

Comment #3 – 2/15/14 – 6:43 p.m.

I thought that was an excellent exposure draft on Medicaid Managed Care rate setting. I just had a few comments, which I'll imbed in the questions it posed at the front end of the draft:

1. This ASOP has been prepared to apply both to actuaries developing actuarial statements 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©?

Yes, I think it's appropriate to use a single standard. It's far too confusing to our various publics to have more than one standard in place regarding the same financial transaction.

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

Yes; makes perfect sense.

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

I think so; clear enough.

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?

Not in my opinion.

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

The biggest area where I felt the paper was light was on maternity coverage. This is such a large concern for Medicaid programs and their managed care contracts. My understanding is that it's quite common to include maternity benefits in the MCO contract, but increasingly rare to pay for them using a capitation rate. A maternity case rate is more commonly used; a single payment to the plan after delivery which is intended to cover all pre natal care, either type of delivery, the possibility of multiple births, etc. A few states used to use a newborn case rate in similar fashion, covering all costs from date of birth through date of discharge. These types of payments could also be considered a form of risk adjustment for plans that claimed they would be selected

against due to the quality of their hospital & physician networks. Seems to merit a few paragraphs of discussion somewhere.

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?

I think it could go a little further, but my concerns are not restricted to only the actuarial personnel at a state agency. For example, the paper may want to address the difficulties encountered by the MCOs when situations arise in which the capitation rates are no longer prospective, i.e. the contract period has already begun by the time the capitation rates are agreed to. Similarly, there may be programmatic adjustments that a state wants to make retroactively.

--Mark Hoyt