MILLIMAN CLIENT REPORT

State Fiscal Year 2025 Healthy Kids Dental Capitation Rate Certification

October 1, 2024 through September 30, 2025

State of Michigan Department of Health and Human Services

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Introduction & Executive Summary

BACKGROUND

Milliman, Inc. (Milliman) has been retained by the State of Michigan, Department of Health and Human Services (MDHHS) to provide actuarial and consulting services related to the development of capitation rates for the Healthy Kids Dental managed care program for state fiscal year (SFY) 2025. These rates will be in effect for 12 months from October 1, 2024 through September 30, 2025.

This letter provides documentation for the development of the actuarially sound capitation rates. It also includes the required actuarial certification in Appendix 1.

To facilitate review, this document has been organized in the same manner as the 2024-2025 Medicaid Managed Care Rate Development Guide, released by the Centers for Medicare and Medicaid Services in January 2024 (CMS guide) along with the rate guide addendum issued in June 2024. Sections II and III of the CMS guide are not applicable to this certification, since the covered services do not include rates for long term services and supports (Section II) or new adult groups (Section III).

In developing the capitation rates and supporting documentation herein, we have applied the three principles of the regulation outlined in the CMS Guide:

- The capitation rates are reasonable and comply with all applicable laws (statutes and regulations) for Medicaid managed care;
- The rate development process complies with all applicable laws (statutes and regulations) for the Medicaid program, including but not limited to eligibility, benefits, financing, any applicable waiver or demonstration requirements, and program integrity; and,
- The documentation is sufficient to demonstrate that the rate development process meets the requirements of 42 C.F.R 438 and generally accepted actuarial principles and practices.

SUMMARY OF CAPITATION RATES

The capitation rates for the Healthy Kids Dental program covered under this certification are documented in Appendix 3. These rates are effective for SFY 2025, from October 1, 2024 through September 30, 2025 and were rebased utilizing calendar year (CY) 2023 as the base experience period.

Table 1 provides a comparison of the SFY 2025 rates relative to the capitation rates effective from April to September 2024. The values for both April 2024 and SFY 2025 rates have been developed based on estimated average monthly enrollment for the SFY 2025 time period.

TABLE 1: COMPARISON WITH CURRENT RATES (PMPM RATES)

RATE CELL	PROJECTED MONTHLY ENROLLMENT	APRIL 2024 CAPITATION RATES	PROPOSED SFY 2025 CAPITATION RATES	PERCENTAGE CHANGE
Less than 1 year olds	55,600	$ 1.32	$ 1.39	5.3%
1-4 year olds	198,400	19.18	18.11	(5.6%)
5-9 year olds	262,200	29.43	31.03	5.4%
10-15 year olds	294,400	22.31	23.04	3.3%
16 Years and Older	164,600	21.69	24.26	11.8%
Composite	**975,200**	**$ 22.29**	**$ 23.16**	**3.9%**

Notes:
1. Composite rates were developed based on projected monthly enrollment for October 2024 to September 2025.

FISCAL IMPACT ESTIMATE

The estimated fiscal impact of the SFY 2025 capitation rates documented in this report represent a projected increase of $10.2 million in aggregate expenditures, based on the rates noted in Table 1. These amounts are on a state and federal expenditure basis using the projected monthly enrollment for SFY 2025.

Table 2 provides the development of estimated total expenditures, as well as federal only expenditures, under the annualized April 2024 contracted capitation rates and the proposed SFY 2025 capitation rates illustrated in Table 1. The federal expenditures illustrated in Table 2 are based on the SFY 2025 FMAP of 65.13%. Although certain members are eligible under the CHIP program, we have not developed separate rates for these members or reflected the enhanced match in Table 2.

TABLE 2: COMPARISON WITH CURRENT RATES (AGGREGATE EXPENDITURES $ MILLIONS)

RATE CELL	APRIL 2024 ANNUALIZED EXPENDITURES	PROJECTED SFY 2025 EXPENDITURES	EXPENDITURE CHANGE
Less than 1 year olds	$ 0.9	$ 0.9	$ 0.0
1-4 year olds	45.7	43.1	(2.5)
5-9 year olds	92.6	97.6	5.0
10-15 year olds	78.8	81.4	2.6
16 Years and Older	42.8	47.9	5.1
Total HK Dental	**$ 260.8**	**$ 271.0**	**$ 10.2**
Total Federal	169.9	176.5	6.6
Total State	90.9	94.5	3.6

Notes:

1. Composite rates were developed based on projected monthly enrollment for October 2024 to September 2025.
2. Values are rounded and illustrated in millions of dollars.
3. State expenditures based on Federal Fiscal Year (FFY) 2025 FMAP of 65.13%

Section I. Medicaid managed care rates

1. General information

This section provides information listed under the General Information section of CMS guide, Section I.

The capitation rates provided under this certification are "actuarially sound" for purposes of 42 C.F.R § 438.4(a), according to the following criteria:

The capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the managed care plan for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 C.F.R § 438.4(b).

To ensure compliance with generally accepted actuarial practices and regulatory requirements, we referred to published guidance from the American Academy of Actuaries (AAA), the Actuarial Standards Board (ASB), the Centers for Medicare and Medicaid Services (CMS), and federal regulations. Specifically, the following were referenced during the rate development:

- Actuarial standards of practice applicable to Medicaid managed care rate setting which have been enacted as of the capitation rate certification date, including: ASOP 1 (Introductory Actuarial Standard of Practice); ASOP 5 (Incurred Health and Disability Claims); ASOP 23 (Data Quality); ASOP 25 (Credibility Procedures); ASOP 41 (Actuarial Communications); ASOP 45 (The Use of Health Status Based Risk Adjustment Methodologies); ASOP 49 (Medicaid Managed Care Capitation Rate Development and Certification); and ASOP 56 (Modeling).
- Actuarial soundness and rate development requirements in the Medicaid and CHIP Managed Care Final Rule (CMS 2390-F) for the provisions effective for the SFY 2025 managed care program rating period.
- The most recent CMS guide published by CMS in January 2024 and addendum in June 2024.
- Throughout this document and consistent with the requirements under 42 C.F.R. § 438.4(a), the term "actuarially sound" will be defined as in ASOP 49:

"*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*."

A. RATE DEVELOPMENT STANDARDS

i. Rate ranges

All standards and documentation expectations outlined in this rate certification report are applicable for the certified capitation rates and there is no proposed rate range.

ii. Annual basis

The actuarial certification contained in this report is effective for the capitation rates for the one year rate period from October 1, 2024 through September 30, 2025.

iii. Required elements

(a) Actuarial certification

The actuarial certification, signed by Christopher T. Pettit, FSA, is in Appendix 1. Mr. Pettit meets the qualification standards established by the American Academy of Actuaries, follows the practice standards established by the Actuarial Standards Board, and certifies that the final rates meet the applicable standards in 42 C.F.R. § 438 that are effective for the SFY 2025 managed care program rating period.

(b) Certified capitation rates for each rate cell

The certified capitation rates by rate cell are illustrated in Appendix 3. Projected membership illustrated in Appendix 3 represents estimated values for the rating period.

(c) Program information

(i) Managed Care program

This certification was developed for the State of Michigan's managed care programs listed below. The state currently contracts with two separate dental MCOs to service the noted populations on a statewide basis.

