

September 1, 2022

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

PROPRIETARY AND CONFIDENTIAL

Subject: SFY23 IA Health Link Managed Care Rate Certification Addendum

Dear Ms. Matney:

Thank you for the opportunity to assist Iowa Medicaid with the development of the IA Health Link SFY23 capitation rates. It was a pleasure to work with the Iowa Medicaid team throughout this project. The following report describes the SFY23 Iowa legislative appropriations and policy changes that were pending finalization at the time of the original rate certification, dated June 24, 2022. Each of these program changes is effective July 1, 2022, and described within the remainder of this addendum, along with the associated impact on the IA Health Link managed care capitation rates. These revised rates are effective July 1, 2022 through June 30, 2023 and we have provided our actuarial certification for these updated rates, compliant with CMS guidelines and requirements. Please send me an e-mail at barry.jordan@optumas.com or call me at 480.588.2492, or e-mail Stephanie at stephanie.taylor@optumas.com if you have any questions.

Sincerely,



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



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

CC: Joanne Bush, Iowa Medicaid
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Iowa Medicaid

IA Health Link Actuarial Certification Addendum

July 1, 2022 – June 30, 2023 Capitation Rates



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1. Rate Update

The purpose of this report is to provide documentation and amended actuarial certification for the IA Health Link Managed Care Program. CBIZ Optumas (Optumas) is amending the July 1, 2022 – June 30, 2023 (SFY23) actuarial certification to include additional policy changes as a result of Iowa legislative appropriations for the SFY23 contract period. Within the original SFY23 certification letter, dated June 24, 2022, there were no adjustments for the SFY23 legislative appropriations because the services and policy changes affected by the appropriations were unknown at that time.

This addendum to the original actuarial certification dated June 24, 2022, is effective for the period July 1, 2022 – June 30, 2023.

This report describes each of the approved SFY23 legislative policy changes and includes the impact to the revised SFY23 IA Health Link managed care rates. Each of the items impacting the Health Link program is described below and the impacts to the capitation rates are included within the accompanying Excel appendices. This addendum includes the new policy changes associated with the legislative appropriations. All other rating adjustments and assumptions described within the original rate certification have remained unchanged with the exception of the non-medical load assumption, which is described later in this report. Each of the SFY23 policies described below have been included within the rate development after trending to the SFY23 contract period and were applied prior to the application of the acuity adjustment, risk adjustment, non-medical load, and LTSS rate blend assumptions.

As the consulting actuaries to Iowa Medicaid, Optumas ensured that the methodology used to develop the appropriations rating adjustments complied with the Centers for Medicare & Medicaid Services (CMS) guidance for the development of actuarially sound rates. The methodology and assumptions utilized when updating the rates are consistent with the documentation included in the original certification.

Optumas worked with Iowa Medicaid to identify the rate development components for the rating period, accounting for the covered services as described in the IA Health Link contracts. The final rates were developed according to all applicable actuarially sound principles and CMS guidance.

The sections below describe each of the adjustments and the resulting impact within the SFY23 rate development. The impact of each program change associated with this amendment is itemized in columns AX-BG of Appendix I.B.1 and I.B.2; preceding columns in these tabs are consistent with what was provided in the original rate certification.

1.01 Rural Home Health LUPA Appropriation

Effective July 1, 2022, services impacted by the Home Health Low Utilization Payment Adjustment (HH LUPA) for rural providers are receiving a 16.88% rate increase as a result of the legislative

appropriations. Iowa Medicaid provided Optumas with the new HH LUPA rates that go into effect July 1, 2022 by provider and revenue code. Optumas identified the applicable rural providers and services within the CY19 base data and made an adjustment to account for an increase in rural provider utilization observed from the CY19 base period to more recent periods; Optumas then estimated the increase in reimbursement that will occur during the SFY23 contract period as a result of the new rates. The resulting impact to the capitation rates is shown within Appendix I.B based on the CY19 base data enrollment.

1.02 ICF/ID Appropriation

Effective July 1, 2022, Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/ID) services are receiving a rate increase as a result of the legislative appropriations. Iowa Medicaid provided Optumas with the new ICF/ID rates effective July 1, 2022 that included an \$8.86 per day add-on associated with the legislative appropriations. Optumas identified the ICF/ID services within the CY19 base data encounters and applied the increase in reimbursement to these services. The resulting impact is shown within Appendix I.B.

1.03 Behavioral Health Intervention Services (BHIS) Appropriation

Effective July 1, 2022, BHIS are receiving a 20.6% rate increase as a result of the legislative appropriations. Iowa Medicaid provided Optumas the list of all applicable provider types, procedure codes, and modifiers that will receive the reimbursement increase. Optumas identified these providers and services within the emerging CY21 encounters and compared to the CY19 base data experience. It was apparent that the CY21 BHIS experience has decreased significantly since the CY19 base data period. To develop the BHIS appropriations rating adjustment, Optumas therefore relied on the CY21 experience as the basis, and applied the increase in reimbursement to these services. The resulting impact is shown within Appendix I.B.

1.04 Applied Behavioral Analysis (ABA) Appropriation

Effective July 1, 2022, all ABA services will receive an 8.9% increase in reimbursement. Iowa Medicaid provided Optumas the list of all applicable procedure codes and modifiers that will receive the reimbursement increase. Optumas identified each of these populations and services within the CY19 and CY21 encounter data. Due to the increases in utilization observed between CY19 and CY21 Optumas relied on the CY21 utilization levels to determine the impact of the increase in reimbursement to these services. The resulting impact to the capitation rates is shown within Appendix I.B.

1.05 Home and Community Based Services (HCBS) ARPA Increase

Effective July 1, 2022, all HCBS, including Home-Based Habilitation services, will receive a 4.25% increase in reimbursement associated with ARPA funding. This increase in reimbursement is associated with one of the CMS approved policies in Iowa's ARPA HCBS spending plan aiming to improving workforce support. Iowa Medicaid provided Optumas the list of all applicable procedure codes and modifiers that will receive the reimbursement increase. Optumas identified these services within the CY19 base data encounters and applied the increase in reimbursement to account for the ARPA-related appropriations;

this was accounted for after adjusting for the SFY22 appropriations increase already inherent within the original rates and trending to the SFY23 contract period. The resulting impact to the capitation rates is shown within Appendix I.B. by rate cell.

1.06 Non-Medical Load

The original SFY23 rate submission included a total non-medical load of 7.7% in aggregate (the amount is rounded and varies by rate cell). The 7.7% aggregate non-medical load is comprised of an administrative component (5.93%) and a profit, risk, and contingency component (1.75%). For the revised SFY23 rates, the administrative portion of the total non-medical load for each rate cell remains unchanged on a PMPM basis for each MCO, such that the PMPM by rate cell remains the same as the PMPM within the original SFY23 rates. The profit, risk, and contingency load has remained at 1.75% of premium for each rate cell. Since each of the appropriations results in an increase to the overall capitation rates, the fixed administrative PMPM approach results in a SFY23 revised, rounded non-medical load of 7.6% on a program-wide basis based on the CY19 statewide membership. Further details regarding the revised SFY23 non-medical load by rate cell can be found in Appendix I.B.

1.07 Rate Change Summary and Known Amendments

The combined impact of each of these policy changes associated with the legislative appropriations is an aggregate increase of approximately 1.0% to the previously certified SFY23 capitation rates. Please see Appendix I.D for a comparison of the original SFY23 rates described in the certification letter and the revised SFY23 rates after adjusting for the SFY23 appropriations. No adjustments have been made to the other rating adjustments previously described within the original certification letter, dated June 24, 2022. Additional details for each of these appropriations adjustments can be found at the rate cell level within Appendix I.B. An updated comparison of the revised SFY23 capitation rates, to the previously certified SFY23 rates is shown within Appendix II.A. All other appendices that accompanied the original certification letter have been included for completeness and have been updated to reflect the revised rates associated with the legislative appropriation adjustments described within this document.

In addition to the program changes identified above, there are a few legislative appropriations that are not effective until January 1, 2023. Iowa Medicaid is still in the process of developing the reimbursement changes associated with these appropriations. Optumas will evaluate the resulting impact to the SFY23 rates once the information is available and may submit a midyear SFY23 rate amendment depending upon the projected materiality of these changes on the capitation rates.

2. Actuarial Certification Letter

We, Barry Jordan, Consulting Actuary at Optumas and Member of the American Academy of Actuaries (MAAA) and a Fellow of the Society of Actuaries (FSA), and Stephanie Taylor, Consulting Actuary at Optumas and Member of the American Academy of Actuaries (MAAA) and an Associate of the Society of Actuaries (ASA), are certifying the calculation of the capitation rates that were described and documented in the original SFY23 certification letter titled “IA Health Link SFY23 Rate Certification 2022.06.24” and amended to incorporate the SFY23 legislative appropriations described in this addendum. We meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time to time by the Actuarial Standards Board.

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

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

The actuarially sound rates that are associated with this certification are effective July 1, 2022 through June 30, 2023 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 Iowa Medicaid. As a result of this evaluation, the MCO may require rates above or below the actuarially sound rates associated with this certification.

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

Sincerely,



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



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

3. Appendices

The appendices are contained in the following accompanying Excel workbook:

- IA Health Link SFY23 Rate Certification Addendum Appendix I 2022.09.01.xlsx
- IA Health Link SFY23 Rate Certification Addendum Appendix II 2022.09.01.xlsx