June 30, 2020

Mr. Michael Randol
Medicaid Director
Iowa Medicaid Enterprise
611 5th Ave.
Des Moines, IA 50309

Subject: **July – December 2020 (SFY21a) IA Health Link Managed Care Rate Development**

Dear Mr. Randol:

Thank you for the opportunity to assist the Department of Human Services (DHS) and Iowa Medicaid Enterprise (IME) with the development of the July – December 2020 (SFY21a) IA Health Link capitation rates, which are an extension of the SFY20 capitation rates for a six-month term. The following report summarizes the methodology used for the development of the capitation rates, effective July 1, 2020 – December 31, 2020 (SFY21a). We have also provided our actuarial certification for these capitation rates, compliant with CMS guidelines and requirements. Please send me an e-mail at zachary.aters@optumas.com or call me at 480.588.2495, or e-mail Barry at barry.jordan@optumas.com or call at 480.588.2492 if you have any questions.

Sincerely,

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Senior Actuary, **Optumas**

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Consulting Actuary, **Optumas**

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Iowa Medicaid Enterprise

IA Health Link Actuarial Certification

July 1, 2020 – December 31, 2020 Capitation Rates

Table of Contents

TABLE OF CONTENTS I

EXECUTIVE SUMMARY 4

BACKGROUND 4
SUMMARY OF CAPITATION RATES 5
FISCAL IMPACT ESTIMATE 6
RATE DEVELOPMENT SUMMARY 6

SECTION I. MEDICAID MANAGED CARE RATES 7

1. GENERAL INFORMATION 8

A. RATE DEVELOPMENT STANDARDS 8
I. CONTRACT PERIOD 8
II. REQUIRED COMPONENTS 8
III. DIFFERENCES AMONG CAPITATION RATES 11
IV. RATE CELL CROSS-SUBSIDIZATION 11
V. PROGRAM CHANGE DATES 11
VI. MEDICAL LOSS RATIO 11
VII. GENERALLY ACCEPTED ACTUARIAL PRACTICES 11
VIII. RATE CERTIFICATION PERIODS 12
IX. AMENDMENTS 12
B. APPROPRIATE DOCUMENTATION 12
I. DOCUMENTATION OF DATA, ASSUMPTIONS, AND METHODOLOGY 12
II. INDEX 12
III. FMAP 13
IV. RATE CHANGE COMPARISON 13

2. DATA 14

A. RATE DEVELOPMENT STANDARDS 14
I. BASE DATA 14
B. APPROPRIATE DOCUMENTATION 15
I. BASE DATA 15
II. RATE DEVELOPMENT DATA 15
III. ADJUSTMENTS 16

3. PROJECTED BENEFIT COSTS AND TRENDS 20

A. RATE DEVELOPMENT STANDARDS 20
I. SERVICES ALLOWED 20
II. VARIATION OF ASSUMPTIONS 20
III. TREND ASSUMPTIONS 20
IV. IN-LIEU-OF SERVICES 20
V. IMD AS IN-LIEU-OF SERVICE 20
B. APPROPRIATE DOCUMENTATION 21
I. FINAL PROJECTED BENEFIT COSTS 21
II. DEVELOPMENT OF PROJECTED COSTS 21
III. PROJECTED BENEFIT COST TRENDS 22
IV. MENTAL HEALTH PARITY AND ADDICTION EQUITY ACT 23
V. IN-LIEU-OF SERVICES 24
VI. RETROSPECTIVE ELIGIBILITY 24
VII. CHANGES IN COVERED BENEFITS 24
VIII. IMPACT OF CHANGES 24

4. SPECIAL CONTRACT PROVISIONS RELATED TO PAYMENT 25

A. INCENTIVE ARRANGEMENTS 25
B. WITHHOLD ARRANGEMENTS 25
I. RATE DEVELOPMENT STANDARDS 25
II. APPROPRIATE DOCUMENTATION 25
C. RISK-SHARING MECHANISMS 26
I. RATE DEVELOPMENT STANDARDS 26
II. APPROPRIATE DOCUMENTATION 26
D. DELIVERY SYSTEM AND PROVIDER PAYMENT INITIATIVES 26
PHYSICIAN ACR PAYMENTS 27
GROUND EMERGENCY TRANSPORTATION (GEMT) PAYMENT PROGRAM 28
NURSING FACILITY COVID-19 RELIEF RATE (NF CRR) 29
E. PASS-THROUGH PAYMENTS 30

5. PROJECTED NON-BENEFIT COSTS 31

A. RATE DEVELOPMENT STANDARDS 31
I. REQUIRED COMPONENTS 31
II. PMPM AND PERCENTAGE OF CAPITATION RATES 31
III. VARIATIONS 31
IV. HEALTH INSURANCE PROVIDERS FEE 31
B. APPROPRIATE DOCUMENTATION 31
I. DEVELOPMENT 31
II. COST CATEGORIES 32
III. HEALTH INSURANCE PROVIDERS FEE 32

6. RISK ADJUSTMENT AND ACUITY ADJUSTMENTS 33

A. RISK DEVELOPMENT STANDARDS 33
I. RISK ADJUSTMENT 33
II. METHODOLOGY 33
III. ACUITY ADJUSTMENT 33
B. APPROPRIATE DOCUMENTATION 33
I. PROSPECTIVE RISK ADJUSTMENT 33
II. RETROSPECTIVE RISK ADJUSTMENT 35
III. CHANGES TO RISK ADJUSTMENT MODEL AND BUDGET NEUTRALITY 35
IV. ACUITY ADJUSTMENT 35

SECTION II. MEDICAID MANAGED CARE RATES WITH LONG-TERM SERVICES AND SUPPORTS 36

1. MANAGED LONG-TERM SERVICES AND SUPPORTS 37

A. REQUIRED CONTENT 37
B. RATE DEVELOPMENT STANDARDS 37
I. RATE BLENDING 37
C. APPROPRIATE DOCUMENTATION 38
I. PAYMENT STRUCTURES 38
II. NON-BENEFIT COSTS 38
III. SOURCES 38

SECTION III. NEW ADULT GROUP CAPITATION RATES 39

1. DATA 40

A. NEW ADULT GROUP DATA 40
B. PREVIOUS RATING PERIODS 40

I. New Data 40
II. Monitor Costs 40
III. Actual Experience Compared with Expectations 40
IV. Adjustment for Differences 40

2. PROJECTED BENEFIT COSTS 41

A. New Adult Group Projection Issues 41
I. New Adult Groups Covered in Previous Rating Periods 41
B. Key Assumptions 41
I. Acuity Adjustments 41
II. Pent-up Demand 41
III. Adverse Selection 41
IV. Demographics 41
V. Reimbursement and Networks 42
VI. Other Adjustments 42
C. Benefit Plan Changes 42
D. Other Material Changes 42

3. PROJECTED NON-BENEFIT COSTS 43

A. Required Components 43
I. Changes in Methodology 43
II. Changes in Assumptions 43
B. Key Assumptions 43

4. FINAL CERTIFIED RATES 44

A. Required Components 44
I. Comparison to Previous Rates 44
II. Other Material Changes 44

5. RISK MITIGATION STRATEGIES 45

A. Description of Strategy 45
B. Comparison to Previous Period 45
I. Changes in Strategy 45
II. Rationale for Change 45
III. Experience and Results 45

ACTUARIAL CERTIFICATION LETTER 46

APPENDICES 47

Executive Summary

Background

The Iowa Department of Human Services (DHS) implemented the IA Health Link program on April 1, 2016 as part of the Medicaid Modernization initiative. The majority of Iowa Medicaid members are enrolled in the IA Health Link program and receive physical health, behavioral health, pharmacy prescriptions, and long-term supports and services through the contracted Managed Care Organizations (MCOs). A small portion of Medicaid members continue to be served through Medicaid Fee-For-Service (FFS). The objectives of the Medicaid Modernization initiative are to improve quality and access to care, promote accountability for patient outcomes, and create a more predictable and sustainable budget.

This document provides an explanation of the methodologies used in the development of the capitation rates for the IA Health Link program, which are effective July 1, 2020 through December 31, 2020 (SFY21a). Iowa Medicaid Enterprise (IME) first contracted with **Optumas** to develop actuarially sound capitation rates for the IA Health Link program beginning with the July 1, 2018 through June 30, 2019 (SFY19) rate development.

When the IA Health Link program began on April 1, 2016, three MCOs were contracted with IME: Amerigroup, AmeriHealth Caritas Iowa Inc., and UnitedHealthcare Plan of the River Valley, Inc. Since then AmeriHealth and United have withdrawn from the program, effective November 30, 2017 and June 30, 2019, respectively, and a new MCO, Iowa Total Care, entered the market. Amerigroup and Iowa Total Care are the only two MCOs providing care to IA Health Link enrollees during the SFY20 contract period and are expected to be the only MCOs during SFY21 as well. Amerigroup has been operating since the initial implementation of the IA Health Link program, while Iowa Total Care began on July 1, 2019.