Healthy Kids Dental (HKD)

Healthy Kids is a program that provides a wide range of health care coverage and support services for qualifying pregnant women, babies and children under age 21. The capitation rates included in this certification report are specific to the dental services provided under the Healthy Kids program. The State of Michigan operates a statewide managed care program for the dental benefit for qualified Medicaid beneficiaries enrolled in Healthy Kids Dental. MDHHS contracts with two risk-based MCOs to administer the Healthy Kids Dental benefits. The dental program provides a full range of preventive dental services at commencement of beneficiary enrollment in the plan, with no copays or deductibles applicable to the enrolled beneficiaries.

The following table outlines the core benefits covered under the managed care capitation rates.

TABLE 3: HEALTHY KIDS DENTAL COVERED SERVICES

Oral exams	Space maintainers
Teeth cleanings	Re-cementing of crowns bridges, and space maintainers
Fluoride treatments	Root canals
X-rays	Extractions
Screenings and assessments	Complete, partial and temporary partial dentures
Fillings	Denture adjustments and repairs
Sealants	Denture rebases and relines
Stainless steel or resin crowns	Emergency treatment to reduce pain
Crown buildup, including pins	IV sedation (when needed)

(ii) Rating period

This actuarial certification is effective for the one year rating period October 1, 2024 through September 30, 2025.

(iii) Covered populations

The Medicaid managed care program beneficiaries covered by the capitation rates documented in this report are referenced in Section I.1.A.iii.(c).(i) above.

(iv) Eligibility criteria

Across the state of Michigan, Healthy Kids Dental (HKD) is available to children who have Medicaid and are under the age of 21.

(v) Special contract provisions

The Healthy Kids Dental program includes a performance withhold that is documented in Section I, item 4, Special Contract Provisions Related to Payment.

(vi) Retroactive adjustment to capitation rates

This rate certification report does not include a retroactive adjustment to the SFY 2025 capitation rates.

iv. Differences among capitation rates

Any proposed differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations are based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations. Any differences in the assumptions, methodologies, or factors used to develop capitation rates do not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs.

v. Cross-subsidization of rate cell payment

The capitation rates were developed at the rate cell level and neither cross-subsidize nor are cross-subsidized by payments from any other rate cell.

vi. Effective dates

To the best of our knowledge, the assumptions used for development of the SFY 2025 capitation for the Healthy Kids Dental program are consistent with the effective dates of changes to the Medicaid managed care program.

vii. Medical loss ratio

Capitation rates were developed in such a way that the dental MCOs would reasonably achieve a medical loss ratio, as calculated under 42 C.F.R § 438.8, of at least 85% for the rate year. The Healthy Kids dental contract has remittance provisions with a minimum MLR of 87% with the terms and conditions outlined in Section I, subsection 4.C.ii.(b).

viii. Capitation Rate Ranges

This section is not applicable because a single set of capitation rates by rate cell were developed for the SFY 2025 rating period.

ix. State's responsibility with rate ranges

This section is not applicable because a single set of capitation rates by rate cell were developed for the SFY 2025 rating period.

x. Generally accepted actuarial practices and principles

(a) Reasonable, appropriate, and attainable

In our judgment, all adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate, and attainable costs, and have been included in the certification.

(b) Outside the rate setting process

There are no adjustments to the rates performed outside the rate setting process.

(c) Final contracted rates

The SFY 2025 capitation rates certified in this report represent the contracted rates to be paid to the Healthy Kids Dental program MCOs.

xi. Rate certification for effective time periods

This actuarial certification is effective for the one-year rating period from October 1, 2024 through September 30, 2025.

xii. Direct and indirect impacts of COVID-19

The capitation rate development accounted for direct and indirect impacts of COVID-19. In general, we have accounted for direct impacts due to the COVID-19 pandemic by utilizing calendar year (CY) 2023 as the base data period. The Healthy Kids Dental program does not cover services related to COVID-19 testing or vaccinations, however projected differences in acuity due to the impact of the PHE unwinding has been reflected in the SFY 2025 rate development.

Additionally, while the impact of the COVID-19 pandemic was observed in dampened utilization for the Healthy Kids Dental program, no specific changes to the program or covered services were made because of COVID-19. A 2-sided risk corridor was implemented for SFY 2020 and SFY 2021 due to the uncertainty related to COVID-19 impact, however the risk corridor was removed for SFY 2022 and forward. The risk corridor was removed based on a return to more predictable levels of utilization in the dental program.

The capitation rate development assumes that the enrollment level will decrease steadily throughout the end of SFY 2024 based on the redetermination strategy implemented by MDHHS. A rate amendment will be considered to reflect any additional changes in the acuity of the enrolled population as additional data is available regarding the public health emergency unwinding.

xiii. Procedures for rate certification and amendment

In general, a new rate certification will be submitted when the rates change. The following exceptions are allowed per §438.7 of CMS 2390-F:

1. A contract amendment that does not affect the rates.
2. An increase or decrease of up to 1.5% in the capitation rate per rate cell or up to 1% within the certified rate range
3. Risk adjustment, under a methodology described in the initial certification, changes the rates paid to the MCOs

In case 1 listed above, a contract amendment must still be submitted to CMS.

B. APPROPRIATE DOCUMENTATION

i. Certification type

This report is for the certification of capitation rates and not capitation rate ranges.

ii. Documentation of required elements

This report contains appropriate documentation of all elements described in the rate certification, including data used, assumptions made, and methods for analyzing data and developing assumptions and adjustments.

iii. Medical loss ratio documentation

Using the values illustrated in Appendix 3, the simplified medical loss ratio (defined as the base benefit expense divided by the effective capitation rate for purposes of this report) is 91.0%. This value is above the minimum standard of 85% and is prior to adjustment for healthcare quality improvement expenses as required in the medical loss ratio definition outlined in 42 CFR § 438.8, which would further increase the pricing medical loss ratio. The MCOs can reasonably achieve a medical loss ratio of at least 85% as required per 42 CFR § 438.4(b)(9).

We considered the historical medical loss ratios, capitation rate changes, and emerging benefit expense trends when developing the SFY 2025 capitation rates as required per 452 CFR § 438.5(b)(5). The Healthy Kids dental contract has remittance provisions with a minimum MLR of 87% with the terms and conditions outlined in Section I, subsection 4.C.ii.(b).

iv. Assumptions and adjustments

We attest for all assumptions and adjustments underlying the certified capitation rates which will be disclosed in this rate certification. Rate ranges will not be certified but may be used in developing assumptions and adjustments. The final certified rates reflect specific point estimates.

v. Capitation Rate Ranges

This section is not applicable because a single set of capitation rates by rate cell were developed for the SFY 2025 rating period.

vi. Index

The index to this rate certification is the table of contents, found immediately after the title page. The index includes section numbers and related page numbers. Sections not relevant to this certification continue to be provided, with an explanation of why they are not applicable.

vii. Compliance with 42 C.F.R. § 438.4(b)(1)

(a) Description of each assumption, methodology, or factor used that varies by the rate of FFP associated with all covered populations

All assumptions and adjustment factors were considered and evaluated by each covered population. This includes prospective trend, non-benefit expense loads, and program and policy adjustments.

(b) Justification of how each difference in the assumption, methodologies, or factors represents actual cost differences based on the characteristics and mix of the covered services or populations

Assumptions were evaluated based on analysis specific to each covered population utilizing base data and dental plan reported values. By using actual experience for each population, the differences in assumptions take into consideration the characteristics and mix of covered services specific to each covered population.

