

STATE OF IOWA DEPARTMENT OF  
**Health** AND **Human**  
**SERVICES**

**REQUEST FOR PROPOSAL (RFP)**

Iowa Dental Wellness Plan and Hawki Dental  
Pre-Paid Ambulatory Health Plan (PAHP)  
SFY25 Rate Estimates

RFP# MED-24-004

**Prepared by**



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Notice of Future Address Change: It is anticipated the main offices of the Department of Health and Human Services will be moving to the Lucas State Office Building at 321 E. 12th Street, in Des Moines, Iowa, by the end of 2024. The Agency will share the date of this change of address with contractors at a later date.

## Introduction

The Iowa Department of Human Services (“Agency”) has prepared estimated capitation rates (“rate estimates”) for the state fiscal year (SFY) 2025 (July 1, 2024, to June 30, 2025) contract period as a component of the Iowa Dental Wellness Plan (DWP) and Hawki Dental Request for Proposal (RFP) #MED-24-004. This document presents a brief description of the Dental program rate development, including rate cell structure; basis for the SFY25 rate estimate; and supporting membership, utilization, and cost values by dental service category in the appendix. The data, adjustments, and rate estimates are based on the Dental Wellness Plan and Hawki program design, covered populations, and covered services outlined in the RFP and the model contract. Lastly, this document describes the process and considerations for rate adjustment that will be performed to determine the final, actuarially sound capitation rates for awarded bidders for the SFY25 contract period.

### Rate Estimate Disclaimer

The SFY25 rate estimates described and presented in this document and appendices were developed in accordance with rate setting guidelines established by CMS; however, they should not be considered actuarially sound nor are they approved by CMS for the SFY25 contract period. The Agency may decline to provide additional cost and utilization data beyond the information provided in this rate estimate document.

Users of the rate estimate information acknowledge that the rate estimate is intended for bidders to understand the rate development process and rates for the DWP and Hawki dental program. Use of this information for any other purpose may not be appropriate and the Agency provides no guarantee that this data is appropriate for any other purpose.

## DWP and Hawki Dental Program History and Overview

### Dental Wellness Plan

The Agency implemented a unified dental managed care program for all adult populations on July 1, 2017. The combined DWP program (DWP Adults) provides dental services to adults ages 19 and older. Beginning July 1, 2021, the Agency also transitioned coverage of children’s Medicaid dental benefits from fee-for-service to coverage through the DWP managed care program. A summary of the DWP covered benefits is as follows. Please refer to the RFP including Attachment F: Contract Scope of Work for full details of DWP program design and covered services:

- Adult Members enrolled in the program are limited to dental services up to \$1,000 per year noting the following exceptions:
  - The annual maximum excludes preventative, diagnostic, emergent, anesthesia in conjunction with approved oral surgery procedures or fabrication of removable dentures or medically necessary orthodontic services.

- Children under 21 years old are eligible for all medically necessary dental services in accordance with federal early and periodic screening, diagnostic and treatment (EPSDT) requirements.
- Prior to SFY24, coverage for orthodontia is based on medical necessity and has been reimbursed outside of the capitation rates for all enrollees except Wellness plan enrollees 19-20 years old.
- Reimbursement for dental services are based on the Medicaid fee schedule established by the Agency; however, dental plans may contract at rates negotiated with each dental provider including value-based purchasing arrangements.

The DWP program includes 17 individual rate cells. Each rate cell and its major eligibility group description is provided in Table 1 below. Organizations participating in the DWP and Hawki dental program are required to provide dental benefits for all eligible populations. The rate cells are based on the covered populations and grouped by similar risk patterns.

### Hawki

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 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. The Hawki dental program provides dental services to children 18 and under, with full access to routine dental benefits. A summary of the Hawki covered benefits is as follows. Please refer to the RFP including Attachment F: Contract Scope of Work for full details of Hawki program design and covered services:

- The \$1,000 Hawki ABM is inclusive of all services except emergency care.
- Prior to SFY24, coverage for orthodontia is based on medical necessity and reimbursed outside of the capitation rates.
- Reimbursement for dental services are based on negotiated rates between the dental provider and dental plans and not tied to a Medicaid fee schedule. The rate estimate file includes a summary of the average allowed amount by dental code for SFY21 (July 1, 2020 – June 30, 2021). Note that this is based on the allowed amounts and units as reflected in MMIS encounter data, and therefore the actual contracted amounts may vary from what is presented in this summary.

