



IA Health Link:

State Fiscal Year 2018 Capitation Rate Addendum

July 1, 2017 through June 30, 2018

State of Iowa
Department of Human Services, Division of Medical Assistance

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BACKGROUND

Milliman, Inc. (Milliman) has been retained by the State of Iowa, Department of Human Services, Division of Medical Assistance (DHS) to provide actuarial and consulting services related to the development of capitation rates for the IA Health Link program. This report is an addendum to the capitation rate certification report titled "IA Health Link: State Fiscal Year 2018 Capitation Rate Certification" dated August 21, 2017.

The contract year one rates for this program were revised in a rate amendment titled "IA Health Link: April 2016 to June 2017 Capitation Rate Amendments" dated August 30, 2017. This addendum provides an update to Tables 1, 2 and 3 in the August 21, 2017 report to reflect the revised state fiscal year (SFY) 2017 rates. No changes were made to the SFY 2018 capitation rates, and therefore this report is not a re-certification of the SFY 2018 capitation rates.

CHANGES TO TABLES

Summary of capitation rates

Table 1 provides a comparison of the SFY 2018 rates relative to the rates effective July 1, 2016 to June 30, 2017 (SFY 2017) for the IA Health Link populations. The rates illustrated in Table 1, for both SFY 2017 and 2018, include payments for GME and University of Iowa UPL payments. The composite rates illustrated for both SFY 2017 and SFY 2018 have been developed based on estimated average monthly enrollment in SFY 2018. The rates illustrated for the LTSS populations include both medical and LTSS components.

The rates illustrated in this report are applicable to all MCOs participating in DHS's Medicaid managed care programs.

Table 1 State of Iowa Department of Human Services, Division of Medical Assistance IA Health Link SFY 2018 Capitation Rate Development Gross Capitation Rates Effective July 1, 2017 Comparison with June 2017 Rates (PMPM Rates)				
Population	Estimated Monthly Average Enrollment	June 2017 Composite Capitation Rates	SFY 2018 Composite Capitation Rates	% Change
Children	306,300	\$ 178.45	\$ 182.01	2.0%
TANF Adult	58,000	393.12	405.90	3.3%
Pregnant Women	7,000	365.20	376.03	3.0%
Maternity Case Rate	1,100	5,750.75	5,930.93	3.1%
Wellness Plan	148,600	486.71	472.35	(3.0%)
Disabled	29,500	1,039.62	1,221.18	17.5%
Dual eligible	34,300	415.44	426.38	2.6%
LTSS Elderly	18,100	2,954.65	2,875.10	(2.7%)
LTSS Physically Disabled	6,100	4,304.80	3,841.61	(10.8%)
LTSS Intellectually Disabled	12,800	5,314.70	5,384.41	1.3%
LTSS Children's Mental Health	1,300	3,791.95	3,093.77	(18.4%)
Composite	622,000	\$ 572.67	\$ 574.97	0.4%

Notes:

1. June 2017 and SFY 2018 composite rates were developed with monthly projected enrollment.
2. Values shown in Table 1 exclude amounts related to the Health Insurance Providers Fee (HIF).
3. Member month values are rounded to the nearest hundred.
4. Maternity member months represent projected average monthly SFY 2018 delivery counts and are not included in the composite member month figure.
5. Maternity rates reflect per delivery case rates.
6. Values include 1915(b)(3), GME, Physician ACR, and Habilitation risk pool amounts.
7. Children population includes: TANF Child, CHIP and hawk-i populations.

Fiscal impact estimate

The estimated fiscal impact of the SFY 2018 IA Health Link rate changes on a state and federal basis is \$17.2 million based on projected monthly enrollment and the gross rates noted in Table 1. Development of estimated total expenditures, as well as federal only expenditures, is illustrated on a composite basis in Table 2. Table 2 compares the estimated federal and state expenditures under the June 2017 contracted capitation rates compared to the SFY 2018 contracted capitation rates, based on estimated enrollment in SFY 2018. Revenue shown in Table 2 includes the identified pass-through payments.