(c) Financial Impact

The financial impact of the capitation rate development assumptions and methodology by population is summarized in Table 2.

viii. Different FMAP

All populations receive the regular state FMAP of 65.13% for FFY 2025. The enhanced FMAP percentage for CHIP expenditures in Michigan is 75.59%. These enhanced amounts are not reflected in the values noted as federal expenditures in Table 2.

ix. Comparison to final certified rates in the previous rate certification.

The previous rate certification applied to SFY 2024 capitation rates, with amended rates for April to September 2024. A comparison to the rates effective April 2024 is provided in Table 1 by rate cell.

x. Known amendments

There are currently no known amendments that are not accounted for in this rate certification. If a known amendment exists, the state will submit the expected amendment and its anticipated changes to the rates to CMS along with an explanation as to why the amendment is not currently reflected in the rate certification.

xi. COVID-19 Approach

(a) Data used

For the base data summaries, calendar year 2023 experience was utilized and summarized in Appendix 2. Projected enrollment was based on a review of emerging eligibility changes following the expiration of the COVID-19 PHE related continuous eligibility provision.

(b) Direct and indirect impacts of COVID-19

The capitation rates account for changes in the projected enrollment due to the unwinding of the public health emergency. Also directly accounted for is changes in utilization patterns as a result of the COVID-19 pandemic by utilizing CY 2023 as the base data period.

(c) COVID-19 related costs not included in capitation rates

Treatment, testing, and vaccines for COVID-19 are outside the scope of the Healthy Kids Dental program.

(d) Risk mitigations strategies used

For the SFY 2020 and 2021 rating periods, a 2-sided risk corridor was utilized to mitigate risks related to uncertainty in costs due to COVID-19. For the SFY 2022 and future rating period, the risk corridor was removed based on more stabilized utilization patterns during these time periods.

2. Data

This section provides information on the data used to develop the capitation rates. The base CY2023 experience data described in this section is illustrated in Appendix 2.

A. RATE DEVELOPMENT STANDARDS

In accordance with 42 CFR §438.5(c), we have followed the rate development standards related to base data. The remainder of Section I, item 2 provides documentation of the data types, sources, validation process, material adjustments and other information relevant to the documentation standards required by CMS.

B. APPROPRIATE DOCUMENTATION

i. Requested data

As the actuary contracted by MDHHS to provide consulting services and associated financial analyses for many aspects of the Michigan Medicaid program (and not just limited to capitation rate development), Milliman intakes and summarizes eligibility and expenditure data on a monthly basis from Optum, MDHHS's data administrator. As such, there is no separate data request from Milliman to the state specifically related to the base data for the capitation rate development. The remainder of this section details the base data and validation processes utilized in the SFY 2025 Healthy Kids Dental capitation rate development. Additionally, Appendix 2 summarizes the unadjusted base data.

ii. Data used to develop the capitation rates

(a) Description of the data

(i) Types of data

The primary data sources used or referenced in the development of the capitation rates are the following:

- Encounter data submitted by the Healthy Kids Dental program MCOs to Optum;
- Healthy Kids Dental program eligibility data;
- Historical capitation payments made by MDHHS to the Healthy Kids Dental program MCOs
- SFY 2024 period one financial summary reports provided by the dental MCOs (Encounter Quality Initiative (EQI) reports) for base data validation analysis.

(ii) Age of the data

The data serving as the base experience in the capitation rate development process was incurred during CY 2023. The encounter data for the CY 2023 base period reflected encounters adjudicated and submitted through the monthly encounter data warehousing process through April 2024.

The encounter data provided by MDHHS was also used in the capitation rate development for the following purposes:

- For the purposes of trend development, we reviewed encounter experience from SFY 2021 through SFY 2023.
- We reviewed encounter data incurred from October 2023 through April 2024 and paid and submitted through the data warehousing process through April 2024 to evaluate emerging experience and to develop estimated incurred but not paid (IBNP) amounts to apply to the base experience.

We utilized enrollment through April 2024 for purposes of emerging population enrollment patterns. Projected enrollment estimates took into account emerging eligibility count changes observed following the expiration of the COVID-19 PHE related continuous eligibility provision.

(iii) Data sources

Capitation payment and eligibility information

On a monthly basis, we receive capitation payments and beneficiary eligibility and enrollment extracts from the State's Medicaid Management Information System (MMIS) To develop the SFY 2025 capitation rates, we reviewed data from January 2020 through April 2024.

MCO encounter data and EQI reports

We received dental plan encounter data extracts from the State's MMIS concurrently with the eligibility and enrollment extracts noted above. Our analysis was based on data submitted to the MMIS through April 2024 and compared to the plan reported Encounter Quality Initiative submissions.

(iv) Sub-capitation

There were no sub-capitated claims identified in the historical encounter data.

(v) Base data exception

No exception to the base data requirement was requested by the state.

(b) Availability and quality of the data

(i) Steps taken to validate the data

The base experience used in the capitation rates relies on encounter data submitted to MDHHS by the dental MCOs. Eligibility related to the Healthy Kids Dental program is maintained in the data warehouse by MDHHS. The actuary, the dental MCOs, and MDHHS all play a role in validating the quality of encounter data used in the development of the capitation rates. The dental MCOs play the initial role, collecting and summarizing data sent to the state. MDHHS works with the data warehouse managers on data quality and vendor performance measurement. Additionally, we perform independent analysis of encounter data to evaluate the quality of the data being used in the rate development process. Below is a summary of measures specific to each quality area that are applied by MDHHS or the actuary.

Completeness

MDHHS reviews the submitted encounter data to evaluate the completeness of the data. A sample of measures focused on the completeness of the data include:

- Encounter data volume measures by rate cell and dental service category;
- Verifying covered services;
- Percentage of encounters that are submitted by the dental MCO that are accepted by the data warehouse.

As the actuary, we also summarize the encounter data to assess month to month completeness of the encounter data. These measures include:

- Encounter per member per month (PMPM) for high level service categories;
- Distribution of members by encounter-reported expenditures; and,
- Review of month to month activity across the program and rate cell.

These measures are applied to identify any months where encounter data volume is unusually large or small, indicating a potential issue with the submitted encounter data.

The CY 2023 encounter data used in the development of the rates was adjudicated through April 2024. The four months of claims run-out after year-end was determined to be nearly sufficient for claim submission and payment for the base experience period, and a minor completion factor was applied to base data in CY 2023.

Accuracy

MDHHS reviews the accuracy of the encounter data by reviewing the percentage of accepted encounters between the MDHHS encounter data files and the files submitted by the dental MCOs. As the state actuary we also review the encounter data to ensure each claim is related to a covered individual and a covered service. Claims utilized in the rate development process are those that have matching beneficiary IDs that are eligible for the noted service date.

We summarize the encounter data into an actuarial cost model format. Base period data summaries are created to ensure that the data for each service is with prior historical periods. Stratification by rate cell facilitates this review, as it minimizes the impact of changes in population mix. This process helps to identify any potential issues with the submitted data.

Consistency of data across data sources

As historical encounter data is the primary source of information used in the development of capitation rates effective October 1, 2024, it is important to assess the consistency of the encounter data with other sources of information. The main sources of comparison were the MCO-submitted EQI reports, in which each dental MCO submitted exposure and expenditure information that covered the time periods starting from October 2022 through January 2024. We utilized the EQI reported data to validate the encounter data being utilized for rate development was appropriate and consistent between the two sources of information.