Due to the ongoing uncertainty surrounding the COVID-19 public health emergency and frequent changes in utilization patterns and member caseload, DHS and IME, **Optumas,** and the IA Health Link MCOs have determined that the best course of action is to extend the SFY20 payment rates for the next six months, from July – December 2020. The State and MCOs have implemented a variety of COVID-19 provider/member relief related measures that will be in effect for the duration of the emergency declaration. Due to the significant uncertainty surrounding the duration of such interventions, and since it is unknown when the public health emergency declaration will end, any estimations around the impact of such measures is susceptible to drastic misestimation. Additionally, there is limited emerging data surrounding the utilization reductions resulting from stay-at-home orders, social distancing measures, and behavioral changes that members have experienced as part of the COVID-19 pandemic. At this time, it is unclear if and when service utilization will return to normal and how the COVID-19 operational changes will interplay with the shift in member acuity resulting from enrollment freezes and economic impacts, such as increased unemployment. The uncertainty and interactions of the combination of all these events, led to the decision to extend the existing SFY20 payment rates for an additional six months, for July - December 2020 rather than a full redevelopment of capitation rates that is unlikely to be any more accurate than the rates already in place for SFY20. **Optumas** believes that this approach is consistent with recent CMS guidance and all applicable Actuarial Standards of Practice.

As a result of this extension, this certification letter makes multiple references to the SFY20 certification letter and its accompanying exhibits. Please refer to the Appendices section at the end of this report for a listing of these filenames, which accompany the submission of this certification letter narrative.

While a redevelopment of capitation rates for SFY21a was not conducted, a review of emerging IA Health Link experience was conducted. As discussed in more detail further in this report, a comparison of the SFY18 base data used in the SFY20 rates, to the SFY19 data, resulted in a reduction of approximately 0.4%. This level of consistency helped to support the appropriateness of extending the current SFY20 rates.

Since the SFY20 rates are being extended for another six months for the SFY21a contract period, many sections of this document directly reference the IA Health Link SFY20 Rate Certification and corresponding Appendices, dated July 10, 2019. These documents are included as appendices to this report. Please refer to those documents for additional details regarding the rate development and a summary of the final capitation rates.

Optumas ensured the methodology used to develop the SFY20 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. The SFY21a rates are unchanged from those SFY20 rates.

This document is structured consistent with the CMS "2019-2020 Medicaid Managed Care Rate Development Guide". Any sections that are not applicable are noted as such but have been included for completeness.

Summary of Capitation Rates

The certified capitation rates for the IA Health Link managed care program gross of withholds and additional GME, ACR, and GEMT payments, effective July 1, 2020 - December 31, 2020, can be found in Appendix I.A of the IA Health Link SFY20 Rate Certification.

In developing the SFY20 rates which are extended to the SFY21a contract period, **Optumas** developed a methodology that adheres 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 IA Health Link capitation rates:

- ASOP 5 – Incurred Health and Disability Claims
- ASOP 23 – Data Quality
- ASOP 41 – Actuarial Communications
- ASOP 45 – The Use of Health Status Based Risk Adjustment Methodologies
- ASOP 49 – Medicaid Managed Care Capitation Rate Development and Certification

Optumas worked in conjunction with IME to develop an appropriate rate setting methodology and applied necessary rating adjustments resulting in reasonable, appropriate, and attainable capitation rates for the contract period. The body of this document outlines the 2019-2020 CMS Medicaid Managed Care Rate Development Guide with compliance to each section discussed in detail.

Fiscal Impact Estimate

Since the SFY20 rates are being extended for six months due to the uncertainties around COVID-19, there is no change for any individual rate cells for the SFY21a contract period. The aggregate fiscal impact will depend on actual enrollment that occurs during the July – December 2020 contract period. **Optumas** has made no estimates in terms of enrollment changes that are expected to occur during the July – December 2020 period as a result of the COVID-19 public health emergency and downstream economic impacts.

Rate Development Summary

A brief description of each component in the rate development process is shown in Appendix II.B of the IA Health Link SFY20 Rate Certification. Each step of the rate development will be discussed in further detail throughout the remainder of this document, with references to the IA Health Link SFY20 Rate Certification, as necessary.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

i. Contract Period

The rates contained in this certification are effective July 1, 2020 through December 31, 2020 (SFY21a).

ii. Required Components

Letter from Certifying Actuary

The rates contained in this document have been certified by Zach Aters, Member of the American Academy of Actuaries (MAAA) and Associate of the Society of Actuaries (ASA), and Barry Jordan, Member of the American Academy of Actuaries (MAAA) and Fellow of the Society of Actuaries (FSA). Mr. Aters and Mr. Jordan 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 (excluding paragraph (b)(9)), 438.5, 438.6, and 438.7. A letter from Mr. Aters and Mr. Jordan 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 I.A of the IA Health Link SFY20 Rate Certification in accordance with 42 CFR §438.4(b)(4) and 42 CFR §438.3(c)(1)(i).

Description of Program

The Iowa Department of Human Services (State) developed the IA Health Link program by contracting with three Managed Care Organizations (MCOs) to begin service on April 1, 2016 as part of the Medicaid Modernization initiative. The majority of existing Medicaid members were enrolled on April 1, 2016 and most newly eligible Medicaid members continue to be enrolled in IA Health Link in subsequent years. A small portion of Medicaid members are served through Medicaid Fee-For-Service (FFS). The objectives of the Medicaid Modernization initiative are to improve quality and access to care, promote accountability for patient outcomes, and create a more predictable and sustainable budget.

When the IA Health Link program began on April 1, 2016, three MCOs were contracted with IME: Amerigroup, AmeriHealth Caritas Iowa Inc., and UnitedHealthcare Plan of the River Valley, Inc. Since then AmeriHealth and United have withdrawn from the program, effective November 30, 2017 and June 30, 2019, respectively. Effective July 1, 2019, Iowa Total Care entered the market and began serving IA Health Link enrollees. Amerigroup and Iowa Total Care will be the only two IA Health Link MCOs providing care to Iowa Medicaid beneficiaries during the SFY21a contract period.

MCOs participating in the IA Health Link program are required to provide benefits that include physical health, long-term supports and services, behavioral health, and pharmacy prescriptions. Historically, the MCOs were not at-risk for certain high-cost drugs which were reimbursed outside of the capitation rates

via invoice by IME. Effective July 1, 2019, these high-cost drugs are now covered via the capitation rates and the MCOs are reimbursed for these services within the monthly capitation payments for each rate cell. These high-cost drugs are inherent within the SFY18 base data used for rate development as the capitation rates will continue to cover these high-cost drugs during the SFY21a contract period. As outlined in the Section 4 of the MCO Contracts, IME has excluded Zolgensma from being reimbursed via the capitation rates. The MCOs will provide coverage of Zolgensma to eligible beneficiaries consistent with other pharmaceuticals and treatments, however IME will reimburse the MCOs via invoices billed to IME. There is no explicit adjustment carving Zolgensma experience out of the capitation rate development since Zolgensma became available after the base data time period.

Dental services and the Program of All-Inclusive Care for the Elderly (PACE) are covered under separate managed care programs. The base data was summarized into rating Categories of Service (COS) consistent with prior cycles of rate development, shown in Table 1 below:

Table 1: Rating Categories of Service

Categories of Service (COS)	
Behavioral Health – Inpatient	Laboratory (Lab)/Radiology (Rad)
Behavioral Health – Outpatient	Nursing Home and Hospice
Behavioral Health – Professional	Other Care
Day Services	Other Home- and Community-Based (HCBS) Services
Durable Medical Equipment (DME)/Prosthetics	Outpatient – Emergency Room
Family Planning	Outpatient – Non-Emergency Room
Federally-Qualified Health Center (FQHC)/Rural Health Center (RHC)	Outpatient – Professional
Home Health	Pharmacy
Intermediate Care Facility for the Intellectually Disabled (ICF/ID)	Professional Office
Inpatient	Transportation
Inpatient – Professional	Waiver

MCOs participating in the IA Health Link program are required to provide benefits for all eligible populations. Populations have been grouped by similar risk patterns and specific rates have been set for each rate cell in accordance with 42 CFR §438.4(b)(4) and 438.7(c). For summary purposes, these rate cells have been grouped into the following high-level Categories of Aid (COA) shown in Table 2 below:

Table 2: IA Health Link Rate Cells and Categories of Aid

Rate Cell	Category of Aid (COA)
Children 0-59 days old, Male and Female (M&F)	Children
Children 60-364 days M&F	Children
Children 1-4 M&F	Children
Children 5-14 M&F	Children
Children 15-20 F	Children
Children 15-20 M	Children
Children’s Health Insurance Program (CHIP) - Hawk-i	Children
Non-Expansion Adults 21-34 F	TANF Adult

