

# Regional Behavioral Health Authorities - Acute Care Actuarial Memorandum

## I. Purpose

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

Effective July 1, 2016, the Arizona Department of Health Services (ADHS), Division of Behavioral Health Services (DBHS) is being integrated into the Arizona Health Cost Containment System (AHCCCS). As a result, AHCCCS will contract with and pay the Regional Behavioral Health Authorities (RBHAs) directly. Because of this change it is necessary to revise the capitation rates effective October 1, 2015 for the rating period October 1, 2015 through September 30, 2016. These updated capitation rates will be effective for the period July 1, 2016 through September 30, 2016.

Prior to this change, capitation rates were paid by AHCCCS to ADHS/DBHS. These capitation rates were developed by first calculating RBHA specific capitation rates and then including provision for ADHS/DBHS administration, payments to a vendor to determine whether an individual qualifies as seriously mentally ill (SMI determination), tribal FFS claims, and premium tax. ADHS/DBHS then paid the aforementioned capitation rates to each of the RBHAs and distributed the amounts for ADHS/DBHS administration, SMI determination, tribal FFS claims, and premium tax as necessary.

This rate update uses the original RBHA capitation rates, and the only change is the shift of premium tax from the ADHS/DBHS rates to the RBHA rates. The ADHS/DBHS rates will no longer be in use and are not addressed in this certification. Therefore, the RBHA rate development from the original certification and subsequent CMS questions and answers are attached for your information.

The necessary adjustments will become effective on July 1, 2016 to match the new structural change. The adjustments to the October 1, 2015 effective capitation rates are as follows:

1. Start with the capitation rates for the RBHAs that were included in Table IV of the "Arizona Department of Health Services Division of Behavioral Health Services Actuarial Memorandum" certification signed by Anthony Wittmann, dated August 13, 2015. Table IV is reproduced below.

**Table IV - Capitation Rates Paid to Regional Behavioral Health Authorities  
Effective October 1, 2015 through September 30, 2016**

CYE16 Capitation	Regional Behavioral Health Authorities		
	South	North	Maricopa
T19 + T21 Non-CMDP Children	\$ 54.27	\$ 39.14	\$ 30.08
CMDP Children	\$ 1,049.17	\$ 1,273.31	\$ 814.46
Integrated SMI	\$ 1,491.31	\$ 1,467.89	\$ 2,168.50
non-Integrated SMI	\$ 2.22	\$ 2.92	\$ 3.16
GMH/SA and T21 Adult - non-dual	\$ 60.55	\$ 39.42	\$ 50.32

2. Add provision for premium tax that will be paid to the state of Arizona by the RBHAs effective July 1, 2016. That amount is 2% of gross capitation.

The resulting rates are included in the Table I below:

**Table I - Capitation Rates Paid to Regional Behavioral Health Authorities**  
**Effective July 1, 2016 through September 30, 2016**

CYE16 Capitation	Regional Behavioral Health Authorities		
	South	North	Maricopa
T19 + T21 Non-CMDP Children	\$ 55.38	\$ 39.94	\$ 30.69
CMDP Children	\$ 1,070.58	\$ 1,299.30	\$ 831.09
Integrated SMI	\$ 1,521.74	\$ 1,497.85	\$ 2,212.75
non-Integrated SMI	\$ 2.27	\$ 2.98	\$ 3.23
GMH/SA and T21 Adult - non-dual	\$ 61.79	\$ 40.22	\$ 51.35

There is also a difference between the way the AHCCCS administrative system will pay capitation rates to the RBHAs versus the way the ADHS/DBHS administrative system currently pays such rates. ADHS/DBHS pays capitation using an enrollment count taken at a point in time on the first of the month (MM-ADHS) as payment in full with no adjustments. The AHCCCS administrative system will pay capitation based on the portion of the month that a member is enrolled (MM-AHCCCS). AHCCCS is currently working on the system changes needed to accomplish this change. These changes are scheduled to be completed for an October 1, 2016 implementation date with the ability to be retroactively adjusted to July 1, 2016. Because these systems changes will not be completed by July 1, 2016, it will be necessary to initially pay capitation to the RBHAs on an estimated basis for the rating period using the capitation rates in Table I above. The capitation rates in Table I above will then need to be revised based on the difference between MM-ADHS and MM-AHCCCS for the rating period with a retroactive adjustment made to July 1, 2016.

The steps involved in this process will be as follows:

1. Pay capitation to the RBHAs for the rating period according to the revised rates included in the Table 1 and using ADHS-MM. The ADHS/DBHS payment process will be kept operational for the rating period to accomplish this task.
2. Calculate total ADHS-MM by rate cell used to pay the capitation in step 1 above.
3. Calculate total AHCCCS-MM by rate cell for the rating period.
4. Calculate capitation conversion factors (CCF) by rate cell as follows:

$$\text{CCF} = \text{ADHS-MM for rating period} / \text{AHCCCS-MM for rating period.}$$

5. Revised Capitation Rates = Table 1 Capitation Rates x CCF

The revised rates will be submitted in a subsequent actuarial memorandum after October 1, 2016.

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

I, Anthony Wittmann, 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 actuarially sound capitation rates that are associated with this certification are effective for the three month period beginning July 1, 2016.

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 capitation rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by ADHS/DBHS, the Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the ADHS/DBHS and Contractors' auditors and other AHCCCS employees for the accuracy of the data. Checks for consistency and reasonableness to the extent possible and practical were applied.

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.

RBHAs are advised that the use of these capitation rates may not be appropriate for their particular circumstance. RBHAs should analyze their own projected medical expense, administrative expense and other premium needs.

This certification letter assumes the reader is familiar with the RBHA - Acute Care 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.

*Signature on File*

May 4, 2016

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Anthony Wittmann

Date

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