Table 2 State of Iowa Department of Human Services, Division of Medical Assistance IA Health Link SFY 2018 Capitation Rate Development Gross Capitation Rates Effective July 1, 2017 Comparison with June 2017 Rates (Aggregate Expenditures \$ Millions)			
Population	June 2017 Annualized Expenditures	SFY 2018 Annualized Expenditures	Expenditure Change
Children	\$ 655.9	\$ 669.0	\$ 13.1
TANF Adult	273.8	282.7	8.9
Pregnant Women	30.6	31.5	0.9
Maternity Case Rate	76.6	79.0	2.4
Wellness Plan	868.1	842.5	(25.6)
Disabled	367.6	431.8	64.2
Dual eligible	170.9	175.4	4.5
LTSS Elderly	642.6	625.3	(17.3)
LTSS Physically Disabled	313.2	279.5	(33.7)
LTSS Intellectually Disabled	815.7	826.4	10.7
LTSS Children's Mental Health	59.2	48.3	(10.9)
Composite	\$ 4,274.2	\$ 4,291.4	\$ 17.2
Federal	\$ 2,823.3	\$ 2,820.8	\$ (2.5)
State	\$ 1,450.9	\$ 1,470.6	\$ 19.7

Notes:

1. June 2017 and SFY 2018 annualized expenditures were developed with projected enrollment.
2. Values shown in Table 2 exclude amounts related to the Health Insurance Providers Fee (HIF).
3. State expenditures based on Federal Fiscal Year (FFY) 2017 FMAP of 56.74% and FFY 2018 FMAP of 58.48% for non-CHIP and non-expansion populations.
4. State expenditures based on CY 2017 FMAP of 95% and CY 2018 FMAP of 94% for the Wellness plan population.
5. CHIP and Breast and Cervical cancer rate cell expenditures receive enhanced FMAPs.
6. Values include 1915(b)(3), GME, Physician ACR, and Habilitation risk pool amounts.
7. Children population includes: TANF Child, CHIP and hawk-i populations.

Rate development summary

Table 3 illustrates the changes from the SFY 2017 capitation rates to the SFY 2018 capitation rates by certain rate action items. The PMPM values reflected in Table 3 do not include pass-through payments.

Table 3 State of Iowa Department of Human Services, Division of Medical Assistance Capitation Rate Buildup						
	Gross Medical		Gross LTSS		Gross Total	
Projected Membership	622,000		622,000		622,000	
Previous SFY 2017 Composite Rate	\$ 332.74		\$ 214.22		\$ 546.96	
Emerging Experience Rate Update	344.48	3.5%	217.22	1.4%	561.70	2.7%
Trend Period Update	351.81	2.1%	220.02	1.3%	571.83	1.8%
Base Data Update	344.36	(2.1%)	213.78	(2.8%)	558.14	(2.4%)
Trend Factors Update	350.16	1.7%	211.53	(1.1%)	561.69	0.6%
Managed Care Factor Update	362.52	3.5%	211.99	0.2%	574.50	2.3%
Program Adjustment Update	360.68	(0.5%)	213.74	0.8%	574.42	0.0%
Administrative Load Changes	357.19	(1.0%)	215.44	0.8%	572.63	(0.3%)
Cost Containment Initiatives	344.65	(3.5%)	215.44	0.0%	560.10	(2.2%)
IHH/CCHH Administrative Load Adjustment	349.85	1.5%	215.44	0.0%	565.29	0.9%
Rate Change prior to Experience Update	5.1%		0.6%		3.4%	
Rate Change after Experience Update	1.6%		(0.8%)		0.6%	

LIMITATIONS

The services provided for this project were performed under the contract between Milliman and the State of Iowa dated June 14, 2017.

The information contained in this report has been prepared for the State of Iowa, Department of Human Services, Division of Medical Assistance (DHS) and their consultants and advisors to provide documentation of the development of the state fiscal year 2018 actuarially sound capitation rates for IA Health Link program populations served under the Medicaid managed care program. The data and information presented may not be appropriate for any other purpose.

It is our understanding that the information contained in this letter will be shared with CMS and may be utilized in a public document. Any distribution of the information should be in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the information presented.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for DHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this letter must rely upon their own experts in drawing conclusions about the capitation rates, assumptions, and trends.

Milliman has relied upon certain data and information provided by DHS and the participating Medicaid MCOs in the development of the state fiscal year 2018 capitation rates. The information may not be appropriate for any other purpose. Milliman has relied upon DHS and the MCOs for the accuracy of the data and accepted it without audit. To the extent that the data provided is not accurate, the capitation rate development would need to be modified to reflect revised information. Although the capitation rates have been certified as actuarially sound, the capitation rates may not be appropriate for any individual MCO. Results will differ if actual experience is different from the assumptions contained in the capitation rate setting documentation. DHS and Milliman provide no guarantee, either written or implied, that the data and information is 100% accurate or error free.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this report.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses contained herein.