Rate Cell	Category of Aid (COA)
Non-Expansion Adults 21-34 M	TANF Adult
Non-Expansion Adults 35-49 F	TANF Adult
Non-Expansion Adults 35-49 M	TANF Adult
Non-Expansion Adults 50+ M&F	TANF Adult
Pregnant Women	Pregnant Women
Wellness Plan (WP) 19-24 F (Medically Exempt)	Wellness Plan
WP 19-24 M (Medically Exempt)	Wellness Plan
WP 25-34 F (Medically Exempt)	Wellness Plan
WP 25-34 M (Medically Exempt)	Wellness Plan
WP 35-49 F (Medically Exempt)	Wellness Plan
WP 35-49 M (Medically Exempt)	Wellness Plan
WP 50+ M&F (Medically Exempt)	Wellness Plan
WP 19-24 F (Non-Medically Exempt)	Wellness Plan
WP 19-24 M (Non-Medically Exempt)	Wellness Plan
WP 25-34 F (Non-Medically Exempt)	Wellness Plan
WP 25-34 M (Non-Medically Exempt)	Wellness Plan
WP 35-49 F (Non-Medically Exempt)	Wellness Plan
WP 35-49 M (Non-Medically Exempt)	Wellness Plan
WP 50+ M&F (Non-Medically Exempt)	Wellness Plan
Aged, Blind, and Disabled (ABD) Non-Dual <21 M&F	Disabled
ABD Non-Dual 21+ M&F	Disabled
Residential Care Facility	Disabled
Breast and Cervical Cancer	Disabled
Dual Eligible 0-64 M&F	Dual
Dual Eligible 65+ M&F	Dual
Custodial Care Nursing Facility <65	Institutional
Custodial Care Nursing Facility 65+	Institutional
Elderly HCBS Waiver	Waiver
Non-Dual Skilled Nursing Facility	Institutional
Dual HCBS Waivers: Physically Disabled (PD); Health and Disability (H&D)	Waiver
Non-Dual HCBS Waivers: PD; H&D; AIDS	Waiver
Brain Injury HCBS Waiver	Waiver
ICF/ID	Institutional
State Resource Center	Institutional
Intellectual Disability HCBS Waiver	Waiver
Psychiatric Mental Institute for Children (PMIC)	Institutional
Children's Mental Health HCBS Waiver	Waiver
CHIP - Children 0-59 days M&F	Children
CHIP - Children 60-364 days M&F	Children
CHIP - Children 1-4 M&F	Children
CHIP - Children 5-14 M&F	Children
CHIP - Children 15-20 F	Children
CHIP - Children 15-20 M	Children
TANF Maternity Case Rate	Maternity Case Rate

Rate Cell	Category of Aid (COA)
Pregnant Women Maternity Case Rate	Maternity Case Rate

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

- Withhold arrangement,
- Minimum medical loss ratio requirement, and
- Pass-through and alternative minimum fee schedule payments per 42 CFR §438.6(c)

No retroactive adjustments to the capitation rates were made for the SFY21a contract period.

iii. Differences Among Capitation Rates

All proposed rate changes within the IA Health Link capitation rates effective for SFY21a are based on valid rate development standards. No consideration was made to rating adjustments based on the rate of federal financial participation associated with the covered populations.

iv. Rate Cell Cross-Subsidization

There is no rate cell cross-subsidization within the IA Health Link capitation payment rates effective for SFY21a.

v. Program Change Dates

The effective dates of changes to the IA Health Link Medicaid managed care program are consistent with the assumptions used to develop the capitation rates. The adjustments are described in greater detail in Section I.2 in this document.

vi. Medical Loss Ratio

The IA Health Link program 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 MCO would reasonably achieve a medical loss ratio of at least 85% for the contract period. As part of the IA Health Link contract, the State uses a minimum Medical Loss Ratio (MLR) of 89% for the MCOs operating within the program. Further details on this arrangement are described within the Risk-Sharing Mechanisms portion of this document.

vii. 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), the final contracted rates in each cell match the capitation rates in the rate certification.

viii. Rate Certification Periods

The rates in this document are certified for the period effective from July 1, 2020 through December 31, 2020.

ix. Amendments

Changes to Rates

Any changes to the rates will result in the submission of a new rate certification, except for changes permitted in 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.

Other Changes

A contract amendment will be submitted any time a rate changes for any reason other than application of an approved payment term, which was included in the initial managed care contract.

B. Appropriate Documentation

i. Documentation of Data, Assumptions, and Methodology

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

ii. Index

This rate certification follows the structure of the 2019-2020 CMS Medicaid Managed Care Rate Development Guide. As a result, 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 for this particular rate development are included for completeness and marked as "Not Applicable".

iii. FMAP

There are services, populations, or programs for which the state receives a different federal medical assistance percentage (FMAP) than the regular state FMAP. Appendix I.A of the IA Health Link SFY20 Rate Certification contains final capitation rates to be paid from July – December 2020, by rate cell.

iv. Rate Change Comparison

There is no change in payment rate, for any rate cell, between SFY20 and SFY21a due to the uncertainties surrounding the COVID-19 public health emergency and resulting impacts on service utilization and member acuity as enrollment changes. As a result of the pandemic, IME and the IA Health Link MCOs have agreed to extend the existing rates for six months, for the July – December 2020 time period. In the Fall of 2020, when more emerging data around the impacts to member caseload and service utilization associated with the COVID-19 pandemic are available, **Optumas** plans to reevaluate and develop new rates for the remainder of the SFY21 contract period, from January – June 2021. Until then, **Optumas** believes there is insufficient credible data to develop an accurate estimate of the future impact the public health emergency will have on the Iowa Medicaid program.

The underlying components of the SFY21a rates are consistent with those outlined and described within the IA Health Link SFY20 Rate Certification, dated July 10, 2020. No changes were made between the SFY20 and SFY21a rate development or resulting rates.

2. Data

A. Rate Development Standards

i. Base Data

Encounter data, FFS data, and Audited Financial Reports

As part of the rate setting process, **Optumas** received detailed IA Health Link MMIS encounter data, FFS data, and State eligibility and Health Link capitation payments from the program's inception (April 1, 2016) through September 30, 2019. This data reflects actual experience for the populations served by the IA Health Link MCOs. **Optumas** received member-level capitation files that were used to match up to the detailed encounters to ensure all claims were for Health Link enrolled members.

Optumas summarized this data for comparison with financial templates that were submitted by each of the MCOs historically operating within the IA Health Link program. The detailed capitations and encounters for the emerging IA Health Link experience was also benchmarked to the SFY17 and SFY18 Health Link base data used within SFY19 and SFY20 rate development.

Appropriate Base Data

In determining the appropriateness of holding the capitation rates for the SFY21a contract period constant with the SFY20 rates, **Optumas** reviewed the emerging SFY19 (July 1, 2018 – June 30, 2019) encounter data and confirmed that the data was consistent with the SFY18 base data underlying the SFY20 rate development. In aggregate, the final adjusted SFY19 Health Link encounter data was approximately 0.4% lower than the final adjusted SFY18 base data underlying the SFY20 rates. The minimal change in base data between the two years supports the decision to extend the SFY20 rates for the first six months of the SFY21 contract period.

Medicaid population

The SFY18 base data used for rate setting represents detailed encounter data and enrollment for the Medicaid population in Iowa, as it consists of actual experience for the IA Health Link program.

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

Data Requested by Actuary

Optumas requested all encounter data for the IA Health Link Program (April 2016 – September 2019), FFS claims, and all corresponding eligibility and capitation information from IME. Additionally, **Optumas** requested summarized financial data from each MCO through financial templates reported through the first half of SFY20.

United withdrew from the IA Health Link program effective June 30, 2019, leaving Amerigroup and Iowa Total Care as the only two MCOs providing managed care within the program beginning with the SFY20 contract period. As a result, **Optumas** also requested a member-level attribution file from IME, in order to identify which members were to be enrolled with either Amerigroup or Iowa Total Care for purposes of MCO-specific relativity adjustments for the SFY20 rates described later in this report.

Data Provided by IME

IME and the MCOs provided all of the information requested by **Optumas**, as noted above.

Data Not Provided

All data requested was provided.

ii. Rate Development Data

Data Description

The base data used for the SFY20 rates (and thereby the SFY21a rates) consists of SFY18 encounter data from the IA Health Link program. Additional SFY19 data from the IA Health Link program, as well as FFS claims data, MCO financial summaries, and MCO detailed enrollment data was used to confirm the appropriateness of extending the SFY20 rates to the SFY21a contract period, in light of the COVID-19 pandemic. The data used to inform adjustments within the rate setting process is described for each adjustment throughout the document, but a brief summary has been included in Table 3 below:

Table 3: Data Source Summary

Data Type	Data Source	Level of Detail	Start Date	End Date
MMIS Encounters	IME	Detailed	04/01/2016	9/30/2019
Capitation Payments	IME	Detailed	04/01/2016	9/30/2019
FFS Claims	IME	Detailed	01/01/2015	9/30/2019
Eligibility	IME	Detailed	01/01/2015	9/30/2019
Financial Template (Encounters, other medical-related costs, admin, and enrollment)	All MCOs	Summarized	04/01/2016	12/31/2019
Pharmacy Claims	One MCO	Detailed	04/01/2016	12/31/2017

MCO Attribution Files	IME	Detailed	6/20/2019	6/20/2019

Data Availability and Quality

Optumas validated the detailed encounter data through control totals, financial template, and monthly volume comparisons. During the SFY19 rate development, **Optumas** identified a significant discrepancy in Amerigroup's detailed pharmacy data focused in the fourth quarter of CY16 and some surrounding months. IME identified that this was due to an issue with the processing of Amerigroup's pharmacy claims and replacements through Point of Sale and the MMIS systems. During the SFY19 rate development, **Optumas** requested detailed pharmacy data from Amerigroup to use in lieu of the MMIS data. As part of the SFY21a rate development **Optumas** reviewed the Amerigroup MMIS pharmacy encounter data and determined that the replacement data should still be used for the time period prior to December 2017, consistent with the SFY20 rate development. The combination of the replacement data prior to December 2017 and MMIS encounter data post December 2017 matched closely to Amerigroup's financial templates for those time periods.