**Table 1 – DWP and Hawki Dental Rate Cells**

Classification	Rate Cell	Eligibility Group
DWP-K	Children 0-1	Medicaid Children
DWP-K	Children 2-5	Medicaid Children
DWP-K	Children 6-18	Medicaid Children

Classification	Rate Cell	Eligibility Group
DWP-A	Community and LTSS Disabled	Disabled, Waiver and Institutionalized
DWP-A	Community and LTSS Elderly	Elderly, Waiver and Institutionalized
DWP-A	Community Duals <65	Dual Eligibles < 65 Years Old
DWP-A	Pregnant Women	Pregnant Women
DWP-A	TANF 19-34 F	TANF Adult
DWP-A	TANF 19-34 M	TANF Adult
DWP-A	TANF 35-49 F	TANF Adult
DWP-A	TANF 35-49 M	TANF Adult
DWP-A	TANF 50+	TANF Adult
DWP-A	Wellness Plan 19-34 F	Wellness Plan
DWP-A	Wellness Plan 19-34 M	Wellness Plan
DWP-A	Wellness Plan 35-49 F	Wellness Plan
DWP-A	Wellness Plan 35-49 M	Wellness Plan
DWP-A	Wellness Plan 50+	Wellness Plan
Hawki	Hawki	SCHIP

## Rate Estimate Methodology

### Overview

To develop the SFY25 rate estimate, the Agency’s actuary utilized the SFY23 (July 1, 2022 – June 20, 2023) capitation rate development plus additional months of trend to the SFY25 contract period. Many of the current SFY23 adjustments (base data, trend, program changes, non-medical, and underwriting gain loads) are included in the rate estimate, with exception to those outlined in the rate estimate exclusions.

The following describes key elements reflected in the SFY25 rate estimate, including the base data period and adjustments for the following:

- Historical base data period data and adjustments.
- Prospective adjustments, including non-medical (administrative) and underwriting gain load.
- Rate estimate exclusions.

The rate estimates for DWP and Hawki will be updated following the contract award and prior to the go-live for the SFY25 contract period. These adjustments are described in the section of this document titled “SFY25 Rate Estimate Adjustment Considerations and Process.”

### Historical Base Data Overview

The adjusted state fiscal year (SFY) 2021 (July 1, 2020, to June 30, 2021) base period is the basis for the current SFY23 capitation rates and is also being used to develop the rate estimates. The SFY21 data was aggregated by each rate cell and by incurred dates of service. The base data supplied in the Appendix includes adjustments for the following:

- Incurred but not reported factors and encounter data under-reporting.
- Historical program changes not reflected (or not fully reflected) in the base period data.

As of the time of the RFP release, the PHE expiration has been determined and the Agency will begin unwinding the moratorium for continuous eligibility. The process to unwind the continuous enrollment is not expected to be complete until calendar year 2024.

Table 2 presents the categories of service (COS) that are provided within the base data included in the Appendix.

**Table 2 – Rating Categories of Service**

Included Categories of Service	
Adjunctive General Services	Periodontics
Dental – FQHC <sup>1</sup>	Preventive
Diagnostic	Prosthodontics Removable
Endodontics	Prosthodontics, Fixed
Miscellaneous	Public Health Services
Oral & Maxillofacial Surgery	Restorative

*1 – Services are not rendered through FQHC providers for the Hawki population.*

**Program Changes**

The rate estimate reflects program changes (unit cost and benefit adjustments), reflected in SFY23 capitation rates. These impacts include:

- FQHC/RHC/IHS estimated SFY25 reimbursement levels.
- Provider contracting – This adjustment reflects 105% of the Medicaid fee schedule, applicable to DWP rate cells only, excluding the FQHC service category. The adjustment is consistent with approximate contracting differences and maximums outlined in the contract.

These adjustments will be re-evaluated following the RFP award for their inclusion in the SFY25 capitation rates.

