

MILLIMAN CLIENT REPORT

# April 2020 MI Health Link Capitation Rate Amendment - Addendum

State of Michigan

Department of Health and Human Services

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[Christopher Pettit](#), FSA, MAAA  
Principal and Consulting Actuary

[Jeremy Cunningham](#), FSA, MAAA  
Consulting Actuary

[Colin Gray](#), FSA, MAAA  
Actuary



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## I. 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 actuarially sound capitation rates for the MI Health Link program to be effective January 1, 2020.

This report is an addendum to the capitation rate certification amendment report developed for the April 1, 2020 to December 31, 2020 time period:

- *Revised April 2020 MI Health Link Capitation Rate Amendment* dated October 30, 2020

## II. Executive Summary

This report addendum is solely to be utilized in conjunction with the April 2020 capitation rate certification amendment dated October 30, 2020. This document contains supplemental information that provides the buildup of the rates that are to be paid out for the April 1, 2020 through December 31, 2020 time period. While the rate certification documents the buildup of the amended certified rates, this report provides the detail in how MDHHS will operationalize the actual change in payments made to the Integrated Care Organizations. Instead of recouping and reissuing the revised capitation payments for the April through October 2020 incurred months, the November 2020 capitation payment will include the entire April to December 2020 projected impact of the rate amendment. The December payment will revert to the original Calendar Year 2020 capitation rate. Appendix 3 outlines the certified capitation rates as documented in the revised April 2020 rate amendment certification report in comparison to the actual payments to be made to the ICOs through the CHAMPS system. Additionally, we have included documentation of the PMPM and percentage of the November 2020 capitation payments that are attributable to the hazard pay and nursing facility premium pay increases. The following equation illustrates how the November 2020 payment was calculated:

*November 2020 Rate*

$$\begin{aligned}
 &= \text{CY 2020 Rate} \\
 &+ (\text{Amended April 2020 Certified Rate} \times 3 \text{ months} + \text{Amended July 2020 Certified Rate} \times 6 \text{ months}) \\
 &- (\text{CY 2020 Rate} \times 7 \text{ months} + \text{June and September 2020 Payment Rate} \times 2 \text{ months})
 \end{aligned}$$

## III. Limitations and Qualifications

The services provided for this project were performed under the signed contract between Milliman and MDHHS approved September 13, 2019.

The information contained in this letter, including the enclosures, 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.

In performing this analysis, we relied on data and other information provided by MDHHS and its vendors. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data.

If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

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 3: NOVEMBER 2020 CAPITATION RATE DEVELOPMENT**

State of Michigan Department of Health and Human Services MI Health Link CY 2020 Capitation Rate Development November 2020 Capitation Rate Development							
	CY 2020 Rates	Amended April 2020 Certified Rates	Amended July 2020 Certified Rates	June and September 2020 Payment Rates	November 2020 Payment Rates	Difference between November 2020 and CY 2020 Rates	Percentage of November 2020 Rate Attributable to the Hazard Pay
<b>Nursing Subtier A</b>							
Over 65	\$ 6,671.48	\$ 6,672.17	\$ 6,836.07	\$ 6,677.49	\$ 7,649.03	\$ 977.55	12.8%
Under 65	5,888.57	5,889.52	6,044.38	5,902.57	6,798.29	909.72	13.4%
<b>Subtotal Nursing Subtier A</b>	<b>\$ 6,537.35</b>	<b>\$ 6,538.08</b>	<b>\$ 6,700.43</b>	<b>\$ 6,544.73</b>	<b>\$ 7,503.28</b>	<b>\$ 965.93</b>	<b>12.9%</b>
<b>Nursing Subtier B</b>							
Over 65	\$ 10,709.31	\$ 10,709.51	\$ 10,863.04	\$ 10,791.52	\$ 11,467.84	\$ 758.53	6.6%
Under 65	10,450.17	10,450.25	10,592.49	10,450.41	11,303.85	853.68	7.6%
<b>Subtotal Nursing Subtier B</b>	<b>\$ 10,687.72</b>	<b>\$ 10,687.90</b>	<b>\$ 10,840.50</b>	<b>\$ 10,763.10</b>	<b>\$ 11,454.18</b>	<b>\$ 766.46</b>	<b>6.7%</b>
<b>NF Level of Care</b>							
Over 65	\$ 2,370.50	\$ 2,573.39	\$ 2,574.29	\$ 2,979.25	\$ 2,984.40	\$ 613.90	20.6%
Under 65	2,894.21	3,121.83	3,122.61	3,577.15	3,581.57	687.36	19.2%
<b>Subtotal NF Level of Care</b>	<b>\$ 2,646.73</b>	<b>\$ 2,862.66</b>	<b>\$ 2,863.50</b>	<b>\$ 3,294.61</b>	<b>\$ 3,299.38</b>	<b>\$ 652.64</b>	<b>19.8%</b>
<b>Community Well</b>							
Over 65	\$ 168.63	\$ 182.71	\$ 182.79	\$ 210.89	\$ 211.32	\$ 42.69	20.2%
Under 65	148.79	159.62	159.64	181.31	181.39	32.60	18.0%
<b>Subtotal Community Well</b>	<b>\$ 157.83</b>	<b>\$ 170.15</b>	<b>\$ 170.20</b>	<b>\$ 194.79</b>	<b>\$ 195.04</b>	<b>\$ 37.20</b>	<b>19.1%</b>
<b>Total</b>	<b>\$ 600.17</b>	<b>\$ 623.53</b>	<b>\$ 630.87</b>	<b>\$ 670.73</b>	<b>\$ 713.28</b>	<b>\$ 113.10</b>	<b>15.9%</b>