Appropriate Data

Since the SFY20 rates are being extended to the SFY21a contract period, the base data is unchanged from that of the SFY20 rate development. However, **Optumas** reviewed the SFY19 encounter experience (the most recent complete fiscal year of data available at the time of rate development) to confirm that there was consistency between the two years of the program. As more experience becomes available surrounding the COVID-19 public health emergency, additional years of IA Health Link encounter data are expected to be used as the base data for future rate cycles and to help inform rating adjustments for contract periods beyond SFY21a.

Reliance on a Databook

Optumas did not rely on an external databook in developing the IA Health Link capitation rates and instead relied on detailed encounter and capitation data for the Health Link program for the SFY18 time period. Data sources used in rate development are described in the preceding sections.

iii. Adjustments

Data Credibility

Optumas worked with IME and the MCOs to ensure the detailed encounter data and MCO financial templates were interpreted correctly and applied consistently within rate development. During the SFY20 rate development, **Optumas** replaced Amerigroup pharmacy MMIS detailed data with the MCO-submitted detailed data for the July 2017 – November 2017 time period that was received as part of the SFY19 rate development. Since the SFY20 rates are being extended to SFY21a, the same data for those time periods was used within the SFY21a rates. The Amerigroup MMIS pharmacy encounter data issues were resolved as of December 2017 so future cycles of rate development will not rely on the use of detailed supplemental pharmacy data from the MCO.

Consistent with historical rate development cycles for the IA Health Link program, the CHIP rate cell populations were deemed to have insufficient enrollment volume to develop stand-alone rates. As a result, all non-hawk-i CHIP enrollment, costs, and utilization were included with the more substantial corresponding children rate cells to enhance credibility. The combined rate cells are shown within Table 4 below.

Table 4: CHIP Children Rate Cells

Original Rate Cell	Combined Rate Cell
CHIP - Children 0-59 days M&F	Children 0-59 days M&F
CHIP - Children 60-364 days M&F	Children 60-364 days M&F
CHIP - Children 1-4 M&F	Children 1-4 M&F
CHIP - Children 5-14 M&F	Children 5-14 M&F
CHIP - Children 15-20 F	Children 15-20 F
CHIP - Children 15-20 M	Children 15-20 M

Completion Factors

The capitation rates for SFY21a are the same as the SFY20 contract period and therefore directly relied on the SFY20 rate build-up at each step within rate development. Thus, the base data and adjustments are the same as those described within the IA Health Link SFY20 Rate Certification, dated July 10, 2019. To summarize the following adjustments were made to complete the SFY18 base data:

- Overall impact of the Incurred-But-Not-Reported (IBNR) analysis resulted in a 0.9964 completion factor.
- The comparison of the MMIS encounters to the MCO reported financials resulted in a reporting adjustment increase of 0.4% to account for encounters not yet properly flowing through the MMIS system.
- Subcapitated costs reported by each MCO were added to the base which resulted in an aggregate increase of 0.4%.
- Adjustments for provider incentives and settlement payments by the MCOs resulted in an aggregate 0.3% increase to the statewide base data.

After applying these base data adjustments, the data sources consistently, accurately, and completely reflect the experience for the IA Health Link program in SFY18. **Optumas** performed similar evaluations on the SFY19 data, the results of which were very consistent with the SFY18 base data used for rate development. The final adjusted SFY19 data was 0.4% less than that of SFY18. Each of these adjustments are shown in greater detail at the rate cell level within Appendix I.B of the IA Health Link SFY20 Rate Certification.

Errors in Data

Within the development of the SFY19 and SFY20 rates, **Optumas** identified a discrepancy between the detailed data and financials for Amerigroup's pharmacy claims and replaced it with detailed data from Amerigroup for July 2017 – November 2017. Further details on the Amerigroup supplemental data extract are discussed in Section I.2.B.II of this document.

Program Changes

The following is a list of program changes that were incorporated into the SFY20 capitation rates, and therefore are included within the rates effective for SFY21a. A description of these program changes is included in the IA Health Link SFY20 Rate Certification, dated July 10, 2019. The impact of each can be found in the IA Health Link SFY20 Rate Certification and corresponding Appendices:

- FQHC, RHC, and IHS Repricing
- HH LUPA Repricing
- ICF/ID Repricing
- SRC Repricing
- CAH CAF Repricing
- NF Repricing
- Hospice Repricing
- Pharmacy Rebates for hawk-i
- Sick Baby DRG
- Sleep DME
- PCP Assignment Optimization
- Program Integrity (Fraud Detection)
- Modifier Audit
- Re-contracting
- Pharmacy Dispensing Fee Adjustment
- PDN Rate Change

The majority of these adjustments are either reimbursement changes or MCO initiatives that were implemented midway through the SFY18 base data and required an adjustment to reflect an annual impact of the policy change. As a result, the SFY20 rating adjustment for the MCO initiatives would be consistent regardless of whether the contract period is SFY20 or SFY21a. For the repricing adjustments, **Optumas** evaluated the impact of the reimbursement changes using the most recent rates available through May 2020. The overall impact of the repricing program changes were generally consistent with that of the SFY20 rate development, which supported the appropriateness of extending the SFY20 capitation rates with no explicit adjustment for SFY21a. The impact of each of these program changes at the rate cell level is shown in Appendix I.B of the IA Health Link SFY20 Rate Certification, and a summary of all program changes and each step of the rate development is shown in Appendix II.B of the IA Health Link SFY20 Rate Certification.

Service and Payment Exclusions

Historically, certain high-cost pharmacy drugs were excluded from the rates and MCOs submitted invoices to IME for reimbursement; however, these pharmaceuticals were covered by the monthly MCO capitation payments, effective July 1, 2019. During the SFY21a contract period, the MCOs will continue to be reimbursed for these services via the monthly capitation payments and the costs of these services have been included within the SFY18 base data used for rate development. During the SFY21a contract period, IME has excluded Zolgensma from being reimbursed via the capitation rates. The MCOs will provide coverage of Zolgensma to eligible beneficiaries consistent with other pharmaceuticals and treatments, however IME will reimburse the MCOs via invoices billed to IME. There is no explicit

adjustment carving Zolgensma experience out of the capitation rate development since Zolgensma became available after the base data time period.

The list of high-cost pharmacy drugs previously excluded from the rates are shown within Appendix II.C of the IA Health Link SFY20 Rate Certification.

There are no other service exclusions within the IA Health Link managed care capitation rates during the SFY21a contract period.

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. Variation of Assumptions

Variations in the assumptions used to develop the projected benefit costs for covered populations are based on valid rate development standards, not the rate of federal financial participation associated with the covered populations.

iii. Trend Assumptions

The development of trend for the SFY20 IA Health Link capitation rates is described in the IA Health Link SFY20 Rate Certification, which is an appendix to this document.

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 IA Health Link Medicaid population and include consideration of other factors that may affect projected benefit cost trends through the rating period.

In the development of the SFY20 capitation rates, prospective trends were applied from the midpoint of the SFY18 base data (12/30/2017) to the midpoint of the SFY20 contract period (12/30/2019). The annualized prospective utilization, unit cost, and PMPM trend assumptions by broad population and major category of service are included within Appendix II.D of the IA Health Link SFY20 Rate Certification.

As part of the analyses originally conducted to review emerging trends for the SFY21 rate development process, **Optumas** conducted a trend analysis which incorporated emerging data through SFY19. This trend analysis resulted in aggregate trends comparable but slightly lower than the annualized trends developed for the SFY20 rates. The results of this review assisted in determining that the extension of the SFY20 rates for six months through SFY21a was a reasonable approach in light of the externalities associated with the COVID-19 pandemic that are expected to impact member volume, acuity, and service utilization.

iv. In-lieu-of Services

IME policy has historically allowed for in-lieu-of services associated with beneficiaries residing in an IMD up to fifteen days during a given month.

v. IMD as In-lieu-of Service

IME policy allows for experience specific to beneficiaries age 21 to 64 residing in an IMD for less than fifteen days to be included within the IA Health Link capitation rates, and these services were included within the IA Health Link contract during SFY18, which is the base data used for the SFY21a rates. IME policy reimburses IMDs at the statewide average per diem of the comparable non-IMD facilities. As a result of this policy, no repricing of the IMD utilization has been conducted.

B. Appropriate Documentation

i. Final Projected Benefit Costs

The rate certification clearly documents the final projected benefit costs by rate cell in Appendix I.B of the IA Health Link SFY20 Rate Certification.

ii. Development of Projected Costs

As described in the Base Data section and Trend Assumptions section above, **Optumas** relied on the MMIS encounter data and FFS data provided by the State for the development of projected benefit cost trends and therefore projected costs in the development of the SFY20 capitation rates. No changes to the data, assumptions, and methodologies used have occurred since the SFY20 rate certification, as the SFY20 rates are being extended for the SFY21a contract period.

