



Healthy Louisiana Rate Certification Addendum

Effective January 1, 2022 through December 31, 2022

Louisiana Department of Health
December 20, 2021

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Mr. Daniel Cocran
Chief Financial Officer
Louisiana Department of Health
Bureau of Health Services Financing
628 North 4th Street
Baton Rouge, LA 70821

Subject: Healthy Louisiana Program – Risk-Bearing Managed Care Organization Rate Development Actuarial Certification Addendum for the Act 421 Children’s Medicaid Option Population for the Period January 1, 2022 through December 31, 2022

December 20, 2021

Dear Mr. Cocran:

The Louisiana Department of Health (LDH) has contracted with Mercer Government Human Services Consulting (Mercer), as part of Mercer Health & Benefits LLC, to develop actuarially sound¹ capitation rates for the State of Louisiana’s (State’s) Healthy Louisiana program for the period of January 1, 2022 through December 31, 2022, or rate year 2022 (RY22). This certification amends the previous RY22 certification issued on November 15, 2021 to address the addition of the Act 421 Children’s Medicaid Option population to the program.

The previous certification report presented a detailed overview of the methodology used in Mercer’s managed care rate development for the purpose of satisfying the requirements of Centers for Medicare & Medicaid Services (CMS). This certification addresses the development of capitation rates for the Act 421 Children’s Medicaid Option population that will become newly eligible for the Healthy Louisiana program beginning January 1, 2022. The methodology described in this report resulted in actuarially sound rates for each new rate cell. The final capitation rates for the Act 421 Children’s Medicaid Option population are summarized in Appendix A and represent payment in full for the covered services.

¹ Actuarially Sound/Actuarial Soundness — Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates, and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital and government-mandated assessments, fees and taxes.

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General Information

Overview

The Act 421 Children’s Medicaid Option capitation rates for the Healthy Louisiana program were developed in accordance with rate-setting guidelines established by CMS. To inform the development of these rates, Mercer relied on projected medical expenses from RY22 Healthy Louisiana rates. Additional adjustments to the RY22 Healthy Louisiana projected medical expenses were developed and applied to align with the covered populations and benefits under the Act 421 Children’s Medicaid Option. These adjustments were developed based on Louisiana-specific population data, experience for similar populations enrolled in Medicaid managed care programs in other states, and other publically available information.

Act 421 Children’s Medicaid Option Population

The Act 421 Children’s Medicaid Option program is designed to provide Medicaid coverage to children with disabilities who do not qualify for Medicaid based on their family’s income. This program is authorized under Louisiana’s State Plan and section 134 of the federal Tax Equity and Financial Responsibility Act (TEFRA). Its goal is to help children with disabilities gain access to Medicaid services they need to grow and thrive while living at home.

Eligibility for this program is limited to children under the age of 19 whose parents’ income exceeds the current Medicaid income limits. Additionally, the child must have a disability, which is defined as a medically determinable physical or mental impairment that results in marked and severe limitations and has lasted or is expected to last at least one year, or to result in death. The child must also meet the level of care given at a hospital, skilled nursing facility, or an ICF for people with an intellectual or developmental disability (I/DD). The child must be able to be cared for safely at home at a cost less than the cost of institutional care.

If an eligible child’s family has access to private health insurance and the cost of the member’s private insurance are lower than the Medicaid rate, the child may be eligible for the Louisiana Health Insurance Premium Payment (LaHIPP) program. In this case, these members will receive specialized behavioral health (SBH) and non-emergency medical transportation (NEMT) services only through Healthy Louisiana.

Rate Cell Structure

Under the Act 421 Children’s Medicaid Option, capitation rates were established for nine distinct rate cells. The age bands for this population align with the age bands for the Healthy Louisiana

Supplemental Security Income (SSI) Child populations. These age bands are further subdivided by third party liability (TPL) status due to the impact TPL is expected to have on managed care organization (MCO) costs.