(ii) Actuary's assessment

As required by Actuarial Standard of Practice (ASOP) No. 23, Data Quality, we disclose that Milliman has relied upon certain data and information provided by MDHHS and the dental MCOs. The values presented in this letter are dependent upon this reliance.

We found the encounter data to be of appropriate quality for purposes of developing actuarially sound capitation rates. The following actions were performed to ensure compliance with ASOP 23:

- Selected data that were both appropriate and sufficiently current for the intended purpose: we used data that reflected the covered population and services under the contract;
- Reviewed the data for reasonability, consistency, and comprehensiveness: documented in the certification report;
- Disclosed any known limitations of the data: documented in the certification report; and,
- Placed reliance on the data supplied by MDHHS and its vendors: documented in the certification report.

(iii) Data concerns

Based on historical review of the encounter data along with discussions with MDHHS and the dental MCOs, we did not identify any material concerns with the dental MCOs submitted encounter data.

(c) Appropriate data

(i) Use of encounter and fee-for-service data

All populations enrolled in managed care during the rate period were included in the risk-based managed care delivery system in the CY 2023 base experience period. As such, expenditure data for populations enrolled in FFS during CY 2023 is not reflected in the base experience cost models used to develop the capitation rates.

(ii) Use of managed care encounter data

Managed care encounter data was the primary data source used in the development of the capitation rates.

(d) Reliance on a data book

Development of the capitation rates did not rely on a data book or other summarized data source. We were provided with detailed claims data for all covered services and populations.

iii. Data adjustments

Capitation rates were developed primarily from CY 2023 encounter data. Adjustments were made to the base experience are noted below.

(a) Credibility adjustment

No specific credibility adjustment was applied to the data based on our review of the information.

(b) Completion adjustment

The capitation rates are based on calendar year 2023 experience. Encounter data was paid through April 30, 2024 and reflected four months of claims run-out. A separate set of completion factors were developed for each class of service with the resulting composite factors applied to each rate cell shown in Appendix 3.

(c) Errors found in the data

No specific errors were identified in the data.

(d) Program change adjustments

All program and reimbursement changes that have occurred in the Healthy Kids dental program since January 1, 2023, the beginning of the base experience period used in the capitation rates, are described below. The impact of these changes by rate cell are reflected in the development of the capitation rates in Appendix 3.

Third Party Liability

The base data was further adjusted to remove additional expenditures related to third party liabilities (TPL) that were not fully reflected in the encounter data. Specific encounter claims were identified as sources for potential TPL recoveries. In developing the adjustment factor, we selected 25% of the claims identified as a reasonably attainable target for the dental MCOs. This reflects an approximate $0.9 million decrease to the base data.

Benefit Expansion

- Expansion of dental sealant coverage for anyone under 21. The coverage for permanent first and second molars only was not fully represented in the base data following the January 1, 2023 effective date. Expansion of this service allows sealants on primary first and second molars as well as permanent bicuspids. The projected impact to utilization was based on a review of CY 2023 experience by month compared to most recent experience.
- Increased fluoride varnish coverage for children ages 0-6. Consistent with the dental sealant coverage, we reviewed more recent experience to identify the adjustment applicable for the first half of CY 2023 experience to have this benefit change fully reflected in the base data.

We have incorporated a PMPM rate adjustment for these changes which is reflected by rate cell in Appendix 3. The projected composite impact of these change is approximately $2.1 million.

Targeted Utilization Adjustment

As noted in the rate development for prior rating periods, we observe a significant difference in utilization of services between members enrolled in each dental MCO within each rate cell. To maintain historical pricing and desired utilization levels of the program, an adjustment has been included to increase the base data utilization specific to the dental plan with lower utilization. The adjustment was developed by comparing summarized experience for each dental MCO in relationship to historical levels. The PMPMs resulting from the application of these adjustments by rate cell are listed in Appendix 3. This reflects an approximate $21.3 million increase in the base data.

Projected Enrollment Acuity Adjustment

During the public health emergency, enrollment for the HKD program increased above historical levels. As the public health emergency ended on May 11, 2023, certain rate cells began to experience decreases in enrollment following with the redetermination process being implemented by MDHHS. We observed that the members who disenrolled exhibited a lower level of utilization of services on average compared to the population that is projected to remain in the HKD program for SFY 2025. This reflects an approximate $10.9 million increase to the base data.

Section I.7 provides additional details supporting the development of the projected enrollment and acuity adjustment assumptions.

(e) Exclusion of payments or services from the data

Encounters without a corresponding eligibility record were excluded from the data provided by MDHHS. No other specific payments or services were excluded from the data.

3. Projected benefit cost and trends

This section provides information on the development of projected benefit costs in the capitation rates.

A. RATE DEVELOPMENT STANDARDS

i. Final Capitation Rate Compliance

The final capitation rates are in compliance with 42 C.F.R § 438.4(b)(6) and are only based on services outlined in 42 C.F.R § 438.3(c)(1)(ii) and 438.3(e). Any services that did not have a corresponding eligibility record have been excluded from the capitation rate development process. The dental MCOs do not provide any in lieu of services.

ii. Benefit Cost Trend Assumptions

Projected benefit cost trend assumptions are developed in accordance with generally accepted actuarial principles and practices. The primary data used to develop benefit cost trends is historical claims and enrollment from the covered populations. Additionally, consideration of other factors and data sources appropriate for benefit cost trend development is further documented in Section I, item 3.B.iii.

iii. In Lieu Of Services

The projected benefit costs do not include costs for in lieu of services.

iv. ILOS cost percentage

The projected benefit costs do not include costs for in lieu of services.

v. IMDs as an in lieu of service provider

Not applicable. The projected benefit costs do not include costs for in lieu of services.

(a) Costs associated with an IMD stay of more than 15 days

There are no members covered over the age of 21 in the Healthy Kids Dental program and costs associated with an Institution for Mental Diseases (IMD) stay of more than 15 days in a month is not applicable to this certification.

(b) Other costs for services during the time an enrollee is in an IMD for more than 15 days

We have not included any costs in the base experience data for associated expenses when a member is in an IMD for more than 15 days.

B. APPROPRIATE DOCUMENTATION

i. Projected Benefit Costs

This section provides the documentation of the methodology utilized to develop the benefit cost component of the capitation rates at the rate cell level.

ii. Development of Projected Benefit Costs

(a) Description of the data, assumptions, and methodologies

This section of the report outlines the data, assumptions, and methodology used to project the benefit costs to the rating period. The baseline benefit costs were developed using the following steps:

- **Step 1:** ***Create base per member per month (PMPM) cost summaries***

  The capitation rates were developed from historical claims and enrollment data from the enrolled population. This data consisted of calendar year 2023 incurred encounter data that has been submitted by each of the dental MCOs.

- **Step 2:** ***Apply base data adjustments***

  As documented in the previous section, utilization and cost per service rates from the base experience period were adjusted for a number of items, including but not limited to: incomplete data adjustments, additional payment amounts, and policy and program changes that occurred during CY 2023.

- **Step 3:** ***Trend to SFY 2025***

  Prospective utilization trend factors were applied to project utilization to the midpoint of the rating period (April 1, 2025). Unit costs values were projected by applying the prospective cost per service assumed trend factors over 21 months from the midpoint of the base experience period (July 1, 2023) to the midpoint of the rate period (April 1, 2025).

