Comment #7 – 5/5/14 – 8:33 a.m.

Proposed ASOP - Medicaid Managed Care Capitation Rate Development and Certification

Responses to request for comments

1. The application of the ASOP to both state actuaries and MCO actuaries is appropriate.

2. The application of the ASOP to CHIP is appropriate.

3. The definition of actuarial soundness is generally clear. I believe that administrative costs could be clarified to be either marginal or fully-loaded administrative expenses – or that it is up to the actuary to certify that if marginal costs are used then the fixed overhead can be absorbed by another line of business.

4. The actions required of the actuary if underlying information is determined to be inaccurate are appropriate. The term "incomplete" is troublesome because the interpretation of incomplete is not clear. Is the intent of this section to require notification if actual experience is emerging differently than originally assumed? New information in this context could be interpreted as emerging experience. I believe that the certifications are intended to be prospective and should only be re-evaluated if material errors are found in the data and/or methodology. I do not believe this requirement should apply to new information related to the validity of the assumptions originally employed.

5. The ASOP does not restrict practice inappropriately.

6. The ASOP provides sufficient guidance.

7. It would be helpful to illustrate circumstances where the MCO actuary is not certifying compliance with 42 CFR 438.6(c) and thus is not bound to the ASOP. Is the intent to only require MCO actuary compliance if completing a certification to be filed along with rates to state Medicaid agencies subject to the federal regulation?

Comments on specific sections

3.2.4 Please consider including health plan survey information and health plan submitted supplemental information as appropriate sources of data.

3.3 I believe the requirement of a "qualified opinion" would be viewed as derogatory when the circumstances of the opinion may be reasonable. For example, often financial projections are developed whereby financial gain is not achieved until 3 or more years in the future. It may be reasonable and appropriate to develop capitation rates that have this expectation. I agree that this circumstance should be documented, but labeling the entire opinion as "qualified" seems to bring unnecessary criticism to the work product.

Sincerely,
Jeremy Palmer, FSA, MAAA
Milliman