Prior to summarizing the SFY18 base data used for rate development, the detailed MMIS encounter data was adjusted to include only last-in-chain versions of IA Health Link covered services so no overpayments to providers needed to be accounted for within rate development.

The following policy changes occurred after the SFY18 base data time period but before the contract period and as such are applied after trend within rate development. A more detailed description of each can be found in the IA Health Link SFY20 Rate Certification, dated July 10, 2019:

- Complex Needs Service Addition
- Exclusive DME Provider
- Oxygen Adjustment
- Swing Bed Payments
- Inpatient Readmission Adjustment
- ID Waiver Addition
- Hepatitis C Adjustment

Each of these program changes is consistent in terms of policy and program implementation and estimated impact as that of the SFY20 rate development, with the exception of the Hepatitis C policy change. Effective January 1, 2019, IME changed the requirements to receive Hepatitis C drugs from Fibrosis Scores 3-4 to F2 for the IA Health Link population. An estimated increase of $3.6M was included within the SFY20 rates to account for the expected increase in service utilization associated with these drugs as a result of loosening the requirement for treatment. Effective July 1, 2020, IME is completely removing the Fibrosis Score requirements to receive Hepatitis C drugs for the IA Health Link Population. There is significant uncertainty centered around member behaviors and expected service utilization as a result of the COVID-19 pandemic. Thus, no additional estimates other than the original $3.6M that was included within the SFY20 rate development have been added to the SFY21a capitation rates. Once

emerging encounters are available in the Fall of 2020, **Optumas** plans to refine the assumptions surrounding the Hepatitis C policy change in future rating cycles.

The impact to each rate cell for the program changes listed above is shown in Appendix I.B of the IA Health Link SFY20 Rate Certification and a summary of all applicable program changes and steps of the rate development is shown in Appendix II.B of the IA Health Link SFY20 Rate Certification.

Changes to Data, Assumptions, and Methodology

Projected costs were developed in a manner consistent with the development of the SFY20 rates and generally accepted actuarial principles and practices.

iii. Projected Benefit Cost Trends

Data and Assumptions

The development of trend for the SFY20 IA Health Link capitation rates is described in the IA Health Link SFY20 Rate Certification, which is an appendix to this document.

In addition to the trend development specific to the SFY20 rates, **Optumas** conducted a review of emerging trend in anticipation of projecting for SFY21, prior to the impact of COVID-19. This review relied upon detailed IA Health Link encounter data, by COA and COS. This encounter data spanned from April 2016 through September 2019, with paid dates through September 2019. FFS data for the AmeriHealth to Amerigroup transitional members was included for the December 2017 – February 2018 time period. Additionally, to the extent possible, **Optumas** reviewed more recent SFY20 emerging Health Link financial data to help inform the trend review. As noted above, this trend analysis resulted in aggregate trends comparable but slightly lower than the annualized trends developed for the SFY20 rates. The results of this review assisted in determining that the extension of the SFY20 rates for six months through SFY21a was a reasonable approach in light of the externalities associated with the COVID-19 pandemic that are expected to impact member volume, acuity, and service utilization.

Methodology

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 future contract period. Trends were developed on an annualized basis and applied by major population and major service category from the midpoint of the base period to the midpoint of the contract period.

The development of trend for the SFY20 IA Health Link capitation rates is further described in the IA Health Link SFY20 Rate Certification, which is an appendix to this document.

Components

The annualized prospective utilization and unit cost trend assumptions by cohort and category of service are included within Appendix II.D of the IA Health Link SFY20 Rate Certification.

Variations

Projected benefit cost trends were developed at the service category level by population for the statewide IA Health Link program. Similar rate cells were combined for trend development in order to increase credibility when developing trend projections and are shown within Table 5 below.

Table 5: Trend Cohorts

Trend Cohort	Rate Cells Incorporated
Children	Children 0-59 Days M&F, Children 60-364 days M&F, Children 1-4 M&F, Children 5-14 M&F, Children 15-20F, Children 15-20M, CHIP - Children 0-59 Days M&F, CHIP - Children 60-364 days M&F, CHIP - Children 1-4 M&F, CHIP - Children 5-14 M&F, CHIP - Children 15-20F, CHIP - Children 15-20M, CHIP – Hawk-i
Disabled	ABD Non-Dual <21 M&F, ABD Non-Dual 21+ M&F, Residential Care Facility, Breast and Cervical Cancer
Dual	Dual Eligible 0-64 M&F, Dual Eligible 65+ M&F
Institutional	Custodial Care Nursing Facility <65, Custodial Care Nursing Facility 65+, Non-Dual Skilled Nursing Facility, ICF/ID, State Resource Center, PMIC
Maternity Case Rate	TANF Maternity Case Rate, Pregnant Women Maternity Case Rate
Pregnant Women	Pregnant Women
TANF Adult	Non-Expansion Adults 21-34 F, Non-Expansion Adults 21-34 M, Non-Expansion Adults 35-49 F, Non-Expansion Adults 35-49 M, Non-Expansion Adults 50+ M&F
Waiver	Elderly HCBS Waiver, Dual HCBS Waivers: PD; H&D, Non-Dual HCBS Waivers: PD; H&D; AIDS, Brain Injury HCBS Waiver; Intellectual Disability HCBS Waiver; Children's Mental Health HCBS Waiver
Wellness Plan	WP 19-24 F (Medically Exempt), WP 19-24 M (Medically Exempt), WP 25-34 F (Medically Exempt), WP 25-34 M (Medically Exempt), WP 35-49 F (Medically Exempt), WP 35-49 M (Medically Exempt), WP 50+ M&F (Medically Exempt), WP 19-24 F (Non-Medically Exempt), WP 19-24 M (Non-Medically Exempt), WP 25-34 F (Non-Medically Exempt), WP 25-34 M (Non-Medically Exempt), WP 35-49 F (Non-Medically Exempt), WP 35-49 M (Non-Medically Exempt), WP 50+ M&F (Non-Medically Exempt)

Other Material Adjustments

No other adjustments to projected benefit cost trends were made during rate development.

iv. Mental Health Parity and Addiction Equity Act

Optumas is unaware of any material program changes at this time, that would require an adjustment for compliance with the Mental Health Parity and Addiction Equity Act as required by 42 CFR §438.3(c)(1)(ii).

v. In-lieu-of Services

Please see Section I.3.A.iv and I.3.A.v for information surrounding IMD services.

vi. Retrospective Eligibility

Optumas has relied on the SFY18 IA Health Link experience as the base data used to develop the capitation rates. Retroactive eligibility periods have historically been excluded from the IA Health Link program. Therefore, no explicit adjustment has been made for this in the development of the rates effective during SFY21a.

vii. Changes in Covered Benefits

Any changes to covered benefits in the IA Health Link program have been accounted for within the rate development and are described in detail above in Section I, Subsection 2.B.iii.

viii. Impact of Changes

The impact of changes to covered benefits in the IA Health Link program are shown in Appendix I.B of the IA Health Link SFY20 Rate Certification. Each change to covered benefits includes an estimated impact to the projected benefit costs and a description of the data, assumptions, and methodologies used to develop the adjustment in Section I, Subsection 2.B.iii. above.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

There are no incentives included in the contract between the State and the MCOs in the IA Health Link program.

B. Withhold Arrangements

i. Rate Development Standards

This section provides supporting documentation and describes the withhold arrangement in the contract between the State and the IA Health Link MCOs. Per the SFY21a IA Health Link MCO contracts, 2.0% of premium is withheld by the State of Iowa and the MCOs have the ability to earn back the withhold to the extent that specific quality and performance measures are met. These quality and performance measures are distinct from general operational requirements under the contract. The 2.0% withhold is not a component of the non-medical load since it is removed from the final capitation rate and is consistent with the withhold percentages inherent within the SFY19 and SFY20 rates. To the extent that the IA Health Link MCOs do not earn back the withhold, the payment rate would still be reasonable and appropriate for the covered services and populations and the resulting rates would be actuarially sound.

ii. Appropriate Documentation

Time Period and Purpose

The time period of the withhold arrangement is consistent with the SFY21a rating period. The purpose of the arrangement primarily relates to value-based purchasing, access to care, network distance standards, and the appeal process.

Description of the Total Percentage Withheld

In SFY21, there is a withhold in place that amounts to 2% of the total capitation rate revenue. This withhold is consistent with the withhold percentages for the SFY19 and SFY20 capitation rates. Each MCO has the ability to earn back the withhold to the extent that specific quality and performance measures are met as stated in the contract. The capitation rates gross and net of the 2% withhold are shown in Appendix I.A of the IA Health Link SFY20 Rate Certification.

Estimate of Percentage to be Returned

Based on emerging experience of the IA Health Link MCOs and discussion with IME surrounding the withhold metrics, **Optumas** estimates that the MCOs will earn between 50% to 75% of the 2% withhold.