- **Step 4:** ***Adjust for retrospective program and policy changes***

  As documented in the previous section, utilization and cost per service rates from the base experience period were further adjusted for policy and program changes that occurred after CY 2023. The PMPMs resulting from the application of these adjustments established the adjusted benefit expense by rate cell for the rating period.

(b) Material changes to the data, assumptions, and methodologies

All rate development data and material assumptions are documented in this rate certification report and the overall methodology utilized to develop the capitation rates is consistent with the prior rate-setting analysis.

(c) Overpayments to providers

Consistent with 42 CFR 438.608(d), MDHHS outlines the program integrity guidelines and reporting requirements related to overpayments, recoveries, and refunds in the managed care contract.

No adjustments were made to the encounter data for overpayments to providers as a result of fraud, waste, and abuse.

iii. Projected Benefit Cost Trends

This section discusses the data, assumptions, and methodologies used to develop the benefit cost trends, i.e., the annualized projected change in benefit costs from the historical base period (CY 2023) to the SFY 2025 rating period of this certification. We evaluated prospective trend rates using historical experience for the Healthy Kids Dental program, as well as external data sources.

(a) Required elements

(i) Data

The primary data used to develop benefit cost trends is historical claims and encounters from the covered populations. Data used for trend development included three years of cost and utilization experience, from SFY 2021 through the base experience data period (CY 2023).

We also reviewed internal sources that are not publicly available, such as historical experience from other programs and trends used by other Milliman actuaries, specific to dental services.

(ii) Methodology

For internal MDHHS data, historical utilization and per member per month cost data was stratified by month, rate cell, and class of service. We evaluated historical trend over recent time periods to identify the range of trends proposed for establishing SFY 2025 capitation rates.

As part of the prospective cost per service trend evaluation, we reviewed changes in the dental fee schedule effective as of January 2024. This change represents an update to the dental fee-for-service fee schedule to align with the revised average commercial rate (ACR). To estimate the impact of this reimbursement change, HKD encounter claims were repriced to fee schedule effective January 2024.

Table 4 provides a summary of the selected annual trends applied to the different classes of dental service.

TABLE 4: BENEFIT TREND FACTORS

SERVICE CATEGORY	UTILIZATION TREND	CPS TREND	PMPM TREND
Class I	1.00%	2.00%	3.00%
Class II	0.50%	2.00%	2.50%
Class III	0.50%	2.00%	2.50%
Other	0.50%	2.00%	2.50%

(iii) Comparisons

Historical trends should not be used in a simple formulaic manner to determine future trends; a great deal of actuarial judgment is also needed. We did not explicitly rely on the historical encounter data trend projections. We referred to the sources listed in the prior section, considered changing practice patterns, the impact of reimbursement changes on utilization in the Healthy Kids Dental population, and shifting population mix.

(iv) Chosen trend rates

Table 4 illustrates the proposed PMPM trend for each service class split. The chosen trend rates were not based explicitly on historical experience, but also consideration of future utilization and cost growth to accommodate wage increases for providers.

(b) Benefit cost trend components

Table 4 above indicates the trends that were utilized to establish trended costs for the SFY 2025 rating period. We have illustrated the split between cost per service and utilization in Table 4.

(c) Variation

Based on the different classes of service covered under the Healthy Kids Dental program and the distribution of services amongst the procedures codes, we developed separate trend assumptions by class of service.

(d) Material adjustments

No material adjustments were noted in the data utilized for calculating trends.

(e) Any other adjustments

(i) Impact of managed care

We did not adjust the trend rates to reflect a managed care impact on utilization or unit cost.

(ii) Trend changes other than utilization and cost

We did not adjust the benefit cost trend for changes other than utilization or unit cost.

iv. Mental Health Parity and Addiction Equity Act Service Adjustment

We have reviewed MDHHS's state plan benefits regarding compliance with the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) as required by 42 C.F.R § 438.3(c)(1)(ii). Mental health/substance abuse services are not a covered service for the Healthy Kids Dental program and does not impact the rates.

v. In Lieu of Services

The projected benefit costs do not include costs for in lieu of services.

vi. Retrospective Eligibility Periods

(a) MCO responsibility

During the base experience period, the dental MCOs are not responsible for periods of retrospective eligibility as those time periods were covered on a fee-for-service basis. The dental MCOs are not responsible for periods of retrospective eligibility during the rating period. Therefore, no adjustments have been made to account for retrospective eligibility.

(b) Claims treatment

As noted earlier, dental MCOs are not responsible for paying claims incurred during the retrospective eligibility period; therefore, claims for retrospective eligibility periods are not reflected in the base data.

(c) Enrollment treatment

Enrollment is treated consistently with claims. We have not included retrospective eligibility in the base experience period.

(d) Adjustments

No adjustments are necessary.

vii. Impact of Material Changes

This section relates to material changes to covered benefits or services since the last rate certification. The last rate certification was for the SFY 2024 rating period, with amended rates for April to September 2024.

(a) Change to covered benefits

No material changes to covered benefits or services have been made since the April 2024 to September 2024 rate period.

(b) Recoveries of overpayments

No overpayment issues were indicated to have been reflected in the historical paid encounter data and therefore no adjustment has been made to the base experience for overpayment recoveries.

(c) Change to payment requirements

No material changes in payment requirement occurred.

(d) Change to waiver requirements

There were no material changes related to waiver requirements or conditions.

(e) Change due to litigation

There were no material changes due to litigation.

viii. Documentation of Material Changes

Material changes to covered benefits and provider payments have been described in program adjustments described in Section I, item 2.B.iii Program Change Adjustments.

4. Special Contract Provisions Related to Payment

A. INCENTIVE ARRANGEMENTS

i. Rate Development Standards

This section provides documentation of the incentive payment structure in the Healthy Kids Dental program.

ii. Appropriate Documentation

There are currently no explicit incentives in the dental MCO contract.

B. WITHHOLD ARRANGEMENTS

i. Rate Development Standards

This section provides documentation of the withhold arrangement in the Healthy Kids Dental program.

ii. Appropriate Documentation

(a) Description of the Withhold Arrangement

(i) Time period and purpose

The withhold arrangement is measured on a state fiscal year basis. The withhold measure evaluates quality-based performance by the dental MCOs in delivery of services.

(ii) Enrollees, services, and providers covered by withhold

The withhold arrangement is applicable to all enrollees, services, and providers under the Healthy Kids Dental program.

(iii) Purpose of the withhold arrangement

The purpose of the withhold arrangement is to ensure Healthy Kid Dental MCOs meet certain performance measures identified in the managed care contract.

(iv) Description of total percentage withheld

MDHHS has established a quality withhold of 1.0% of the capitation rate and will determine the return of the withhold based on review of each dental MCO's data and the dental MCO's compliance with the quality measures established in each dental MCO's contract with MDHHS.

The capitation rates shown in this letter are illustrated before offset for the withhold amount; however, the SFY 2025 capitation rates documented in this report are actuarially sound after adjustment for the amount of the withhold not expected to be earned.

(v) Estimate of percent to be returned

Based on calculations for the withhold payments SFY 2023, all of the withheld payments are being delivered back to the dental plans, but it may result in a larger amount than what was effectively paid in. If the amount paid back to the dental plan were to be capped at the amount withheld from initial payment, the effective recoupment is approximately 99%.