Table 1: Act 421 Children’s Medicaid Option Rate Cells

Non-TPL	Non-LaHIPP TPL	LaHIPP TPL
0–2 Months	0–2 Months	0–2 Months
3–11 Months	3–11 Months	3–11 Months
Child, 1–18 Years	Child, 1–18 Years	Child, 1–18 Years

There is no variation in capitation rates by region for the Act 421 Children’s Medicaid Option population.

Healthy Louisiana Benefit Package

The Act 421 Children’s Medicaid Option covers State Plan services only. The MCOs are responsible for providing the same covered benefits as they do for Medicaid populations in the Healthy Louisiana Physical Health or SBH program. Please see the certification dated November 15, 2021 for a full discussion of the covered benefits.

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Rate Development

Overview

The Act 421 Children’s Medicaid Option provides services to a new population that was not previously covered in Medicaid; therefore, there is no historical data on these children. However, there are children within the Healthy Louisiana program currently that are similar to the populations that will enroll in the Act 421 Children’s Medicaid Option. In order to develop rates for the Act 421 Children’s Medicaid Option rate cells, Mercer used RY22 gross medical expenses from rate cells that include members who closely resemble the Act 421 Children’s Medicaid Option group. The assignment of the Healthy Louisiana proxy population(s) to each Act 421 Children’s Medicaid Option population is detailed in the table below.

Table 2: Proxy Population Mapping

Act 421 Children’s Medicaid Option Population	Healthy Louisiana Proxy Population(s)
0–2 Months	SSI, 0–2 Months
3–11 Months	SSI, 3–11 Month
Child 1–18 Years	SSI Child 1–20 Years (Non-I/DD, Child 1–18 Years) Chisolm Class Members, All Ages (I/DD, Child 1–18 Years)

Using the RY22 gross medical expense per member per month (PMPM) for each Healthy Louisiana proxy population as a starting point, Mercer developed and applied adjustments to account for differences in expected acuity and benefit costs between the Healthy Louisiana proxy population(s) and the Act 421 Children’s Medicaid Option populations to establish projected medical expenses for the Act 421 Children’s Medicaid Option populations.

Additional adjustments for non-medical expenses were then applied to arrive at final capitation rates for each Act 421 Children’s Medicaid Option rate cell.

RY22 Proxy PMPMs

The RY22 proxy PMPMs for each rate cell are shown in Table 3. For a complete description of the RY22 gross medical expense PMPMs development for the Healthy Louisiana proxy populations, please refer to the previous certification report, dated November 15, 2021.

Table 3: RY22 Proxy PMPMs by Population

Act 421 Children’s Medicaid Option Population	Non-TPL/Non-LaHIPP TPL	LaHIPP TPL
0–2 Months	\$20,510.63	\$87.35
3–11 Months	\$3,491.25	\$62.64
Child 1–18 Years	\$1,071.78	\$305.51

The Non-I/DD, Child 1–18 Years and I/DD, Child 1–18 Years RY22 proxy PMPMs were blended to arrive at the Child 1–18 RY22 proxy PMPMs. Mercer, in consultation with LDH, estimated that approximately 31% of the Child 1–18 group would fall into the Non-I/DD subgroup of this population and the remaining 69% would fall into the I/DD subgroup.

Additional Rating Adjustments

The additional rating adjustments made to the RY22 Proxy PMPMs are necessary to reflect expected differences in the acuity and utilization patterns of the Act 421 Children’s Medicaid Option population, as well as to account for impact of a member’s TPL status.

Relative Acuity Adjustment

Although the RY22 Healthy Louisiana proxy populations include members who will resemble the Act 421 Children’s Medicaid Option enrollees, it is expected that the Act 421 Children’s Medicaid Option population will utilize a different mix of services than the broader Healthy Louisiana proxy populations. Therefore, Mercer gathered diagnosis level of detail for members in programs like the Act 421 Children’s Medicaid Option that operate in other states. Using those diagnosis profiles, Mercer analyzed the relative costs of members within the RY22 Healthy Louisiana proxy populations who had a similar diagnosis profile. Mercer compared the relative PMPM costs by major service category groupings, and in total to develop a relative acuity adjustment for each Act 421 Children’s Medicaid Option population.

