into the Hawki program throughout SFY24 due to the end of the disenrollment freeze.

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 SFY23 contract period, a two-sided risk corridor and minimum MLR requirement remain in place for the Hawki dental program for the SFY24 contract period.

2. Data

A. Rate Development Standards

i. Base Data

Encounter Data, FFS Data, and Audited Financial Reports

As part of the SFY24 rate setting process, Optumas received detailed Hawki dental MMIS encounter data and capitation data for incurred dates between January 1, 2015, through December 31, 2022, paid through December 31, 2022. 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.

Appropriate Base Data

Optumas selected SFY22 (July 1, 2021 – June 30, 2022) encounter data as the base data period for the SFY24 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 SFY22 base data used for rate setting represents detailed encounter data and enrollment for the Hawki population in Iowa.

Exceptions

The base data used for this rate setting 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 SFY22 MMIS encounters and capitation data for the Hawki population in Iowa provided by DHHS and Iowa Medicaid as the base data for the SFY24 rate development. The use of MMIS encounters as the primary source of the base data used for rate setting consistent with the SFY23 rate development.

ii. Rate Development Data

Optumas relied on SFY22 MMIS encounter data as the base data for rate development. A summary of the SFY22 base data can be found in Appendix I.

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 MMIS encounter 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 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 SFY22 base data were required.
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 MMIS encounter data to the reported financials from the Hawki dental plan to ensure consistency of the data across sources and that the SFY22 base data used for rate development was complete.

Optumas relied upon the encounters and 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 SFY24 contract period since there were no concerns over the availability or quality of the data received from the State.

iii. Adjustments

Data Credibility

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

Completion Factors

Optumas summarized the detailed SFY22 base data and compared it to the financial data shared by the dental plan. Optumas developed a Reporting/IBNR adjustment by comparing the raw SFY22 encounter data to the plan reported financials inclusive of the plan-reported IBNR estimates through December 31, 2022. The combined Reporting/IBNR adjustment was applied in aggregate to the SFY22 base data

experience to reconcile these data sources and account for encounters not yet properly flowing through the MMIS system. The resulting Reporting/IBNR adjustment 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.

Service and Payment Exclusions

Optumas ensured that only services included in the contract were considered for rate development. While historically orthodontia services were carved out of the Hawki capitation rates and removed from the base data, these are now included within the base data due to the inclusion in capitation rates effective starting SFY24.

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) 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 SFY22 base data to the midpoint of the SFY24 contract period.

Prior to reviewing historical Hawki dental experience, Optumas normalized the SFY22 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 encounter 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 with 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 SFY24 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 SFY24 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 SFY24 rate development.

B. Appropriate Documentation

i. Final Projected Benefit Costs

The rate certification documents the final projected benefit costs 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 MMIS encounter data provided by the State for the development of projected benefit cost trends and therefore projected costs of the SFY24 contract period. No material changes to the data, assumptions, and methodologies used outside of the program change adjustments previously described have occurred since the SFY23 rate certification.

Changes to Data, Assumptions, and Methodologies

Projected costs were developed in a manner consistent with the development of the SFY23 rates and generally accepted actuarial principles and practices.

Overpayments to Providers

Prior to summarizing the SFY22 base data used for rate development, the detailed MMIS 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 July 1, 2021 – December 31, 2022 Iowa MMIS Hawki encounters provided by the State 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 SFY24 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 SFY24 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 SFY22 base data and the SFY24 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 SFY24 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 earn back for the SFY21 contract period. 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 SFY24 capitation rates, gross and net of the withhold.

ii. Appropriate Documentation

The withhold arrangement is applicable for the entire SFY24 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 SFY24 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 SFY24 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 SFY24 Risk Corridor Arrangement

SFY24 Risk Corridor Bands		Profit/Loss Share	
Min. Threshold %	Max Threshold %	Dental Plans	State
0.0%	88%	0%	100%
88%	90%	100%	0%
90%	92%	100%	0%
92%	92%+	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 SFY24 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 SFY24 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 88.0%. If a dental plan's claims experience for the contract period after the risk corridor reconciliation is less than 88.0%, the dental plan must refund the State the difference. The payment amount will be the amount that results in an 88.0% 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 SFY24 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 SFY24 Hawki dental program capitation rates.

ii. Appropriate Documentation

There are no delivery system or provider payment initiatives applicable to the SFY24 Hawki dental program capitation rates.