**Rate Estimate Prospective Adjustments**

The adjusted SFY21 base data and additional Appendices include the following adjustments. These include:

- Trend factors (utilization and unit cost).
- Non-Medical Load (includes administration, non-claims expense and underwriting gain)

**Trend Factors**

The annualized trend factors illustrated in the rate estimate exhibit are consistent with actuarially sound capitation rates developed for the SFY23 contract period. Trend was developed based on quantitative analysis of historical DWP and Hawki utilization and unit cost data plus consideration for emerging trend factors and those observed in other similar Medicaid programs. For purposes of the SFY25 rate estimate,

the trend factors are applied to the adjusted SFY21 base data and trended for 48 months, representing the period between the midpoint of the base period to the midpoint of the SFY25 contract period. The adjustment process, as described later in this document, may include an update to the base data. Subsequent updates to the prospective trend factors beyond the impact of COVID and effects of the disenrollment freeze will be necessary to develop the final capitation rates effective for SFY25.

### ***Program Changes***

The rate estimate do not include any prospective program changes (unit cost and benefit adjustments), effective in SFY25, with the exception of the FQHC/RHC/IHS pricing noted above.

Similar to the trend factor re-evaluation that will occur following the RFP award, program changes will be re-evaluated for their inclusion in the final SFY25 capitation rates. Their treatment in the post award SFY25 capitation rate development will be dependent upon the updates and additional adjustments to the base data period discussed above. In a circumstance when the base data period is updated, the prospective program changes identified in the rate estimate may be inherent within the updated base data and therefore no longer require their inclusion as a separate adjustment. The Agency and its actuary will review these impacts as part of any base data period update and incorporate any new program changes that become effective after the date of this RFP rate estimate.

### ***Administration and Non-Benefit Expense***

The rate estimate provided includes administrative non-benefit costs reflected in the capitation rates for the SFY23 contract period. Historically, administrative costs have been developed using data and analysis from historical financial templates completed by each dental contractor and a review of non-benefit costs in Medicaid programs from states with similar populations and services. The non-benefit cost assumptions consider economies of scale of the DWP and Hawki Dental program as reflected in the SFY23 rate development.

The adjustment process as described in this document will include an update to several rate development components, including the base data, prospective trend factors, and program changes; thus, the administrative and non-benefit expense loading will be re-evaluated to develop the final capitation rates effective for SFY25.

### ***Rate Estimate Exclusions***

The rate estimates presented in this document do not include the following, described in the following sections.

### ***Acuity Impacts***

Acuity adjustments associated with the forthcoming unwinding of the PHE have not been included in the SFY25 rate estimate. It is anticipated that the PHE unwind and associated disenrollments will be close or

fully complete prior to the go-live in SFY25 and an adjustment will be evaluated to finalize the SFY25 rates.

### ***Prospective Program Changes***

The rate estimates presented in this document do not include any prospective program changes; however, between the data of the RFP release and go-live the DHHS may implement certain changes to benefits or reimbursement that would be reflected in the final SFY25 capitation rates.

### ***Orthodontia Services***

As noted in the DWP and Hawki history and overview section, orthodontia has been reimbursed separate from the capitated rates. This service, including medical necessity determination, were reimbursed by the dental plans who then submitted invoices to the Iowa DHHS for payment.

The SFY25 contract period will include coverage for orthodontia services; however, these costs are not reflected in the rate estimates presented. Prior to the SFY25 contract period, orthodontia services will be incorporated into the capitated rates. The rate estimate file provided as part of the procurement includes a summary of the orthodontia claims for SFY22 for DWP and Hawki rate cells. This experience represents the most recent orthodontia experience available.

## SFY25 Rate Estimate Adjustment Considerations and Process

Throughout this document, references have been made to the adjustment process, following the RFP award, to update the SFY25 rate estimate into actuarially sound capitation rates for the SFY25 contract period. The Agency and its actuary will re-evaluate all elements of the rate estimates and will make updates, including but not limited to, the following:

- Base data period, including program demographics.
- Trend projections.
- Programmatic changes (e.g., benefits or reimbursement changes) occurring after the procurement.
- Impact of the PHE enrollment unwinding.
- Reinstatement of copayments and other cost sharing as part of the expiration of the PHE.
- Non-medical load and underwriting gain.
- Pay for Performance Withholds (outlined in Attachment F: Exhibit A of the RFP).
- Impacts associated with, but not limited to, federal and/or state policy or court/judicial decisions.
- Other (as necessary).

These adjustments and the subsequent capitation rates will result in actuarially sound capitation rates that meet the CMS rate setting guidelines and will be in accordance with 42 CFR 438.4. During the capitation rate development, the Agency and its actuary will provide updated capitation rates, supporting information and engage in a rate development discussion with dental contractors.