

Comment #16 – 5/15/14 – 10:32 a.m.

To: Actuarial Standards Board (ASB)

Subject: Exposure Draft – Medicaid Managed-Care Capitation Rate Development and Certification

This memo provides responses to the seven questions posed in the exposure draft and then another section with additional comments.

1. This ASOP has been prepared to apply both to actuaries developing actuarial statement of opinion for a Medicaid MCO and to actuaries developing rate certifications under 42 CFR 438.6(c). Is this appropriate? Or should the ASOP be limited to actuaries developing rate certifications under 42 CFR 438.6(c)?

In our opinion, it would be appropriate to have this apply to both sets of actuaries described above.

2. As written, this ASOP applies to Children’s Health Insurance Program (CHIP) managed care capitation rate development. Is this appropriate?

A number of CHIP programs are regulated by different State agencies and can follow completely different processes. It may be appropriate for an actuary to review this ASOP when developing CHIP rates, but not in all cases.

3. Is the definition of “actuarial sound/actuarial soundness” in section 2.1 clear?

Yes.

4. Is section 3.2.16, which discusses the actions required of the certifying actuary if the underlying data is identified to be inaccurate or incomplete, clear and appropriate?

Yes.

5. Does the ASOP restrict practice inappropriately?

No.

6. Does this ASOP provide sufficient guidance to actuaries practicing in these areas?

It is a great start – additional comments and questions follow the response to question 7. In addition, we agree with Mr. Hoyt’s comments regarding the need for further guidance relating to maternity. In our experience, maternity is often paid through a “kick” payment – the

definition of what costs are to be covered by that payment vary by State and may or may not be clearly defined in an MCO contract with a State. It is important for the actuary developing rates to understand that definition to ensure appropriate development, when applicable.

Finally, we want to stress the importance of a review period between the time prospective rates are developed/presented to MCO's and their effective date. This review period would allow for discussions between the MCOs, States and the States' actuaries to address any issues or concerns.

7. Does this ASOP provide sufficient guidance to actuaries in identifying and addressing potential inconsistencies in the expectations of actuaries working for Medicaid MCOs and those actuaries working for State Medicaid Agencies?

Not necessarily. It would be helpful to clarify expectations between actuaries working for Medicaid MCOs and those working for State Medicaid agencies. For example, it may be appropriate to address what the certifying actuary should do in instances where State budgetary constraints fall outside of the developed rate-range or if those constraints result in an actuary being pressured to "sharpen their pencil" on trend or other adjustment development in order for the rate ranges to be supported by a State budget.

The following are additional comments/questions for consideration specific to various sections of the exposure draft:

1.1 These guidelines should apply to ABD/SSI as well as Medicaid. Specifically, CHIP is defined as Title XXI, but should also include a reference to Title XIX for Medicaid and include examples of populations covered under Medicaid. The CHIP reference could also be adjusted depending on where the Academy lands on the applicability of this ASOP to that program.

2.1 There is no reference to population in the actuarial soundness definition, so recommended wording addition: "...for business for which the certification is being prepared for the population and period covered by the certification..."

2.10 Suggested "add" to the end: "...or may be made directly to providers for managed-care enrollees by the state Medicaid plan."

3.1 and 3.2 MCO specific rates – how to handle MCO-specific rates is not clear for the states that do MCO-specific rate development. 3.1 seems to imply certification in total, which may not be appropriate for an individual MCO; but 3.2 says a single point estimate may be used. Does that include single point estimates apply for each MCO? 3.2.11 also talks about MCO-specific admin loads, so it feels like there needs to be some clarification.

3.2.2 List of examples should include "Medicaid eligibility group" (i.e. TANF, SSI, etc).

3.2.3 A further consideration when performing a rate update should be to take into account the rate adequacy by each rate cell, if applicable, in addition to the adequacy of existing rates in total based on MCO performance.

3.2.7a The missing data adjustment is very important and is not applied consistently amongst States/States' actuaries - "may" needs to be changed to "should" in the 3.2.7 intro. Please also consider making the following addition to make this statement stronger "..., which should include the following to reflect all applicable costs incurred during the base data period:" .

3.2.7g Adjusting the base data for seasonality is not addressed in the exposure draft and should be considered in rate development, so perhaps this is a good place to include it.

3.2.11.a.1 The list does not include consideration for 'complexity of providing services for certain populations'. For instance, SSI/ABD is much more complex and has co-morbidity issues which are more expensive to administer than a TANF or CHIP population. There should be reference to this complexity in setting administrative expenses.

3.2.11.a. The exposure draft is silent about what is 'appropriate' for Medicaid managed-care administrative load. This should be clarified, including referencing acceptable alternative data sources of information to use in determining what is 'appropriate' (i.e. MCO financial statements).

3.2.11.b The standard calls for inclusion of a provision for underwriting gain. We believe this should be modified to: "...include an explicit margin for the provision for underwriting gain..." .

3.2.14 Agree with Mr. Cook's comments on this section.

3.4 Proposed wording change: "The actuary should include documentation to address CMS regulations specific to Medicaid managed-care capitation rate development and certification." In addition, as it was described in the Background following the exposure draft, the certifying actuary will not have as specific knowledge of each MCO's operations and experience as an actuary working on behalf of the MCO. Therefore, making documentation of the rate development process available to the MCOs' actuaries informs the review/comment process that often takes place and assists in evaluating the reasonableness of rates for contracting arrangements.

Respectfully,

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