(vi) Reasonableness of withhold arrangement

Our review of the total withhold percentage of 1.0% of capitation revenue indicates that it is reasonable within the context of the capitation rate development and the magnitude of the withhold does not have a detrimental impact on the financial operating needs and capital reserves of the dental MCOs.

(vii) Effect on the capitation rates

The rate is certified as actuarially sound after adjustment for the amount of the withhold not expected to be earned back.

(b) Capitation payments minus withhold

The SFY 2025 certified capitation rates reflect the expectation that 100% of the withhold is reasonably achievable, and the capitation rates are certified as actuarially sound.

C. RISK SHARING MECHANISMS

i. Rate Development Standards

This section provides documentation of the risk-sharing mechanisms in the Healthy Kids Dental program.

ii. Appropriate Documentation

(a) Description of Risk-sharing Mechanism

Not applicable, there are no risk-sharing mechanisms in the Healthy Kids Dental program.

(i) Methodology

Not applicable.

(ii) Summary of Results

Not applicable.

(iii) Attestation of the use of generally accepted actuarial principles and practices

Not applicable.

(b) Medical Loss Ratio

Description

MDHHS's provider agreement establishes a minimum medical loss ratio (MLR) of 87.0% for the Healthy Kids dental population. Note that the MLR increased by 2% compared to the SFY 2024 MLR of 85%. The specific language from the provider agreement between MDHHS and the dental MCOs should be referenced for final contract specifications and definitions. The MLR is calculated in accordance with guidance presented in the final Medicaid and Children's Health Insurance Program rule, released on May 6, 2016.

Financial consequences

First implemented with the SFY 2021 rating period, there are financial consequences for having a medical loss ratio below 87.0%. To the extent that the calculated MLR is below 87.0%, the dental MCOs will remit payment back to MDHHS.

(c) Reinsurance Requirements and Effect on Capitation Rates

The standard contract language between the state and the health plans requires contractors to maintain certain insurances as identified in Section 6.1 of the contract terms. These would include general liability insurance. Contractors are also required to utilize subcontractors with similar insurance coverages.

D. STATE DIRECTED PAYMENTS

i. Rate Development Standards

There are no delivery system and provider payment initiatives (i.e., state directed payments) in the Healthy Kids Dental program.

E. NOT APPLICABLE PASS-THROUGH PAYMENTS

i. Rate Development Standards

There are no pass-through payments applicable to the Healthy Kids Dental program.

5. Projected non-benefit costs

A. RATE DEVELOPMENT STANDARDS

i. Overview

In accordance with 42 C.F.R §438.5(e), the non-benefit component of the capitation rate includes reasonable, appropriate and attainable expenses related to dental MCO operation of the Healthy Kids Dental program.

The remainder of Section I, item 5 provides documentation of the data, assumptions and methodology that we utilized to develop the non-benefit cost component of the capitation rate.

ii. PMPM versus percentage

The non-benefit cost applied to the capitation rate is split into two components: a flat PMPM amount across all rate cells and an additional amount allocated proportionally based on the projected claims PMPM. The non-benefit expenses are illustrated, by rate cell, in Appendix 3. The composite non-benefit expense included in the capitation rate is 10.25%.

B. APPROPRIATE DOCUMENTATION

i. Development of non-benefit costs

(a) Description of the data, assumptions, and methodologies

Data

The primary data sources used in the development of the state fiscal year 2025 non-benefit costs are listed below:

- Historical non-benefit costs included in prior rate certifications.
- Statutory financial statement data for the dental MCOs.

Assumptions and methodology

In developing non-benefit costs, we reviewed historical administrative expenses for the managed care program along with national Medicaid health plan administrative expenses for dental plans. We considered the size of participating MCOs and the resulting economies of scale that could be achieved, along with the benefits covered and the demographics of the population.

(b) Material changes

There are no material changes to the data, assumptions, or methodology used to develop the projected non-benefit cost.

(c) Other material adjustments

There are no other material adjustments applicable to the non-benefit cost component of the capitation rate.

ii. Non-benefit costs, by cost category

In the development of the actuarially sound capitation rates, we have included a non-benefit cost allowances of 9.0% for administration costs and 1.25% for contribution to reserves, risk margin and cost of capital across the rate cells. We have allocated 50% of the administrative cost allowance based on a flat PMPM across all rate cells. The remaining 50% was distributed proportionally based on the projected claims cost for each rate cell. In the establishment of the administrative cost allowance, we have utilized a value that is representative of Medicaid managed care organizations exclusively providing dental services.

iii. Historical non-benefit costs

We maintained the historical non-benefit cost allowance assumptions utilized in the SFY 2024 rate development following a review of the historical assumptions and dental MCO reported experience.

6. Risk Adjustment

This section provides information on the risk adjustment included in the contract.

A. RATE DEVELOPMENT STANDARDS

i. Overview

The Healthy Kids Dental program rates have been developed as full risk rates, without a risk adjustment or acuity adjustment.

7. Acuity Adjustments

This section provides information on the acuity adjustment included in the contract.

A. RATE DEVELOPMENT STANDARDS

i. Overview

An adjustment applied to the total payments across all dental plans to account for significant uncertainty about the health status or risk of a population is considered an acuity adjustment, which is a permissible adjustment under 42 C.F.R. § 438.5(f).

The following table lists the acuity adjustment by rate cell.

MODELED ACUITY RATE ADJUSTMENT BY RATE CELL

RATE CELL	ACUITY FACTOR
Less than 1 Year	0.0%
1 to 4 Years	2.5%
5 to 9 Years	5.0%
10 to 15 Years	5.0%
16 Years and Older	10.0%

We have made explicit adjustments in the SFY 2025 capitation rates to reflect estimated per member per month (PMPM) cost differences between beneficiaries anticipated to remain in the managed care program during SFY 2025 compared to members anticipated to disenroll during the COVID-19 PHE unwinding. Experience was summarized on a monthly basis to evaluate the change in estimated costs because of the significant drops in enrollment following MDHHS resuming Medicaid enrollment redetermination during SFY 2024. The average relative acuity for SFY 2025 was projected based on the trend in relative acuity by rate cell.

Based on that review, members who were anticipated to disenroll the program by SFY 2025 exhibited an acuity profile slightly lower than members projected to stay. The adjustment factors listed above represent selected adjustments utilized in the rate development process. We will continue to review the members who disenroll from the program and analyze their historical benefit expense against members who remain in the HKD program and modify the relative acuity factors as needed.

(a) Timing of acuity adjustments

The composite rates for each rate cells will be prospectively adjusted to reflect estimated acuity differences in the underlying population disenrolling in the program.

B. APPROPRIATE DOCUMENTATION

i. Description

Starting July 2023, MDHHS ended the continuous eligibility policy and resumed redeterminations on the enrolled population. Over the course of the proceeding 12 months, eligibility was reviewed causing significant changes in enrollment count. The members who were disenrolled exhibited a lower level of utilization of services on average compared to the retained population in the program.

(a) Uncertainty

Data utilized in the capitation rate development reflected experience through April 2024, which accounts for approximately 8 months of the PHE unwinding process. This has contributed to greater confidence in the enrollment projections, with the remaining greatest uncertainty attribute to the actual relative cost of members disenrolled from the program.

(b) Acuity adjustment model

The acuity factors were developed based on a review of relative acuity, measured by estimated changes in member claim costs, for emerging members disenrolled as part of the PHE unwinding process.