E. Pass-Through Payments

i. Rate Development Standards

There are no pass-through payments for the SFY24 Hawki dental program capitation rates.

ii. Appropriate Documentation

There are no pass-through payments for the SFY24 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 SFY21 and SFY22 along with a review of non-benefit costs in Medicaid programs from states with similar covered populations and services.

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 SFY24 capitation rates. The plan provided financial information for the SFY21 and SFY22 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 SFY24 Hawki dental capitation rates.

ii. Methodology

Not applicable, no risk adjustments were utilized to develop the SFY24 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 SFY24.

ii. Retrospective Risk Adjustment

Not applicable, no retrospective risk adjustments were made for the Hawki dental program in SFY24.

iii. Changes to Risk Adjustment Model and Budget Neutrality

Not applicable, no risk adjustments were made for the Hawki dental program for either SFY23 or SFY24 rate development.

iv. Acuity Adjustment

Not applicable, no acuity adjustments were made for the Hawki dental program in SFY24.

7. Acuity Adjustments

A. Rate Development Standards

i. Acuity Adjustment

Not applicable, no acuity adjustments were made for the Hawki dental program in SFY24.

B. Appropriate Documentation

i. Description of Acuity Adjustment

Not applicable, no acuity adjustments were made for the Hawki dental program in SFY24.

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 for the rate development of 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 Dan Skinner, Sr. Manager/Consulting Actuary at Optumas and Member of the American Academy of Actuaries (MAAA) and a Fellow of the Society of Actuaries (FSA), are certifying the calculation of the capitation rate described in this certification letter. Appendix II contains the SFY24 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, 2023 through June 30, 2024 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 their 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 Dan at 505.800.9525 for any additional information.

Sincerely,



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



Dan Skinner, FSA, CERA, MAAA
Sr. Manager/Consulting Actuary, CBIZ Optumas

Appendices

Appendix I: Rate Development

i. Appendix I.A: Base Data

	SFY22 Base Data					
Rate Cell	MMs	Dollars	Units	Util/K	Unit Cost	PMPM
CHIP - Hawki	726,277	\$16,978,724	76,027	1,256	\$223.32	\$23.38

ii. Appendix I.B: Reporting/IBNR Adjustment

	Reporting/IBNR Adjustment			
Rate Cell	% Impact	Util/K	Unit Cost	PMPM
CHIP - Hawki	0.3%	1,260	\$223.32	\$23.44

iii. Appendix I.C: Trend

	Annual Trend Assumptions - Base Data to SFY24 Contract Period					
COS	Util/K Trend	UC Trend	PMPM Trend	Util/K	Unit Cost	PMPM
Adjunctive General Services	5.0%	5.0%	10.3%	41	\$55.59	\$0.19
Diagnostic	0.5%	3.0%	3.5%	753	\$83.43	\$5.24
Endodontics	0.5%	3.0%	3.5%	3	\$1,086.34	\$0.30
Miscellaneous	0.5%	0.0%	0.5%	0	\$0.00	\$0.00
Oral & Maxillofacial Surgery	0.5%	3.0%	3.5%	40	\$518.81	\$1.73
Periodontics	2.0%	5.0%	7.1%	1	\$280.14	\$0.02
Preventive	0.5%	0.5%	1.0%	218	\$335.84	\$6.11
Prosthodontics Removable	0.5%	3.0%	3.5%	0	\$554.91	\$0.01
Prosthodontics, Fixed	0.5%	0.5%	1.0%	0	\$483.60	\$0.00
Restorative	4.0%	5.0%	9.2%	178	\$411.72	\$6.12
Public Health Services	0.5%	0.5%	1.0%	52	\$48.17	\$0.21
Orthodontia			1.5%			\$5.31
Total	1.1%	2.6%	3.8%	1,288	\$235.20	\$25.24

iv. Appendix I.D: Non-Medical Loading

	Non-Medical Load	
Rate Cell	NML %	Loaded PMPM
CHIP - Hawki	12.00%	\$28.68

Appendix II: Payment Rates

Rate Cell	SFY22 MMs	SFY24 Rates	Withhold Percent	Withhold PMPM	Rates Net Withhold
CHIP - Hawki	726,277	\$28.68	2.00%	\$0.57	\$28.10