

Comments on Exposure Draft of Proposed ASOP, "Medicaid Managed-Care Capitation Rate Development and Certification"

This commentary begins with answers to the 7 questions listed on page v, for which external comment was requested:

1. Regarding use of the ASOP for two separate sets of actuaries:

I am in favor of limiting the ASOP exclusively to those actuaries performing rate certifications on behalf of states as described in 42 CFR 438.6(c).

In my opinion, it is not intrinsically inappropriate that one ASOP applies to both sets of actuaries. If one ASOP does apply to both, however, that complicates the writing of the ASOP considerably because the two sets of actuaries can have different and perhaps opposing perspectives about rate-adequacy, especially if "reasonable, appropriate and attainable" are not specifically defined in Section 2. Definitions.

2. As above, I am in favor of limiting the ASOP exclusively to those actuaries performing rate certifications on behalf of states as described in 42 CFR 438.6(c), and not to the preparation of CHIP rates, nor to SAOs for Medicaid MCOs.

There may continue to be differences between Titles XIX and XXI with respect to coverage and rate development. In some states, the CHIP SAO submitted by a qualified actuary who works for an MCO may be reviewed by a non-actuary, over whom the Academy has absolutely no jurisdiction.

3. No; it is recommended that this awkward 4-word term be replaced with "Actuarially Sound" only. The use of the term "Actuarially Sound Actuarial Soundness" detracts from the ASOP. The nominative term "soundness" is not made any clearer by modifying it with its corresponding adjectival form, sound—"sound soundness." Similarly, consider the 4-word term "medically necessary medical necessity," which is equally redundant. Something of necessity is by definition *necessary*. In the same way, something of soundness is by definition *sound* regardless of whether it is further modified by another term such as *actuarial*, *philosophical*, *medical*, or *scientific*.

In general, section 2.1, which definition is arguably one of the most important sections of this ASOP, could be more precisely worded in a couple ways. First, more emphasis could be placed on the fact that the capitation rate is prospective and applies to future revenue and future costs. Second, the clause that begins with "if," "if, for business, for which ...," could be improved by re-phrasing it in plain English—the current grammatical structure is convoluted. The wording pertaining to "actuarial soundness" in this sentence sounds outdated; it is essentially carried over from ASOP 26 (on Small Group rates) developed 17 years ago, which is mentioned in the 2005 Practice Note on Medicaid Rate-setting. Consider the following more straightforward revision of the opening sentence of 2.1:

VERSION 1—Medicaid capitation rates are developed prospectively for a specific future period, population, benefit, and geographic area. These projected Medicaid capitation rates are "actuarially sound" if they

provide for all reasonable, appropriate, and attainable costs, in combination with all other revenue sources. For purposes of this definition...

There are two additional clarifications to the revised statement above that could be considered:

- For clarity, the word “costs” could be changed to the phrase “costs that are expected to be incurred.”
- Also, the word “revenue” could be changed to “known revenue”; this would remind both actuaries and non-actuarial ASOP users that there are future circumstances beyond the control of the actuary.

This distinction could be important if the ASOP were to be used as evidence in a legal dispute.

With these two changes, the opening sentence would be further revised to state:

VERSION 2—Medicaid capitation rates are developed prospectively for a specific future period, population, benefit, and geographic area. These projected Medicaid capitation rates are “actuarially sound” if they provide for all reasonable, appropriate, and attainable costs that are expected to be incurred, in combination with all other known revenue sources. For purposes of this definition...

4. No; this section could provide more guidance.
5. Not that I am aware of.
6. For the most part.
7. No; as described above in # 1.

GENERAL COMMENTS

In my opinion, this ASOP effectively balances prescriptive guidance with principles-based. In its current form, it provides sufficient guidance but not too much; it should refrain from going further. The essential points of Medicaid rate-making are adequately covered.

Respectfully Submitted,
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