

Comment #6 – 5/1/14 – 11:23 a.m.

May 1, 2014

Actuarial Standards Board

via email comments@actuary.org

Re: Proposed Actuarial Standard of Practice (ASOP) – Medicaid Managed-Care Capitation Rate Development and Certification

Dear Board,

This letter is in response to requests for comments and suggestions on the Proposed Actuarial Standard of Practice (ASOP) – Medicaid Managed-Care Capitation Rate Development and Certification. Please consider the following:

3.2.16 Inaccurate or Incomplete Information Identified after Opinion or Rate Certification

I have several comments about article 3.2.16 as follows:

1. The wording in the proposed ASOP is “If prior to the issuance of a subsequent opinion or certification the actuary determines after the opinion or certification was issued...”. I’m confused about why you are putting a time limit on reporting an issue with the work project to the principle. It sounds like you are saying that there is no need to report a problem with the capitation rate development if a subsequent set of capitation rates have been developed. I think this wording should be reconsidered, since there shouldn’t be a time limit on reporting a mistake.
2. This entire article is addressing an occurrence in Medicaid Managed Care Rate Setting where the rate setting actuary is working with inaccurate or incomplete data when developing the capitation rates which results in the rates not being adequate or actuarially sound for the period they cover. Unfortunately, this is more common than we would like.

As public actuaries, actuaries who complete Medicaid rate setting have special responsibilities. We are bound by the American Academy of Actuaries Code of Professional Conduct as follows:

Professional Integrity

Precept 1:

A public actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession’s responsibility to the public and to uphold the reputation of the actuarial profession.

The Public Actuary can be considered to have a unique role, different from the role in the private sector. One example of this is the importance of balancing concerns regarding underfunding or overfunding of public programs. When the actuary does not address

issues with unsound rate projections, the actuary is not upholding this requirement as a public actuary.

Medicaid managed care rate setting actuaries are responsible for the public welfare which, in this case, is assuring that the rates paid to the MCOs to provide services to Medicaid members are **projected** to be adequate to cover costs. When viewed after the fact, the rates may not cover costs or they may more than cover costs, but that isn't the issue this is addressing. If the rate setting actuary did not have the information needed to determine appropriate assumptions for projecting costs, they must consider how the information would have affected their projections. If they determine they would have developed materially different assumptions, they cannot claim the original capitation rates are actuarially sound.

3. Additionally, the principle is not the only user of the rates. The actuary develops the work product knowing that the principle is not the only user of the actuarial certification of rate soundness. CMS is the ultimate user of the certification and is the entity that relies on the certification for accuracy. Simply reporting the issue to the principle does not fulfill the rate setting actuary's requirement to make anyone dependent upon the data aware that the rates are not actuarially sound.

In summary, I think this section does not provide appropriate guidance for the actuary.

A few minor edits to the document:

On section 3.2.10, there is a “ ; ” missing at the end of c.

In section 4.2, there are two subsection “d.”s.

With regard to the specific questions asked by the Task Force:

1. I believe the ASOP should apply to all actuaries.
2. Yes, I think it should apply to CHIP rate development.
3. I believe the definition is clear.
4. I have commented on 3.2.16 above.
5. I do not believe it restricts practice inappropriately.
6. I think the ASOP serves the purpose of an ASOP and provides the appropriate guidance. I do think that actuaries would also benefit from a Health Practice Note that supports the ASOP, but also provides some examples and more specific detail that actuaries can use in specific situations.
7. Yes, I believe it does.

Thanks very much for developing this much needed ASOP. I applaud everyone who contributed to making this happen.

Sincerely,

Sabrina Gibson, FSA, MAAA

Practicing Medicaid Actuary