

# **Acute Care Updated Actuarial Memorandum for CYE 2014**

## **I. Purpose**

This memorandum presents a discussion of the revision to the already approved Contract Year Ending 2014 (CYE 14) acute care capitation rates. This update to the capitation rates is required as a result of changes to copays for the AHCCCS Care (Childless Adults) risk group and the additional coverage of Human Papillomavirus (HPV) Vaccine for adults effective January 1, 2014.

The purpose of this actuarial memorandum is to demonstrate that the updated capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

## **II. Overview of Changes**

Effective October 1, 2010, AHCCCS reinstated mandatory copays for adults in the AHCCCS Care population. There were a myriad of exclusions for adult copays related to both specific services and specific members as detailed in contract. Additionally, effective April 1, 2012, AHCCCS Care members in Maricopa and Pima counties became subject to a \$2 mandatory copayment for taxi services per one-way trip. Mandatory copayments permit providers to deny services due to lack of member payment. These AHCCCS Care copays expire December 31, 2013. The estimated nine month statewide impact to the acute program is approximately \$9.9 million.

AHCCCS is expanding the coverage for the Human Papillomavirus (HPV) vaccine to include coverage for all adults (females and males) aged 21-26. AHCCCS has covered females aged 11-20 since December 2006 and has covered males aged 11-20 since July 1, 2010. The estimated nine month statewide impact to the acute program to expand the coverage of both the vaccine and the administrative expense for all males and females aged 21-26 is approximately \$700 thousand.

## **III. Proposed Revised Capitation Rates and Their Impact**

Table I below summarizes the changes from the current approved CYE 14 capitation rates and the estimated budget impact, effective for the period January 1, 2014 through September 30, 2014 on a statewide basis. The impact includes the changes from Section II as well as any changes to administration, risk contingency and premium tax as a result of those changes

**Table I: Proposed Statewide Capitation Rates and Budget Impact**

Rate Cell	CYE 14 Projected MMs (1/1/14 - 9/30/14	Based on CYE 14 (1/1/14 - 9/30/14) Projected Member Months			Net Impact (after withhold)	
		Proposed CYE 14 (1/1/14 - 9/30/14) Gross Capitation (before withhold)	Current CYE 14 Net Capitation (after withhold)	Proposed CYE 14 (1/1/14 - 9/30/14) Net Capitation (after withhold)	Difference Proposed CYE 14 Dollars and Current CYE 14 Dollars	% Change Proposed CYE 14 over Current CYE 14
Prospective	11,790,857	\$ 2,868,504,326	\$ 2,830,610,507	\$ 2,841,446,722	\$ 10,836,215	0.38%
PPC	468,149	\$ 118,483,134	\$ 118,483,134	\$ 118,483,134	\$ -	0.00%
Total	12,259,006	\$ 2,986,987,460	\$ 2,949,093,642	\$ 2,959,929,857	\$ 10,836,215	0.37%

The impact to Contractors' rates ranges from 0.2% to 0.8%. Individual Contractor capitation rates will be impacted as shown in Section B of the contracts.

Appendix I shows a detailed statewide budget impact by risk group.