Reasonableness of Withhold Arrangement

Our review of the total withhold percentage of 2% of capitation revenue is reasonable within the context of the capitation rate development.

Effect on capitation rate development

The withhold arrangements had no effect on the development of the capitation rates. The capitation payments minus the portion that is not reasonably achievable are actuarially sound.

To the extent that the IA Health Link MCOs do not earn back the withhold, the payment rate would still be reasonable and appropriate for the covered services and populations and the resulting rates would 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 health plans.

ii. Appropriate Documentation

Other Risk-Sharing Arrangements

The IA Health Link capitation rates have been developed as full risk rates. There are no other risk-sharing arrangements within the IA Health Link program.

Medical Loss Ratio Arrangement

The State requires all health plans to maintain a medical loss ratio (MLR) of 89% for SFY21a, which is increased from the 88% MLR requirement in previous cycles. If the MLR is less than 89%, the health plans must refund the State the difference.

Reinsurance

The contracts between DHS and the MCOs require that the MCOs comply with reinsurance requirements of 191 Iowa Administrative Code 40.17 and shall file with the Agency all contracts of reinsurance or a summary of the plan of self-insurance. The contractor shall provide to the Agency the risk analysis, assumptions, cost estimates, and rationale supporting its proposed reinsurance arrangement.

D. Delivery System and Provider Payment Initiatives

There are three provider payment initiatives effective during SFY21a, which are in accordance with 42 CFR 438.6(c). These payments are described below:

Physician ACR Payments

Description of Arrangement

University of Iowa Physician Average Commercial Rate (ACR) payments were the pass-through payments incorporated into the historical capitation rates. After the originally developed SFY19 rates were certified, the State began working with CMS to develop an approvable alternative minimum fee schedule for physician and professional services at qualifying Iowa State-Owned or Operated Professional Services Practices, in accordance with 42 CFR 438.6(c), effective July 1, 2018. CMS approved this arrangement for SFY19 in December 2018. The State continued this arrangement for the SFY20 contract period and plans to continue in SFY21a.

The methodology used to incorporate the payments associated with the approved minimum fee schedule is consistent with that submitted by the State in the 438.6(c) preprint approved by CMS for SFY19 and SFY20. Due to the recent service utilization reductions as a result of the COVID-19 public health emergency and the unknowns as to when utilization will reach historical levels, the PMPMs for all directed payments are consistent with those of the SFY20 rate development, described within the IA Health Link SFY20 Rate Certification, dated July 10, 2019. Once emerging data is available in the Fall of 2020, **Optumas** plans to revisit all components of rate development and revise assumptions accordingly, as necessary.

The additional payment made to these qualifying physicians under the minimum fee schedule provide support for contracting and maintain access for Medicaid beneficiaries to the applicable physicians and the MCOs. Under this arrangement, in accordance with 42 CFR 438.6(c)(2)(i)(B), a supplemental payment for covered physician services will be made for the services provided by a faculty or staff member of a qualifying Iowa State-Owned or Operated Professional Services Practice to reflect the reimbursement of the approved minimum fee schedule. Currently, only physicians affiliated with the University of Iowa meet this definition.

The payment arrangement is based on actual utilization within the contract period structured such that the MCOs pay the customary Medicaid rate when adjudicating claims. The basis for the supplemental payment is the difference between the customary Medicaid rate and the average commercial rate (minimum fee schedule) for specific physician service procedure codes. The MCOs are responsible for paying the calculated differential payments to qualifying practices based on actual utilization within the contract period.

Rating Adjustment

The methodology noted below is consistent with that of the SFY20 rate development and the resulting PMPMs are the same as the SFY20 PMPMs for all rate cells.

Optumas received a list of University of Iowa providers from the State, which was used to identify claims and services attributed to providers who are eligible to receive the enhanced minimum fee schedule

reimbursement. The State also provided the most recent commercial-level fee schedules and **Optumas** calculated the differential between the Medicaid payment within the underlying base data and the University of Iowa minimum fee schedule as specified in the state plan. This difference was calculated to arrive at a supplemental PMPM amount by rate cell, which is the amount in excess of what would be paid at the standard Medicaid fee schedule. This supplemental PMPM, which does not contain any applied non-medical load, is the amount built into the capitation rates to reflect the impact of implementing the alternative minimum fee schedule physician and professional services at qualifying Iowa State-Owned or Operated Professional Services Practices.

The PMPMs for all rate cells are consistent with those built into the SFY20 rates.

Ground Emergency Transportation (GEMT) Payment Program

Description of Arrangement

Effective July 1, 2019, the State implemented the Ground Emergency Medical Transportation (GEMT) Payment Program in accordance with 42 CFR 438.6(c). The GEMT Payment Program is made to qualifying Emergency Medical Service (EMS) providers within Iowa for Emergency Medical Transportation services. IME provided **Optumas** with the list of applicable providers and procedure codes that will be receiving the prospective provider-specific payment rates during the contract period. The provider-specific rates are based on CMS-approved GEMT cost reports submitted by the EMS providers. The EMS additional payments will provide support for contracting and maintain access for Medicaid beneficiaries to receive GEMT services. Under this arrangement, in accordance with 42 CFR 438.6(c)(2)(i)(B), the supplemental payment for covered emergency transportation services will be billed under procedure code A0999 for the services provided by an approved EMS provider participating in the GEMT Payment Program.

The payment arrangement for the SFY21 contract period will be based on actual emergency transportation service utilization within the contract period and is structured such that the MCOs pay both the customary Medicaid rate and the supplemental provider-specific prospective rate when adjudicating claims. The provider-specific prospective payment rate, billed under procedure code A0999, represents the additional uncompensated actual costs necessary to perform EMS transports based on submitted cost reports.

Rating Adjustment

The providers receiving the supplemental payment associated with the GEMT program are eligible EMS providers who will continue submitting CMS-approved cost reports that will be used to calculate their supplemental prospective payment in future fiscal years.

The supplemental payment for GEMT is calculated based on emergency transport service utilization for qualifying EMS providers within the base data, at the rate cell level, projected to the contract period. The additional payment associated with the GEMT Payment Program for SFY21a is unchanged from the amounts developed for all rate cells for SFY20.

Nursing Facility COVID-19 Relief Rate (NF CRR)

Description of Arrangement

Effective March 13, 2020, COVID-19 Relief Rate (CRR) payments are available to Medicaid certified skilled nursing facilities (SNF) and nursing facilities (NF) during the period of the federal public health emergency who meet one of the following requirements:

1. The facility has a designated isolation unit for the treatment of COVID-19; or
2. The facility, in its entirety, is designated for the treatment of COVID-19.

CRR payments are $300 per day made to eligible facilities for each enrollee residing in a designated isolation unit or COVID-19 designated facility who:

1. Is discharging from a hospital to the nursing facility; or
2. Is pending test results for COVID-19; or
3. Has a positive COVID-19 diagnosis.

The purpose of these payments is to provide financial assistance to facilities that incur unexpected costs when caring for Medicaid members who are diagnosed with or quarantined for potential COVID-19. These additional expenses can be burdensome to facilities and the current rate methodology does not capture these expenses in a timely manner. The designated isolation area would allow for a higher infection control protocol, higher staff ratios, and dedicated staff to avoid cross contamination.

The effective date a facility could qualify to receive CRR payments starts March 13th, 2020 and extends through the end of the federal public health emergency. The CRR payment is in addition to the already established per diem rates. Providers will submit claims with the “disaster related” condition code added to the claim form in order to receive the CRR payment.

CRR payments are a temporary measure available to provide financial assistance to facilities due to unexpected higher cost when caring for Medicaid members who are impacted with COVID-19. IME will develop a separate schedule to report the cost and additional funds related to COVID-19 during the emergency declaration. Increased and new costs will not be allowed for the normal room and board that are rebased biannually.

Rating Adjustment

Optumas reviewed the reported prevalence of COVID-19 cases within the total population in the State of Iowa for the March – May 2020 time period. Using estimates of the percent that Medicaid beneficiaries comprise of the total Iowa population and allocating positive cases based on risk of the population, **Optumas** developed high-level estimates of the prevalence of COVID-19 within the Medicaid Nursing Facility populations so that sensitivity testing could be conducted. Assuming that patients would be COVID-19 positive for approximately 30 days, in conjunction with the expected reduction in utilization for other services as a result of the COVID-19 pandemic, resulted in a de minimis impact to the overall capitation rates, which is compounded with the fact that the LTSS capitation rates represent

a blend of Nursing Facility and Waiver populations and only the Nursing Facility population is subject to these payments. Thus, no specific adjustment was made for the NF CRR payment at this time.

E. Pass-Through Payments

Graduate Medical Education (GME) payments are incorporated within the capitation rates effective for SFY21a and reflect payments to hospitals. However, the GME payment is outside of the standard definition of pass-through payments per 42 CFR 438.6(a). Therefore, there are no pass-through payments in the SFY21a rates per the definition of pass-through payments per 42 CFR 438.6(a).

Although the GME payment is outside the standard definition of pass-through payments per 42 CFR 438.6(a), we have included the description and amount of the GME payment in this section of the certification letter. The GME payments are made to teaching hospitals for purpose of funding graduate medical education within the state. These payments are received by teaching hospitals with an accredited medical education program and are funded with direct State appropriations to the Medicaid agency. These amounts are paid to the teaching hospitals by the MCOs but are not included in the contracted rates between the plans and the hospitals.