A summary of the relative acuity adjustments by population are shown in Table 4. The relative acuity adjustments are applied uniformly across all services for each population.

Table 4: Relative Acuity Adjustments

Act 421 Children’s Medicaid Option Population	Non-TPL/Non-LaHIPP TPL	LaHIPP TPL
0–2 Months	25.80%	33.68%
3–11 Months	-2.48%	-1.37%
Child 1–18 Years	8.93%	20.92%

TPL Wrap-Around Adjustment

The TPL wrap-around adjustments are made to the Non-LaHIPP TPL and the LaHIPP TPL rate cells to ensure the final PMPMs for these populations reflect only the portion of the costs for which the Healthy Louisiana MCOs will be responsible since Medicaid is the payer of last resort. Mercer reviewed Louisiana-specific premium assistance studies to estimate the expected reductions in Medicaid costs for individuals with TPL by major service category groupings. For most acute care services covered under Louisiana’s State Plan, Mercer estimated that private health insurance typically covers approximately 85% of Medicaid costs. The two major service categories that Mercer did not apply any adjustment to are the Applied Behavior Analysis and the Early and Periodic Screening, Diagnostic and Treatment categories since these services are not typically covered by private health insurance and are expected to be covered almost entirely by the MCOs. The TPL wrap-around adjustments by population are shown in Table 5.

Table 5: TPL Wrap-Around Adjustment

Act 421 Children’s Medicaid Option Population	Non-LaHIPP TPL	LaHIPP TPL
0–2 Months	-84.77%	-85.00%
3–11 Months	-80.57%	-85.00%
Child 1–18 Years	-57.81%	-27.42%

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Projected Non-Benefit Costs

Administrative Expense Load

The actuarially sound capitation rates developed include a provision for MCO administration and other non-medical expenses. Mercer applied the same administrative adjustment, as a percent of the total premium for each Act 421 Children’s Medicaid Option rate cell as was applied in RY22 Healthy Louisiana capitation rate development for the associated Healthy Louisiana proxy population(s). Mercer applied these percentages to the total gross medical expenses, including the LaHIPP deductible amount for those rate cells.

Administrative Expense Load PMPMs are summarized by rate cell in Table 6.

Table 6: Administrative Expense Load PMPMs

Act 421 Children’s Medicaid Option Population	Non-TPL	Non-LaHIPP TPL	LaHIPP TPL
0–2 Months	\$1,350.85	\$206.10	\$0.92
3–11 Months	\$199.61	\$38.79	\$0.54
Child 1–18 Years	\$87.97	\$37.04	\$20.35

Underwriting Gain Load

A provision was made in the final rates for underwriting gain. The rates reflect an assumption of 1.5% of the total premium less premium-based taxes. This is consistent with the underwriting gain adjustments applied in RY22 Healthy Louisiana capitation rate development.

Premium-Based Taxes

Final rates also include a provision for Louisiana’s 5.5% premium tax of the total capitation rate.

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Certification of Final Rates

This certification assumes items in the Medicaid State Plan or waiver, as well as the Healthy Louisiana MCO contract, have been approved by CMS.

In preparing the rates shown in Appendix A, Mercer has used and relied upon enrollment, fee-for-service claims, encounter data, reimbursement level, benefit design, and other information supplied by LDH and its fiscal agent. LDH, its fiscal agent and the Healthy Louisiana MCOs are responsible for the validity and completeness of the data supplied. We have reviewed the data and information for internal consistency and reasonableness, but we did not audit them. In our opinion they are appropriate for the intended purposes. However, if the data and information are incomplete/inaccurate, the values shown in this report may differ significantly from values that would be obtained with accurate and complete information; this may require a later revision to this report.