## APPENDIX I: Detail Budget

		Projected CYE 14 MMs (01/01/14 - 09/30/14) <sup>1</sup>	Current Cap Rate (after withhold) based on Proj CYE 14 MMs <sup>2</sup>	Total Dollars CYE 14 before 1/1/14 changes	Upd CYE 14 Net Cap Rate (after withhold) based on Proj CYE 14 MMs <sup>2</sup>	Total Dollars Upd CYE 14 (after withhold) based on CYE 14 Proj MMs	Difference	% Increase
<b>TXIX</b>								
	<b>Prospective</b>							
	TANF < 1 <sup>3</sup>	488,914	\$ 456.64	\$ 223,258,422	\$ 456.64	\$ 223,258,422	\$ (0)	0.0%
	TANF 1-13 <sup>3</sup>	4,527,087	\$ 98.07	\$ 443,993,570	\$ 98.07	\$ 443,993,570	\$ -	0.0%
	TANF 14-44F <sup>3</sup>	2,280,404	\$ 231.13	\$ 527,062,235	\$ 231.26	\$ 527,374,479	\$ 312,244	0.1%
	TANF 14-44M <sup>3</sup>	1,102,045	\$ 145.29	\$ 160,110,828	\$ 145.43	\$ 160,266,059	\$ 155,231	0.1%
	TANF 45+ <sup>3</sup>	391,945	\$ 390.99	\$ 153,247,573	\$ 390.99	\$ 153,247,573	\$ -	0.0%
	SSI w/ Medicare	778,516	\$ 141.34	\$ 110,032,179	\$ 141.34	\$ 110,032,179	\$ -	0.0%
	SSI w/o Medicare	623,145	\$ 759.36	\$ 473,194,379	\$ 759.36	\$ 473,194,379	\$ -	0.0%
	AHCCCS Care	1,265,311	\$ 394.57	\$ 499,250,256	\$ 402.22	\$ 508,931,870	\$ 9,681,614	1.9%
	Newly Eligible Adults	266,959	\$ 291.12	\$ 77,718,044	\$ 293.69	\$ 78,404,249	\$ 686,206	0.9%
	SFPEP	10,788	\$ 13.01	\$ 140,307	\$ 13.01	\$ 140,307	\$ -	0.0%
	Delivery Supplemental Payment	26,831	\$ 5,925.72	\$ 158,993,606	\$ 5,925.72	\$ 158,993,606	\$ -	0.0%
	<b>Total Prospective TXIX</b>	<u>11,761,946</u>		<u>\$ 2,827,001,400</u>		<u>\$ 2,837,836,695</u>	<u>\$ 10,835,295</u>	<u>0.4%</u>
	<b>PPC</b>							
	TANF < 1 <sup>3</sup>	10,450	\$ 1,059.33	\$ 11,069,614	\$ 1,059.33	\$ 11,069,614	\$ -	0.0%
	TANF 1-13 <sup>3</sup>	166,441	\$ 56.17	\$ 9,348,321	\$ 56.17	\$ 9,348,321	\$ -	0.0%
	TANF 14-44F <sup>3</sup>	109,064	\$ 194.65	\$ 21,229,580	\$ 194.65	\$ 21,229,580	\$ -	0.0%
	TANF 14-44M <sup>3</sup>	48,064	\$ 165.65	\$ 7,961,900	\$ 165.65	\$ 7,961,900	\$ -	0.0%
	TANF 45+ <sup>3</sup>	14,276	\$ 405.86	\$ 5,793,865	\$ 405.86	\$ 5,793,865	\$ (0)	0.0%
	SSI w/ Medicare	13,090	\$ 93.34	\$ 1,221,851	\$ 93.34	\$ 1,221,851	\$ -	0.0%
	SSI w/o Medicare	24,898	\$ 471.79	\$ 11,746,775	\$ 471.79	\$ 11,746,775	\$ -	0.0%
	AHCCCS Care	69,056	\$ 664.44	\$ 45,883,468	\$ 664.44	\$ 45,883,468	\$ -	0.0%
	Newly Eligible Adults	12,810	\$ 330.04	\$ 4,227,761	\$ 330.04	\$ 4,227,761	\$ -	0.0%
	<b>Total PPC TXIX</b>	<u>468,149</u>		<u>\$ 118,483,134</u>		<u>\$ 118,483,134</u>	<u>\$ (0)</u>	<u>0.0%</u>
	<b>Total Title XIX</b>	<u>12,230,095</u>		<u>\$ 2,945,484,534</u>		<u>\$ 2,956,319,829</u>	<u>\$ 10,835,295</u>	<u>0.4%</u>
<b>TXXI</b>								
	Kidsicare <1	422	\$ 461.25	\$ 194,624	\$ 461.25	\$ 194,624	\$ -	0.0%
	Kidsicare 1-13	21,934	\$ 99.07	\$ 2,172,898	\$ 99.07	\$ 2,172,898	\$ -	0.0%
	Kidsicare 14-18 F	3,217	\$ 233.46	\$ 751,084	\$ 233.60	\$ 751,529	\$ 445	0.1%
	Kidsicare 14-18 M	3,338	\$ 146.75	\$ 489,907	\$ 146.89	\$ 490,382	\$ 475	0.1%
	<b>Total TXXI</b>	<u>28,911</u>		<u>\$ 3,608,513</u>		<u>\$ 3,609,433</u>	<u>\$ 920</u>	<u>0.0%</u>
<b>State Only</b>								
	Transplants	36	\$16.50	\$ 594	\$16.50	\$ 594	\$ -	0.0%
<b>Grand Total Capitation</b>				<u>\$ 2,949,093,642</u>		<u>\$ 2,959,929,857</u>	<u>\$ 10,836,215</u>	<u>0.4%</u>

**Notes**

<sup>1</sup> Population estimates for CYE 14 are taken from DBF projections.

<sup>2</sup> All plans are at a \$25,000 deductible level for CYE 14 reinsurance levels.

<sup>3</sup> TANF rate cells include SOBRA and Child Expansion groups. Child Expansion are only for those children ages 6-18.

#### **IV. Actuarial Certification of the Capitation Rates**

I, Windy J. Marks, 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 rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The 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 rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The rates may not be appropriate for any other purpose. The documentation has been included with this certification. The actuarially sound capitation rates that are associated with this certification are effective for the nine-month period beginning January 1, 2014.

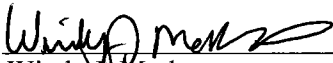
The actuarially sound capitation rates are a projection of future events. It may be expected that actual experience will vary from the values in the rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by the Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the Contractor's auditors and other AHCCCS employees for the accuracy of the data.

1% of the actuarially sound capitation rates will be withheld from monthly capitation payments to Contractors to fund a quality improvement incentive withhold pool. All of the withhold pool amounts will be distributed to Contractors at the time of reconciliation.

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 acute program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS 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.

  
Windy J. Marks

11/25/13  
Date

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