The $5.28 PMPM amount included for the rate cells that receive this payment is consistent with the amount included in the SFY20 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 MCO administration, taxes, licensing and regulatory fees, contribution to reserves, risk margin, and cost of capital. In addition, the non-benefit component includes other operational costs associated with the provision of services under the contract, as required by 42 CFR §438.3(c)(1)(ii).

ii. PMPM and Percentage of Capitation Rates

Non-benefit costs were developed as a percentage of the capitation rates, net additional payments (GME, ACR, and GEMT).

iii. Variations

Variations in the assumptions used to develop the projected non-benefit costs for covered populations are based on valid rate development standards. Variations in non-benefit costs exist between rate cells and between MCOs. Variations are not based on the rate of federal financial participation associated with the covered populations.

iv. Health Insurance Providers Fee

No adjustment has been made to the rates to reflect the HIPF payment. To the extent IME opts to address the Health Insurer Fee via the capitation rates, an amendment to the rates will be made to add in the MCO obligations.

B. Appropriate Documentation

i. Development

Description

Since the SFY20 capitation rates are extending to the SFY21a contract period, non-benefit costs remain consistent. **Optumas** did review non-benefit costs using data from SFY18, SFY19, and emerging SFY20 financial templates completed by each MCO as well as non-benefit costs in Medicaid programs from states with similar populations and services and determined the amounts already incorporated for SFY20 were reasonable to continue for SFY21a. Due to the various IA Health Link MCO transitions, **Optumas** relied primarily on the non-benefit costs incurred by Amerigroup when developing the non-medical load assumptions for rate development. In developing non-benefit cost assumptions, consideration was given to economies of scale, as well as fixed and variable costs, resulting in variation between final MCO non-benefit cost projections across populations. The level of non-benefit costs

necessary varies between populations to effectively manage care. Non-benefit costs are consistent with that of the SFY20 rate development and are shown by rate cell and MCO in Appendix I.B of the IA Health Link SFY20 Rate Certification.

Material Changes

The statewide non-medical load within the SFY21a rates is approximately 7.8% in aggregate and is unchanged from the SFY20 rates, for all rate cells.

ii. Cost Categories

The non-medical cost load includes administrative costs and allocation for profit, risk, and contingency which is 1.75% of premium for all rate cells.

iii. Health Insurance Providers Fee

As noted in Section 5.A.iv, no allowance has been made at this time for the HIPF.

6. Risk Adjustment and Acuity Adjustments

A. Risk Development Standards

i. Risk Adjustment

The approach to risk adjustment, as well as the MCO-specific factors by COA for SFY21a remain unchanged from the SFY20 rates. As part of the SFY20 capitation rate development, it was determined that the use of cost-based relativity factors, rather than risk scores, was most appropriate to use within the SFY20 rate development. Additional details regarding the relativity adjustment developed for the SFY20 rates is discussed in Section I.6 of the IA Health Link SFY20 Rate Certification.

When the rates are updated in the Fall of 2020 for the January – June 2021 (SFY21b) contract period, it is expected that **Optumas** will reevaluate the use of CDPS+Rx based risk adjustment and determine if there is enough program stability to transition away from the cost-based relativity adjustment and towards CDPS+Rx risk adjustment.

ii. Methodology

Consistent with 42 CFR §438.5(g), for the prospective risk adjustment, **Optumas** worked with IME to select an adjustment methodology that uses generally accepted models and applied it in a budget neutral manner, consistent with generally accepted actuarial principles and practices.

iii. Acuity Adjustment

Consistent with the SFY20 rates, no acuity adjustments have been made in the development of the IA Health Link capitation rates effective for SFY21a.

B. Appropriate Documentation

i. Prospective Risk Adjustment

In accordance with 42 CFR §438.7(b)(5)(i), the rate certification describes all prospective risk adjustment methodologies below.

Data

The data used is consistent with that described in the IA Health Link SFY20 Rate Certification since the SFY21a payment rates are consistent with those of SFY20. Please refer to the Executive Summary for additional details on the rationale for extending the existing rate for another six months.

Model

The model used in the development of the SFY20 capitation rates, and thereby underlies the SFY21a capitation rates, is described in the IA Health Link SFY20 Rate Certification. The description is also included below for reference:

Optumas developed and applied relativity factors to most populations in the IA Health Link program, namely Children, Non-Expansion Adults, Wellness Plan, ABD Non-Duals, and the LTSS populations similar to the relativity factors that were used for the LTSS population within the SFY19 rate development. The remaining populations reflect a statewide rate. Some of these populations, like BCCP and Non-Dual Skilled Nursing Facility had populations insufficient for a relativity adjustment to be credibly applied. A table detailing the use of relativity adjustment or statewide rate for each rate cell, along with the resulting factors, is shown in Appendix II.E of the IA Health Link SFY20 Rate Certification.

Optumas identified the member months and costs associated with each of the members within the MCO attribution file provided by IME within the SFY18 base data, to the extent that these members had experience in SFY18. This was then used to develop a PMPM, by MCO and rate cell, based on SFY18 base data for attributed members. By comparing the relative PMPM, by rate cell for each MCO, an initial MCO relativity factor was developed for each rate cell.

Consideration was given for members who were present in SFY18, but not included within the attribution file; these members were classified as the 'leavers' of the program. It was assumed that the 'joiners' (those not enrolled in SFY18, but who will be enrolled in SFY20) will have comparable experience to the 'leavers' noted above. **Optumas** assumed that the 'joiners' would be distributed evenly between the two MCOs. By splitting these members 50/50 between the two MCOs, this results in a slight adjustment to the MCO relativity factors noted above.

During the development of the relativity factors, **Optumas** reviewed the prevalence of members with $100k+ claims in the SFY18 base data, by rate cell, for members assigned to both Iowa Total Care and Amerigroup. This review was conducted to ensure that the use of a cost-based relativity factor was not resulting in skewed results as a result of one or two high outlier claims. Upon review of both the total dollars in excess of $100k claims as a percent of the base data, as well as the distribution of members with $100k+ claims between the two MCOs, **Optumas** determined that there was no compelling reason to make an adjustment for members with $100k+ claims as part of the relativity factor development.

Similarly, **Optumas** reviewed the average SFY18 enrollment duration for members assigned to Amerigroup and Iowa Total Care to understand the differences in duration and consider whether significant differences in duration played a role in the relativity factor development. Upon this review, **Optumas** observed that the average duration was consistent between the two MCOs. Therefore, no explicit adjustment has been made in the relativity factor development for duration, outside of the 'leavers' and 'joiners' consideration described above.

Methodology

The relativity factors were applied to the statewide rates in a budget neutral manner for the MCOs consistent with the SFY20 rate development. The relativity adjustment methodology follows the use of generally accepted actuarial principles and practices that surround standard risk adjustment. Appendix II.F of the IA Health Link SFY20 Rate Certification demonstrates the budget neutrality of the relativity adjustments made for each rate cell. Consistent with how rates were developed, same-demographic

Children and CHIP rate cells were combined for credibility in developing the relativity adjustment factors.

Magnitude

The impact by rate cell and in total for each MCO is shown in Appendix II.G of the IA Health Link SFY20 Rate Certification.

Assessment of Predictive Value

As more recent experience becomes available for the IA Health Link program, **Optumas** and IME will continue to monitor and review the correlation between the relativity factors and relative costs by MCO and rate cell.

Concerns

At this time, **Optumas** has no concerns with the relativity adjustment process.

ii. Retrospective Risk Adjustment

No retrospective risk adjustment has been made in the development of the capitation rates.

iii. Changes to Risk Adjustment Model and Budget Neutrality

There have been no changes to the risk adjustment model and budget neutrality calculations, since the SFY21a IA Health Link capitation rates are an extension of the CMS approved SFY20 capitation rates.

iv. Acuity Adjustment

No acuity adjustments were made for the SFY21a rates.

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

1. Managed Long-Term Services and Supports

A. Required Content

The development of the SFY20 capitation rates that are being extended for SFY21a for the LTSS populations is consistent with the guidance above in Section I of the required standards for rate development and CMS' expectations for appropriate documentation.

The IA Health Link program covers individuals receiving LTSS services across several rate cells. Beneficiaries in these rate cells include elderly and disabled individuals age 19 and older who do not qualify for Medicare coverage and are receiving Medicaid assistance, including all home and community-based waiver enrollees. A significant portion of services provided to these members are LTSS benefits including nursing facility, home care, and home and community based (HCBS) waiver services. The IA Health Link includes individuals receiving the following services:

- Intermediate care facility or nursing home care
- ICF/ID facilities
- State resource centers
- Hospice
- Psychiatric mental institutions for children
- Home and Community Based Waiver Services, including:
  - Physical Disability Waiver
  - Health and Disability Waiver
  - AIDS Waiver
  - Brain Injury Waiver
  - Elderly Waiver
  - Children's Mental Health Waiver
  - Intellectually Disability Waiver

The capitation rates were developed for all services incurred by LTSS members, with the exception of dental services. These services are carved out of the IA Health Link capitation rates since these are covered by a separate Iowa Medicaid dental managed care program.