Because modeling all aspects of a situation or scenario is not possible or practical, Mercer may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. Mercer may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness, appropriateness or attainability of the results for the Medicaid program. Actuarial assumptions may also be changed from one certification period to the next because of changes in mandated requirements, program experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable, inappropriate or unattainable when they were made.

Mercer certifies the rates in Appendix A, including any risk-sharing mechanisms, were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the Healthy Louisiana MCO contract. The undersigned actuary is a member of the American Academy of Actuaries and meets its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.

Rates developed by Mercer are actuarial projections of future contingent events. All estimates are based upon the information and data available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely, and potentially wide, range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use. Actual Healthy Louisiana MCO costs will differ from these projections. Mercer has developed these rates on behalf of LDH to demonstrate compliance with the CMS requirements under 42 CFR §438.4 and accordance with applicable law and regulations. Use of these rate ranges for any purpose beyond that stated may not be appropriate.

Healthy Louisiana MCOs are advised that the use of these rates may not be appropriate for their particular circumstance and Mercer disclaims any responsibility for the use of these rates by Healthy Louisiana MCOs for any purpose. Mercer recommends that any MCO considering contracting with LDH should analyze its own projected medical expense, administrative expense, and any other premium needs for comparison to these rate ranges before deciding whether to contract with LDH.

LDH understands that Mercer is not engaged in the practice of law, or in providing advice on taxation matters. This report, which may include commenting on legal or taxation issues or regulations, does not constitute and is not a substitute for legal or taxation advice. Accordingly, Mercer recommends that LDH secure the advice of competent legal and taxation counsel with respect to any legal or taxation matters related to this report or otherwise.

This certification assumes the reader is familiar with the Healthy Louisiana Program, Medicaid eligibility rules, and actuarial rate-setting techniques. It has been prepared exclusively for LDH 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. Mercer is not responsible for, and expressly disclaims liability for, any reliance on this report by third parties.

LDH agrees to notify Mercer within 30 days of receipt of this report if it disagrees with anything contained in this report or is aware of any information or data that would affect the results of this report that has not been communicated or provided to Mercer or incorporated herein. The report will be deemed final and acceptable to LDH if nothing is received by Mercer within such 30-day period.

If you have any questions on any of the above, please feel free to contact Ron Ogborne at +1 602 522 6595 at your convenience.

Sincerely,



F. Ronald Ogborne III, FSA, CERA, MAAA
Partner

Copy:

Bogdan Constantin, Managed Care Finance – LDH
Amanda Joyner, Deputy Assistant Secretary – OBH/LDH
Patrick Gillies, Medicaid Executive Director – LDH
Karen Stubbs, Assistant Secretary – OBH/LDH
Kelly Zimmerman, Interim Medicaid Deputy Director – LDH
Adam Sery, FSA, MAAA, Principal – Mercer
Rogelio Figueroa, ASA, MAAA, Senior Associate – Mercer

Mercer Government
3560 Lenox Road, Suite 2400
Atlanta, GA 30326
www.mercer-government.mercer.com

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Region Description	Category of Aid Description	Rate Cell Description	Projected Member Months	Final Rate PMPM
Statewide	Act 421, Non-TPL	0-2 Months	-	\$ 29,177.63
Statewide	Act 421, Non-TPL	3-11 Months	1,144	\$ 3,871.96
Statewide	Act 421, Non-TPL	Child 1-18 Years	10,295	\$ 1,344.72
Statewide	Act 421, Non-LaHIPP TPL	0-2 Months	-	\$ 4,451.73
Statewide	Act 421, Non-LaHIPP TPL	3-11 Months	1,716	\$ 752.40
Statewide	Act 421, Non-LaHIPP TPL	Child 1-18 Years	15,443	\$ 564.90
Statewide	Act 421, LaHIPP TPL	0-2 Months	-	\$ 19.80
Statewide	Act 421, LaHIPP TPL	3-11 Months	1,716	\$ 10.54
Statewide	Act 421, LaHIPP TPL	Child 1-18 Years	15,443	\$ 309.98