

May 15, 2014



Medicaid Managed Care
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

Dear Members of the Actuarial Standards Board:

On behalf of MHPA, I write to provide the following comments and suggestions on the proposed actuarial standard of practice (ASOP), *Medicaid Managed care Capitation Rate Development and Certification*, by the Actuarial Standards Board (ASB)

MHPA is the national trade association solely representing Medicaid managed care plans that contract with states to provide health coverage to Medicaid beneficiaries. MHPA represents 117 health plans in 33 states and DC, covering over 18 million Medicaid enrollees. MHPA member health plans provide high quality cost-effective care that takes a person-centered approach, while supporting program integrity and providing states with Medicaid budget predictability. Full-risk capitated managed care plans currently serve over 50 percent of the Medicaid population and this percentage is growing.

MHPA appreciates the principles set forth in this ASOP by ASB as well as the request for comments on Page V. Overall, MHPA finds that this guidance to actuaries is sufficient and believes that the practice standard can appropriately apply to the Children's Health Insurance Program (CHIP). However, the definition of actuarial soundness should be made clearer and other changes could make the guidance stronger. MHPA appreciates in advance ASB's consideration of the following specific suggestions and changes to the ASOP:

Section 2. Definitions

Actuarially Sound/Actuarial Soundness – MHPA proposes that in addition to taxes, fees and assessments, the definition of actuarially sound rates include the effects of non-deductibility for income tax purposes resulting from any of these fees, taxes and assessment. In addition, MHPA suggests that "investment income" be removed as a revenue source from the definition as it is not appropriate for health insurance rate-setting development.

Section 3. Analysis of Issues and Recommended Practices

3.2.3 Rebasing and Updating of Rates – MHPA recommends that an actuary, in determining whether to rebase rates or update existing rates, also consider the adequacy by rate cell of the existing rates. Also, if rates are updated due to an extension of the rating period, appropriate trends should be considered and the rate update should reflect trending to the new midpoint of the rating period.

3.2.4 Base Data – MHPA proposes that actual health plan data that has been appropriately verified be added to the list of criteria that describes recommended base data sources.

3.2.9 Managed Care Adjustments – MHPA recommends that it be added under this section that base data adjustments need to be done in a transparent and data-driven manner. The actuary should also ensure that managed care savings is not double counted. For example, additional managed care savings should not be applied if the savings are implicit in the trend assumptions.

3.2.11 Non-Medical Expenses – MHPA agrees with and commends the Actuarial Standards Board for including in this standard of practice draft that actuaries should include an adjustment to reflect situations where a tax, assessment or fee is not deductible for corporate tax purposes.

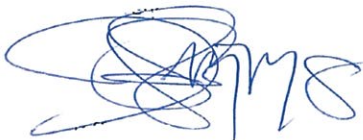
3.2.14 Performance Withholds/Incentives - Our team remains concerned about excessive performance withholds. We concur with the existing comment on this section, but recommend an additional statement that the rate needs to be reasonable if the *entire* withhold is taken back. Or alternatively, that the rate needs to be reasonable if the entire incentive is paid out (in order to give protection to both parties). In general, we recommend that the rates should be actuarially sound regardless of whether or not the withholds are returned to the plans or the incentives are earned.

3.2.15 Performance Withholds/Incentives - MHPA recommends that data related to the characteristics of the covered population be considered when actuaries evaluate the effect that performance withholds and incentives could have on plan costs. Also, there should be clear expectations communicated to the MCO up front regarding targets and improvement goals before the rate period begins.

3.2.16 Inaccurate or Incomplete Information after Opinion or Rate Certification – MHPA recommends that it be recognized in this section that health plans should be allowed a clear process for offering information to state actuaries regarding any inaccurate information related to rate development, and that the health plans' information be provided full and transparent consideration. Also, when an MCO offers new information that presents a drastic change to rates, not only should the actuary notify the principle, but there should be a clear process to factor in this new information and also revisit the rates.

Thank you for your consideration of MHPA's suggestions. Please contact Amy Ingham at aingham@mhpa.org or (202) 857-5726 should you have any questions.

Sincerely,



Jeff Myers
President and CEO