(c) Data utilized

Modeled PMPMs for members enrolled from CY 2023 through April 2024 were utilized when evaluating the acuity differences.

(d) Potential interactions

We have assumed limited interaction with other rate development components and have chosen not to make an explicit adjustment. We will monitor relationships on a rate cell level and make appropriate adjustments as needed.

(e) Frequency

We calculated the average relative acuity factor monthly based on actual members enrolled (and subsequently disenrolled). We intend to review the results with updated experience as more data becomes available.

(f) Application to capitation rates

We developed one adjustment factor for each rate cell based on a review of relative modeled risk scores. We applied the factor uniformly across all service categories with the PMPM impact outlined in Appendix 3.

(g) Documentation

We developed the acuity factors in accordance with generally accepted actuarial principles and practices.

Section II. Medicaid Managed care rates with long-term services and supports

Section II of the guidance is not applicable to the Healthy Kids Dental program as the program does not cover long-term services and supports.

Section III. New adult group capitation rates

Section III of the guidance is not applicable to the Healthy Kids Dental program as these are not new adult groups.

Limitations

The information contained in this letter, including the appendices, has been prepared for the State of Michigan, Department of Health and Human Services and their consultants and advisors. It is our understanding that this letter may be utilized in a public document. To the extent that the information contained in this letter is provided to third parties, the letter should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for MDHHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

Milliman has developed certain models to estimate the values included in the capitation rate development. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The models rely on data and information as inputs to the models. We have relied upon certain data and information provided by MDHHS and its vendors for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.

The models, including all inputs, calculations, and outputs may not be appropriate for any other purpose.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

Appendix 1: Actuarial Certification

State of Michigan
Department of Health and Human Services
Healthy Kids Dental Program
Capitation Rates Effective October 1, 2024 through September 30, 2025
Actuarial Certification

I, Christopher T. Pettit, am a Principal and Consulting Actuary with the firm of Milliman, Inc. 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 standards of practice established by the Actuarial Standards Board. I have been employed by the State of Michigan and am generally familiar with the state-specific Medicaid program, eligibility rules, and benefit provisions.

The capitation rates provided with this certification are considered "actuarially sound" for purposes of 42 CFR 438.4(a), according to the following criteria:

- the capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the MCO for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 CFR 438.4(b).

For the purposes of this certification and consistent with the requirements under 42 CFR 438.4(a), "actuarial soundness" is defined as in ASOP 49:

"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."

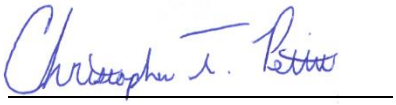
The assumptions used in the development of the "actuarially sound" capitation rates have been documented in my correspondence with the State of Michigan. The "actuarially sound" capitation rates that are associated with this certification are effective for the rate period October 1, 2024 through September 30, 2025.

The capitation rates are considered actuarially sound after adjustment for the amount of the withhold not expected to be earned.

The "actuarially sound" capitation rates are based on a projection of future events. Actual experience may be expected to vary from the experience assumed in the rates.

In developing the "actuarially sound" capitation rates, I have relied upon data and information provided by the State. I have relied upon the State for audit of the data. However, I did review the data for reasonableness and consistency.

The capitation rates developed may not be appropriate for any specific dental MCO. An individual dental MCO will need to review the rates in relation to the benefits that it will be obligated to provide. The dental MCO should evaluate the rates in the context of its own experience, expenses, capital and surplus, and profit requirements prior to agreeing to contract with the State. The dental MCO may require rates above, equal to, or below the "actuarially sound" capitation rates that are associated with this certification.



Christopher T. Pettit, FSA
Member, American Academy of Actuaries

August 30, 2024
Date

Appendix 2: CY 2023 Base Data Summaries

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: Composite
Member Months: 14,011,856

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	605.1	$ 38.80	$ 1.96
Prophylaxis	524.2	47.37	2.07
X-Rays	805.0	23.64	1.59
Fluoride	466.9	28.17	1.10
Sealants	550.4	31.82	1.46
Other Preventive	51.9	34.57	0.15
Class I Subtotal	*3,003.4*	*$ 33.23*	*$ 8.32*
Class II			
Oral Surgery	0.3	$ 184.90	$ 0.01
Simple Extractions	88.9	92.04	0.68
Anesthesia	33.2	124.63	0.34
Emergency (Palliative)	2.2	80.16	0.01
Surgical Extractions	20.6	247.03	0.42
Space Maintainers	11.4	213.09	0.20
Restorations	403.3	122.93	4.13
Endodontics	37.8	242.13	0.76
Periodontics	2.5	98.36	0.02
Class II Subtotal	*600.3*	*$ 131.71*	*$ 6.59*
Class III			
Inlays/Onlays/Crowns	96.4	$ 245.41	$ 1.97
Repair (Simple)	1.0	66.32	0.01
Dentures	0.1	916.50	0.01
Other Prosthetics	0.1	317.14	0.00
Bridges	0.0	719.50	0.00
Implants	0.0	836.26	0.00
Class III Subtotal	*97.6*	*$ 244.71*	*$ 1.99*
Miscellaneous Services	6.5	$ 109.31	$ 0.06
Total	**3,707.9**	**$ 54.88**	**$ 16.96**

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: Less than 1 Year
Member Months: 688,755

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	44.4	$ 33.93	$ 0.13
Prophylaxis	17.5	45.84	0.07
X-Rays	0.7	19.63	0.00
Fluoride	32.6	28.35	0.08
Sealants	0.0	1.00	0.00
Other Preventive	-	-	-
Class I Subtotal	*95.3*	*$ 34.10*	*$ 0.27*
Class II			
Oral Surgery	-	$ 0.00	$ 0.00
Simple Extractions	0.4	91.43	0.00
Anesthesia	-	-	-
Emergency (Palliative)	0.0	90.00	0.00
Surgical Extractions	-	-	-
Space Maintainers	-	-	-
Restorations	0.1	93.56	0.00
Endodontics	0.0	563.94	0.00
Periodontics	-	-	-
Class II Subtotal	*0.5*	*$ 107.99*	*$ 0.00*
Class III			
Inlays/Onlays/Crowns	-	$ 0.00	$ 0.00
Repair (Simple)	-	-	-
Dentures	-	-	-
Other Prosthetics	-	-	-
Bridges	-	-	-
Implants	-	-	-
Class III Subtotal	*-*	*$ 0.00*	*$ 0.00*
Miscellaneous Services	1.0	$ 63.95	$ 0.01
Total	**96.8**	**$ 34.78**	**$ 0.28**

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: 1 to 4 Years
Member Months: 2,824,860

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	486.0	$ 42.62	$ 1.73
Prophylaxis	397.4	45.86	1.52
X-Rays	504.3	18.12	0.76
Fluoride	405.5	29.34	0.99
Sealants	69.6	33.96	0.20
Other Preventive	53.8	31.05	0.14
Class I Subtotal	*1,916.7*	*$ 33.40*	*$ 5.33*
Class II			
Oral Surgery	0.0	$ 128.00	$ 0.00
Simple Extractions	57.8	99.01	0.48
Anesthesia	41.0	128.30	0.44
Emergency (Palliative)	0.9	83.93	0.01
Surgical Extractions	0.3	182.53	0.00
Space Maintainers	7.7	214.19	0.14
Restorations	158.2	128.80	1.70
Endodontics	46.0	132.41	0.51
Periodontics	-	-	-
Class II Subtotal	*311.8*	*$ 125.77*	*$ 3.27*
Class III			
Inlays/Onlays/Crowns	168.5	$ 209.01	$ 2.93
Repair (Simple)	0.6	64.69	0.00
Dentures	-	-	-
Other Prosthetics	-	-	-
Bridges	-	-	-
Implants	-	-	-
Class III Subtotal	*169.1*	*$ 208.52*	*$ 2.94*
Miscellaneous Services	16.1	$ 111.32	$ 0.15
Total	**2,413.6**	**$ 58.11**	**$ 11.69**

