

Comprehensive Medical and Dental Program (CMDP) Updated Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for contract year ending 2017 (CYE 17: July 1, 2016 through June 30, 2017) are updated for the period of October 1, 2016 through June 30, 2017, and were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

This memorandum presents a revision to the previously-proposed CYE 17 CMDP capitation rates for programmatic and provider fee schedule changes. Due to one programmatic change (high acuity pediatric adjustor) that will be implemented with an effective date of January 1, 2017, this certification will cover two sets of capitation rates. One set will apply for the time frame from October 1, 2016 through December 31, 2016 and another set will apply from January 1, 2017 through June 30, 2017. The rate development process is the same for both sets of capitation rates except the latter set includes the impact of the high acuity pediatric adjustor.

Prior actuarial certifications can be found on the Arizona Health Care Cost Containment System (AHCCCS) website, including the CMDP July 1, 2016 certification which details the original capitation rate buildup:

<https://www.azahcccs.gov/PlansProviders/RatesAndBilling/ManagedCare/capitationrates.html>

II. General Program Information

CMDP is a program within Department of Child Safety (DCS) that is responsible for managing the health care needs for children who are: a) placed in a foster home; b) in the custody of DCS and placed with a relative, in a certified adoptive home prior to the final order of adoption, or in an independent living program as provided in A.R.S. §8-512; and c) in the custody of the Arizona Department of Juvenile Corrections (ADJC) or the Administrative Office of the Courts/Juvenile Probation Office (AOC/JPO) and placed in foster care. CMDP has been operating in this capacity since July 1970.

III. Overview of Changes

Provider Fee Schedule Changes

Effective October 1, 2016, AHCCCS is changing Fee For Service (FFS) provider rates for certain providers based either on access to care needs, Medicare/Arizona Department of Health Services (ADHS) fee schedule rate changes, and/or legislative mandates. Because CMDP is mandated by state law to pay the AHCCCS Fee Schedule, the estimated statewide impact to the CMDP program is an increase of approximately \$183,000 for nine months.

High Acuity Pediatric Adjustor

The AHCCCS All Patient Refined Diagnosis Related Group (APR-DRG) payment system includes several policy adjustors. One such adjustor applies a factor of 1.25 to the reimbursement amount that would otherwise apply for "claims for members under age 19," as long as the claim is not subject to one of the other policy adjustors.

On January 1, 2016, AHCCCS addressed the costs associated with high-acuity pediatric cases by using an adjustment factor of 1.60 in place of the above pediatric policy adjustor in the following instances only: for inpatient stays, where an APR-DRG assignment of level 3 or 4 Severity of Illness is indicated. Effective January 1, 2017, AHCCCS will change the adjustment factor of 1.60 established January 1, 2016 to 1.945. The estimated six month impact to the CMDP program is an increase of approximately \$236,000.

VBP Differential

AHCCCS has proposed Value-Based Purchasing (VBP) Differential Adjusted Fee Schedule rates to distinguish providers who have committed to supporting designated actions that improve the patient care experience, improve member health, and reduce cost of care growth. The proposed VBP differential rates are applicable for dates of service from October 1, 2016 through September 30, 2017. FFS rates for select providers meeting specific criteria will be increased 1% for qualified AHCCCS-registered Arizona Nursing Facility providers, 0.5% for qualified AHCCCS-registered Arizona Hospital providers for inpatient and outpatient services, and 10% for qualified AHCCCS-registered Integrated Clinics for selected physical health services. Contractors are required to adopt the VBP Differential payment adjustments for qualified providers meeting the specific criteria. The estimated nine-month impact to the CMDP program is an increase of approximately \$34,000.

Provider Reimbursement for AzEIP Members

The Arizona Early Intervention Program (AzEIP) is a program that provides services to enhance the capacity of families and caregivers to support infants and toddlers with developmental delays or disabilities in their development. AzEIP members may be AHCCCS enrolled, in which case AHCCCS pays for the services, or non-AHCCCS enrolled, in which case AzEIP pays directly. Effective October 1, 2016, AHCCCS is modifying the speech therapy rate structure for services provided to a member who is a child identified in the AHCCCS system as an AzEIP recipient in order to more closely align the rates with the AzEIP rate structure. This change is intended to assure continued access to care, particularly for rural AzEIP members, where providers often travel to provide services in the natural setting, and should limit the rate differential whether the provider is paid the AHCCCS rates or the AzEIP rates. This will ensure there is not different access to services for AzEIP children based on whether the payer is AHCCCS or AzEIP. The estimated nine-month impact to the CMDP program is an increase of approximately \$41,000.

IV. Proposed Revised Capitation Rates and Their Impacts

Tables Ia, Ib and Ic below summarize the projected member months, proposed capitation rates, and estimated total capitation by coverage type and in total on a statewide basis.

Table Ia - Rates Effective 10/1/2016 through 12/31/2016

Rate Cell	Projected Member Months 10/1/16 - 12/31/16	SFY 17 Rate (7/1/16 - 9/30/16)	SFY 17 Rate (10/1/16 - 12/31/16)	Estimated Capitation using 7/1 rates	Estimated Capitation using 10/1 rates	Dollar Impact	Percentage Impact
Prospective	55,319	\$230.02	\$231.53	\$12,724,543	\$12,808,075	\$83,532	0.7%
PPC	1,413	\$304.55	\$305.93	\$430,442	\$432,393	\$1,951	0.5%
Total				\$13,154,985	\$13,240,468	\$85,483	0.6%

Table Ib - Rates Effective 1/1/2017 through 6/30/2017

Rate Cell	Projected Member Months 1/1/17 - 6/30/17	SFY 17 Rate (10/1/16 - 12/31/16)	SFY 17 Rate (1/1/17 - 6/30/17)	Estimated Capitation using 10/1 rates	Estimated Capitation using 1/1 rates	Dollar Impact	Percentage Impact
Prospective	114,279	\$231.53	\$232.03	\$26,459,035	\$26,516,174	\$57,139	0.2%
PPC	2,920	\$305.93	\$305.93	\$893,241	\$893,241	\$0	0.0%
Total				\$27,352,276	\$27,409,415	\$57,139	0.2%

Table Ic - Blended Rates and Combined Budget Impact of Both Rate Revisions

Rate Cell	Projected Member Months 10/1/16 - 6/30/17	SFY 17 Rate (7/1/16 - 9/30/16)	Weighted SFY 17 Rate (10/1/16 - 6/30/17)	Estimated Capitation using 7/1/16 rates	Estimated Capitation using Weighted SFY 17 rates	Dollar Impact	Percentage Impact
Prospective	169,598	\$230.02	\$231.87	\$39,011,016	\$39,324,249	\$313,233	0.8%
PPC	4,333	\$304.55	\$305.93	\$1,319,653	\$1,325,633	\$5,980	0.5%
Total				\$40,330,669	\$40,649,882	\$319,213	0.8%

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rates were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rates may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the nine-month period beginning October 1, 2016.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by CMDP and the AHCCCS internal databases. In addition, I have relied upon the CMDP auditors and other AHCCCS employees for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the CMDP program, Medicare and Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS, CMDP and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

SIGNATURE ON FILE

08/18/2016

Matthew C. Varitek

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries