

### **Rate Development Documentation**

For the Contract Year Ending (CYE) 23 (10/1/22 – 09/30/23) capitation rate setting process AHCCCS will utilize historical encounter and member month data from PMMIS (similar to information provided in the Data Book (Section C of the data supplement) and Member Month (Section H of the data supplement) Information files). It is anticipated that AHCCCS will utilize CYE 21 (10/1/20 – 09/30/21) data as the base period.

When setting the CYE 23 capitation rates for the SMI rate cell, AHCCCS will apply completion factors to the encounter data, along with any other adjustments (e.g., repricing IMD stays, removal of IMD stays in excess of 15 cumulative days in a month, programmatic adjustments, fee schedule impacts) necessary to the development of actuarially sound capitation rates. Unit cost and utilization trend assumptions will be applied from the mid-point of the base period to the mid-point of the rating period.

For the Crisis 24 Hour Group rate cell, due to discrepancies between historical encounter data and RBHA financial statements, AHCCCS' actuaries have historically used RBHA projected expenditures along with actuarial certifications of the projections from the RBHAs for the first 24 hours of main crisis services (crisis telephone (H0030, T1016 with provider IDs 203154 or 428684), crisis mobile teams (H2011), and crisis stabilization units (S9484, S9485)), checking for reasonableness and appropriateness, and making adjustments where necessary. Additionally, the actuaries have a process to identify additional services which were provided in conjunction with a main crisis encounter. These ancillary crisis services are completed, adjusted, trended, and added to the main crisis projections to come to a final crisis capitation rate.

Effective October 1, 2022, non-integrated AIHP SMI members will be integrated into the American Indian Health Plan (AIHP) and will no longer receive behavioral health services through the MCOs. When setting the CYE 23 capitation rates AHCCCS will make the necessary adjustments to both the costs and member months to account for this change. Information provided in the data supplement includes both integrated and non-integrated SMI members.

The actuaries will continue reviewing the encounter data and will make appropriate changes to the above methodology, if deemed necessary.

#### **Risk Groups, Reinsurance and Reconciliations**

For CYE 23, the RBHA specific risk groups are:

- SMI
- Crisis 24 Hour Group

Members with an SMI designation receiving both physical and behavioral health services through the ACC-RBHA plan will not receive a delivery supplemental payment; these costs are included in the encounters used to develop the SMI risk group capitation rate.

For regular reinsurance cases, the deductible amount is anticipated to be the same that is in place for the ACC contract for CYE 22. In addition, the reinsurance stop loss limit is anticipated to be \$1,000,000. All members under CCE will have the same deductible. Additionally, services provided under prior period coverage are eligible for reinsurance.

For CYE 23, the ACC program will have a single medical reconciliation and RBHA specific services will be included with the ACC specific services into the single medical reconciliation. AHCCCS intends to reconcile the Contractor’s medical cost expenses to net capitation paid to the Contractor. This reconciliation is anticipated to limit the Contractor’s profits and losses as follows:

Profit	Contractor Share	State Share	Max Contractor Profit	Cumulative Contractor Profit
<= 2%	100%	0%	2%	2%
> 2% and <= 6 %	50%	50%	2%	4%
> 6%	0%	100%	0%	4%
Loss	Contractor Share	State Share	Max Contractor Loss	Cumulative Contractor Loss
<= 2%	100%	0%	2%	2%
> 2%	0%	100%	0%	2%

**Administration, Underwriting (UW) Gain, and Premium Tax**

Administrative expenses will be bid by the Offerors. AHCCCS reserves the right to adjust the capitation rates, including the administrative cost components, in order to maintain compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines. See the “Administrative Cost Bid Requirements” document for additional information on administrative cost bids. UW gain is anticipated to be set at 1% and premium tax at 2%, and AHCCCS will adjust the final capitation rate upwards to account for this expense.