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: 5 to 9 Years
Member Months: 3,613,552

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	855.0	$ 39.47	$ 2.81
Prophylaxis	739.7	44.37	2.74
X-Rays	1,265.6	21.92	2.31
Fluoride	713.9	28.37	1.69
Sealants	716.5	32.17	1.92
Other Preventive	101.4	30.77	0.26
Class I Subtotal	*4,392.2*	*$ 32.05*	*$ 11.73*
Class II			
Oral Surgery	0.3	$ 188.79	$ 0.00
Simple Extractions	191.0	92.28	1.47
Anesthesia	41.6	127.25	0.44
Emergency (Palliative)	3.1	80.75	0.02
Surgical Extractions	4.5	193.01	0.07
Space Maintainers	35.8	215.65	0.64
Restorations	499.7	122.77	5.11
Endodontics	71.8	136.27	0.82
Periodontics	0.1	73.63	0.00
Class II Subtotal	*847.9*	*$ 121.42*	*$ 8.58*
Class III			
Inlays/Onlays/Crowns	194.4	$ 200.32	$ 3.24
Repair (Simple)	2.3	65.49	0.01
Dentures	0.0	100.00	0.00
Other Prosthetics	0.0	396.17	0.00
Bridges	-	-	-
Implants	-	-	-
Class III Subtotal	*196.7*	*$ 198.75*	*$ 3.26*
Miscellaneous Services	11.0	$ 107.64	$ 0.10
Total	**5,447.7**	**$ 52.13**	**$ 23.66**

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: 10 to 15 Years
Member Months: 4,145,299

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	650.3	$ 36.50	$ 1.98
Prophylaxis	599.8	47.55	2.38
X-Rays	859.1	25.85	1.85
Fluoride	560.2	27.60	1.29
Sealants	911.0	31.56	2.40
Other Preventive	37.4	42.12	0.13
Class I Subtotal	*3,617.8*	*$ 33.24*	*$ 10.02*
Class II			
Oral Surgery	0.4	$ 175.25	$ 0.01
Simple Extractions	83.5	88.38	0.62
Anesthesia	13.0	120.72	0.13
Emergency (Palliative)	2.1	79.65	0.01
Surgical Extractions	14.8	229.42	0.28
Space Maintainers	2.2	175.67	0.03
Restorations	478.7	120.27	4.80
Endodontics	17.4	506.80	0.74
Periodontics	2.0	93.68	0.02
Class II Subtotal	*614.2*	*$ 129.55*	*$ 6.63*
Class III			
Inlays/Onlays/Crowns	19.4	$ 450.17	$ 0.73
Repair (Simple)	0.4	67.33	0.00
Dentures	0.0	776.60	0.00
Other Prosthetics	0.1	330.14	0.00
Bridges	0.0	697.00	0.00
Implants	-	-	-
Class III Subtotal	*19.9*	*$ 442.46*	*$ 0.73*
Miscellaneous Services	1.0	$ 98.78	$ 0.01
Total	**4,253.0**	**$ 49.08**	**$ 17.39**

Michigan Department of Health and Human Services
Healthy Kids Dental
CY 2023 Base Experience

Rate Cell: 16 Years and Older
Member Months: 2,739,390

Dental Service Category	Units/1,000	Cost per Service	PMPM
Class I			
Oral Evaluations	470.7	$ 38.03	$ 1.49
Prophylaxis	383.6	56.18	1.80
X-Rays	627.6	28.22	1.48
Fluoride	172.1	27.01	0.39
Sealants	419.8	31.54	1.10
Other Preventive	19.6	48.68	0.08
Class I Subtotal	*2,093.5*	*$ 36.30*	*$ 6.33*
Class II			
Oral Surgery	0.7	$ 191.65	$ 0.01
Simple Extractions	16.8	91.30	0.13
Anesthesia	52.8	120.43	0.53
Emergency (Palliative)	2.8	78.59	0.02
Surgical Extractions	76.5	256.62	1.64
Space Maintainers	0.0	50.75	0.00
Restorations	516.3	125.02	5.38
Endodontics	25.0	571.76	1.19
Periodontics	9.9	99.97	0.08
Class II Subtotal	*701.1*	*$ 153.72*	*$ 8.98*
Class III			
Inlays/Onlays/Crowns	33.6	$ 598.93	$ 1.68
Repair (Simple)	0.9	69.73	0.00
Dentures	0.7	925.47	0.06
Other Prosthetics	0.2	298.60	0.01
Bridges	0.0	742.00	0.00
Implants	0.0	836.26	0.00
Class III Subtotal	*35.5*	*$ 590.97*	*$ 1.75*
Miscellaneous Services	0.6	$ 143.48	$ 0.01
Total	**2,830.6**	**$ 72.36**	**$ 17.07**

Appendix 3: SFY 2025 Capitation Rate Development

Michigan Department of Health and Human Services
Healthy Kids Dental Capitation Rate Development
October 1, 2024 to September 30, 2025

	Less than 1 Year	1 to 4 Years	5 to 9 Years	10 to 15 Years	16 Years and Older	Composite
Projected Member Months (SFY 2025)	666,900	2,380,400	3,146,600	3,532,300	1,974,700	11,700,900
Base Claims PMPM	$ 0.28	$ 11.69	$ 23.66	$ 17.39	$ 17.07	$ 16.89
Retrospective Adjustments						
Completion Adjustment	$ 0.00	$ 0.06	$ 0.11	$ 0.08	$ 0.08	
TPL Adjustment	(0.00)	(0.06)	(0.10)	(0.08)	(0.11)	
Varnish and Sealant Adjustment	-	0.08	0.39	0.09	0.19	
Adjusted Base Claims PMPM	$ 0.28	$ 11.77	$ 24.07	$ 17.48	$ 17.24	$ 17.07
Prospective Adjustments						
Targeted Utilization Adjustment	$ 0.02	$ 3.24	$ 1.63	$ 1.35	$ 1.88	
Acuity Adjustment	-	0.29	1.18	0.87	1.70	
Trend to SFY 2025 Rating Period	0.02	0.74	1.31	0.97	0.99	
Projected Claims PMPM	$ 0.32	$ 16.04	$ 28.19	$ 20.68	$ 21.81	$ 20.78
Non-Benefit Expense Loads						
Fixed Administration	$ 1.04	$ 1.04	$ 1.04	$ 1.04	$ 1.04	$ 1.04
Variable Administration	0.02	0.81	1.42	1.04	1.10	1.04
Profit/Surplus	0.02	0.22	0.38	0.28	0.31	0.29
Proposed SFY 2025 PMPM Capitation Rate	**$ 1.39**	**$ 18.11**	**$ 31.03**	**$ 23.04**	**$ 24.26**	**$ 23.16**

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