B. Rate Development Standards

i. Rate Blending

Optumas developed the LTSS capitation rates by blending the rates for each LTSS rating group. The rating groups and Facility/Waiver blend weights are consistent with those used within the SFY20 rate development and include: Elderly, Physically Disabled, Intellectually Disabled, and Children's Mental Health.

C. Appropriate Documentation

i. Payment Structures

Capitation payments for LTSS benefits are paid as a single capitation rate for each LTSS rating group, by MCO. MCO payments vary based on actual MCO enrollment. In the development of the SFY20 capitation rates, **Optumas** used the June 2019 MCO-attribution file as the basis for the LTSS blend as it provided the mix of Institutional and Waiver members that each MCO expected to be enrolled with their organization as of June 2019. Since the SFY20 capitation rates are being extended for SFY21a, the underlying LTSS blend underlying the rates effective for SFY21a is unchanged from the SFY20 rates. The individual LTSS rate cells are blended using the rating groups mentioned in Section II.1.B. above. A summary of the rate blending methodology is shown in Appendix II.H of the IA Health Link SFY20 Rate Certification.

ii. Non-Benefit Costs

Non-medical load for the LTSS population has been developed consistent with the approach for all IA Health Link populations. Further details can be found in Section I.5 of this certification letter.

iii. Sources

The LTSS capitation rates were developed using SFY18 encounter data as the base data, consistent with all other rate cells. After accounting for program change adjustments, trend, applying risk adjustment, and adjusting for non-medical load, the LTSS rates were blended according to broad rating groups. A summary of the rate blending methodology is shown in Appendix II.H of the IA Health Link SFY20 Rate Certification.

Section III. New Adult Group Capitation Rates

1. Data

A. New Adult Group Data

The same data sources used to develop the SFY20 rates, and thereby the SFY21a rates, for the traditional Medicaid populations were used to develop rates for the new adult group. IA Health Link encounter data for the Wellness Plan (WP) new adult group, as described in Section I.2, was primarily used to develop the capitation rates effective for SFY21a.

B. Previous Rating Periods

i. New Data

Optumas used IA Health Link experience from SFY18 as the basis for SFY20 rates which are being extended for another six months for the SFY21a contract period due to the uncertainties surrounding the COVID-19 public health emergency, as described in the Executive Summary of this document.

ii. Monitor Costs

IME and **Optumas** will continue to review emerging experience for the WP population and will consider the necessity of any adjustments resulting from emerging experience varying materially from cost projections. In the Fall of 2020, emerging experience including the emerging impact of the COVID-19 public health emergency will be reviewed as rates are developed for the January – June 2021 (SFY21b) contract period.

iii. Actual Experience Compared with Expectations

Optumas believes that the use of IA Health Link experience as the basis for rate development better aligns payment to risk for the SFY21a contract period as compared with the pre-IA Health Link data used in the early years of IA Health Link rate development.

iv. Adjustment for Differences

Optumas used SFY18 encounter data as the base data for the SFY20 and thereby the SFY21a rates, which incorporates the second full year of WP actual encounter experience under the IA Health Link program. Therefore, no adjustment has been made for any differences between actual experience compared with expectations. It is expected that the use of more recent years of IA Health Link experience in the future will better align payment to risk as compared to prior rate development cycles that relied on pre-IA Health Link data.

2. Projected Benefit Costs

A. New Adult Group Projection Issues

i. New Adult Groups Covered in Previous Rating Periods

Optumas worked with IME to utilize SFY18 IA Health Link encounter data as the base for the capitation rates. This is consistent with the base data used within the development of the SFY20 rates since the decision was to extend the SFY20 rates for the first six months of SFY21 due to unknowns around changes in caseload and member acuity coupled with utilization reductions during the COVID-19 public health emergency declaration.

No adjustments were made for the following items as a result of using actual IA Health Link program experience:

- Acuity adjustments
- Pent-up demand
- Adverse selection
- Demographic changes
- Differences in provider reimbursement rates, as these differences do not exist between the WP and non-WP populations

B. Key Assumptions

i. Acuity Adjustments

No acuity adjustment was made for the WP population. IME and **Optumas** will continue to monitor any changes in acuity as a result of caseload and enrollment changes associated with the COVID-19 pandemic. Emerging data will be evaluated in the Fall of 2020 to make an adjustment to future rate developments, if necessary.

ii. Pent-up Demand

The WP population has had several years of experience within the Iowa Medicaid program at the time of the base data period, so no adjustment for pent-up demand was deemed necessary.

iii. Adverse Selection

The WP population has had multiple years of experience with the Iowa Medicaid program, and no significant changes in the population are expected, so no adjustment for adverse selection was deemed necessary.

iv. Demographics

The WP population has had multiple years of experience with the Iowa Medicaid program, so no adjustment for demographic changes was deemed necessary. IME and **Optumas** will continue to

monitor any changes in demographics as a result of the economic impacts of the COVID-19 pandemic and will rely on emerging data in the Fall of 2020 to make an adjustment to future rate developments, if necessary.

v. Reimbursement and Networks

Any reimbursement or network adjustments made as part of the program change adjustments were applied to all populations and are described in Section I.

vi. Other Adjustments

No other adjustments were made to the WP projected benefit costs outside of those described in Section I.

C. Benefit Plan Changes

All benefit plan changes have been documented in Section I. No additional benefit plan changes specific to the WP population have been made.

D. Other Material Changes

No other material changes were made to the WP population rate setting.

3. Projected Non-Benefit Costs

A. Required Components

i. Changes in Methodology

Projected non-benefit costs for the WP were developed using the same data, methodology, and assumptions as the traditional populations, described in Section I.5. No other methodology changes have been made to the projected non-benefit costs between the SFY20 and SFY21a Health Link rate development for the WP population.

ii. Changes in Assumptions

Projected non-benefit costs for the WP were developed using the same data, methodology, and assumptions as the traditional populations, described in Section I.5. No other changes in assumptions have been made to the projected non-benefit costs between the SFY20 and SFY21a Health Link rate development for the WP population.

B. Key Assumptions

Optumas used the same assumptions in developing non-benefit costs for the WP and other Medicaid populations. The development of non-benefit costs for all populations is described in Section I.5 and non-benefit costs are shown by rate cell and MCO in Appendix I.B of the IA Health Link SFY20 Rate Certification.

4. Final Certified Rates

A. Required Components

i. Comparison to Previous Rates

As noted in the Executive Summary, there is no change between the previous SFY20 rates and the rates that will be effective from July – December 2020 (SFY21a) for any of the IA Health Link populations.

ii. Other Material Changes

No other material changes were made to the WP rate development outside of what has previously been described in this document.

5. Risk Mitigation Strategies

A. Description of Strategy

As discussed in Section I.4, the IA Health Link capitation rates effective for SFY21a have been developed as full risk rates. The 89% minimum MLR described in Section I, Subsection 4 applies to all populations covered by the IA Health Link program. The calculation is done in aggregate and no additional risk mitigation strategies specific to the Wellness Plan populations are in place for the SFY21a contract period.

B. Comparison to Previous Period

i. Changes in Strategy

The only change in risk mitigation strategy is the program-wide change to the minimum MLR, increasing from 88% to 89% for the SFY21a contract period.

ii. Rationale for Change

The increase from 88% to 89% is consistent for the entire IA Health Link program, and therefore the change for the WP population has been made to be consistent with the program-wide increase in MLR for the contract period.

iii. Experience and Results

Experience will be monitored over the next six months as emerging data incurred during the public health emergency becomes available. This data is expected to be used to inform the January – June 2021 (SFY21b) capitation rate development.

Actuarial Certification Letter

We, Zach Aters, Senior Actuary at **Optumas** and Member of the American Academy of Actuaries (MAAA) and an Associate of the Society of Actuaries (ASA), and Barry Jordan, 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 rates described in this certification letter. The accompanying appendix "IA Health Link SFY20 Rate Certification Appendix I 2019.07.10.xlsx "contains the Rate Development Summaries and final capitation rates for all cohorts. 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 the 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, 2020 through December 31, 2020 for the IA Health Link Managed Care 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 IME. 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 Zach at 480.588.2495 or Barry at 480.588.2492 for any additional information.

Sincerely,

Zachary Aters, ASA, MAAA
Senior Actuary, **Optumas**

Barry Jordan, FSA, MAAA
Consulting Actuary, **Optumas**

Appendices

The following documents serve as appendices to this document, and reflect the complete SFY20 Certification Letter package with all documents dated 2019.07.10:

IA Health Link SFY20 Rate Certification 2019.07.10.pdf (Referred to as "IA Health Link SFY20 Rate Certification" in this document)

IA Health Link SFY20 Rate Certification Appendix I 2019.07.10.xlsx (Referred to as "Appendix I of the IA Health Link SFY20 Rate Certification" in this document)

IA Health Link SFY20 Rate Certification Appendix II 2019.07.10.xlsx (Referred to as "Appendix II of the IA Health Link SFY20 Rate Certification" in this document)