

Ms. Jen Steele
Medicaid Deputy Director
Louisiana Department of Health and Hospitals
Bureau of Health Services Financing
628 North 4th Street
Baton Rouge, LA 70821

November 4, 2015

Subject: Louisiana Bayou Health Non-Emergency Medical Transportation (NEMT) Services – Full Risk-Bearing Managed Care Organization (MCO) Rate Range Development and Actuarial Certification for the Period December 1, 2015 through January 31, 2016

Dear Ms. Steele:

The Louisiana Department of Health and Hospitals (DHH) has contracted with Mercer Government Human Services Consulting (Mercer) to develop actuarially sound capitation rate ranges for NEMT services provided under the State of Louisiana's Bayou Health program. NEMT capitation rate ranges were developed for the period December 1, 2015 through January 31, 2016. These rates were developed for individuals that received specialized behavioral health services under the Bayou Health program, but received physical health services under Louisiana fee-for-service (FFS) Medicaid. This population was classified into the following rate cells: Chisholm Class Members (CCM), Home- and Community-Based Services (HCBS) Waiver members, and Other. The Other rate cell is constructed of dually eligible individuals and Long-Term Services and Support (LTSS) recipients who are not in either of the other two NEMT rate cells. This letter provides an overview of the analyses and methodology used in the development of the NEMT rate ranges, as well as a certification to the actuarial soundness of the rate ranges presented.

Medicaid benefit plan premium rates are "actuarially sound" if, for business in the state for which the certification is being prepared and for the period covered by the certification, projected premiums, including expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income, provide for all reasonable, appropriate and attainable costs, including health benefits, health benefit settlement expenses, marketing and administrative expenses, any government mandated assessments, fees, and taxes, and the cost of capital. Note: Please see pages 8-9 of the August 2005, Actuarial Certification of Rates for Medicaid Managed Care Programs, from the American Academy of Actuaries, http://www.actuary.org/pdf/practnotes/health_medicaid_05.pdf.

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Rate Methodology

Overview

NEMT capitation rate ranges were developed in accordance with rate-setting guidelines established by the Centers for Medicare & Medicaid Services (CMS). Calendar year (CY) 2013 FFS data with runout through March 31, 2015 were used as the base data for December 1, 2015 through January 31, 2016 NEMT rate development.

Mercer applied the following additional adjustments to the base data, which are consistent with the CMS capitated rate-setting checklist:

- Trend factors to forecast expenditures and utilization to the contract period.
- Loading for non-medical expenses.

The various steps used in the development of the rate ranges are described in the following paragraphs.

NEMT Rate Development

Covered Populations

Mercer received eligibility and enrollment data from the State's fiscal agent. The covered populations under the NEMT rate include the Medicaid eligible population excluded from Bayou Health physical health services and the Voluntary Opt-In populations who have not chosen to enroll in Bayou Health physical health services. The excluded populations primarily include dually eligible individuals and nursing facility residents. Mercer assigned rate cells using the following hierarchy:

1. CCM
2. HCBS Waiver Recipients
3. Other

CCM

Chisholm refers to a class action lawsuit (*Chisholm v. Hood*) filed in 1997. CCMs are defined as all current and future recipients of Medicaid in the State of Louisiana, under age 21, who are now or will in the future be placed on the Office of Citizens with Developmental Disabilities' (OCDD) Request for Services Registry.

Members of Louisiana's Chisholm class are permitted to participate in Bayou Health physical health services on a voluntary opt-in basis. The members who choose not to opt into Bayou Health physical health services will have their NEMT services covered under Bayou Health NEMT services.

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HCBS Waiver Recipients

HCBS recipients were identified using the eligibility groups shown in Appendix C. HCBS recipients are permitted to participate in Bayou Health physical health services on a voluntary opt-in basis. The members who choose not to opt into Bayou Health physical health services will have their NEMT services covered under Bayou Health NEMT services.

Other

The remaining population covered under the NEMT rate is comprised of dually eligible individuals and LTSS recipients. Some dually eligible individuals are included in either the CCM or HCBS Waiver rate cells as a result of the established hierarchy; however, the majority of dually eligible individuals are included in the Other rate cell. These recipients are excluded from Bayou Health physical health services, but will have their NEMT services covered under Bayou Health NEMT services.

Base Data Development

FFS Data and Base Data Adjustments

Mercer utilized claim line level FFS data incurred from January 1, 2013 through December 31, 2013, paid through March 31, 2015, as the base data. Mercer identified the Bayou Health NEMT services populations and identified their NEMT services to be used as the base data. The NEMT services were identified using the claim category of service field "CLC_Claim_Cat_Serv" with the following codes:

- 23 – Non-Emergency Ambulance Transportation
- 92 – Non-Emergency Non-Ambulance Transportation

Mercer reviewed the FFS data to ensure it appeared reasonable and appropriate but did not audit the data. Specifically, Mercer reviewed the completeness and consistency of incurred claims over time.

Mercer reviewed claim lags and determined the NEMT claims were complete with the given runoff and thus no adjustment for incurred but not reported claims was necessary for the FFS data.

The base data used for the NEMT rate development can be found in Appendix A. This appendix includes member months, expenses, units, annualized utilization per 1,000 recipients (util/1,000), unit cost, and base data per member per month (PMPM) rate.

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Rating Adjustments

Trend

Trend is an estimate of the change in the overall cost of providing health care benefits over a finite period of time. A trend factor is necessary to estimate the expenses of providing NEMT services in a future period. As part of the rate development, Mercer developed the utilization, unit cost, and PMPM trend rates in the table below and applied them to all rate cells equivalently.

Rate Cell	Low Trend	High Trend
CCM	7.0%	9.0%
HCBS	0.0%	1.0%
Other	15.0%	17.0%
Total	11.8%	13.6%

The base data were trended 30 months, from the midpoint of the CY 2013 base data to the midpoint of the rating period December 1, 2015 through January 31, 2016. Mercer relied upon FFS experience for these populations in developing trend.

Fraud and Abuse Recoupment

Mercer reviewed fraud and abuse recoupments and determined no adjustment was necessary.

Retroactive Eligibility

Mercer reviewed retroactive eligibility and determined no adjustment was necessary.

Managed Care Contracting and Savings Adjustments

Mercer did not apply an adjustment for managed care contracting because Louisiana Medicaid relied upon a sub-contractor to provide the FFS NEMT services during the base data period. Additionally, due to the limited time period covered by these rates, even if the potential for managed care savings does exist, Mercer does not believe significant managed care savings could be realized during the rating period.

Non-Medical Expense Load

Retention

Retention is expressed as a percentage of the gross capitation rate (i.e., premium). These percentages were developed incorporating the following considerations:

- Administrative requirements specific to the NEMT services section of the Bayou Health physical health services contract.
- Administrative expense benchmarks for other Medicaid NEMT services.

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- Underwriting gain of 2.00%.
- Premium tax of 2.25%.

Mercer used a total factor of 12.93% for administration expenses, underwriting gain, and premium tax in the development of the NEMT capitation rates.

Rate Ranges

The final rate ranges represent a “best estimate” of the range of anticipated cost of providing NEMT services during the contract period for the covered populations. The lower end of an actuarially sound rate range attempts to ensure the capitation revenue received provides sufficient margin so that insolvency is not a significant risk for the MCOs participating in Bayou Health. The upper end of an actuarially sound rate range attempts to ensure the capitation revenue is not so large that the State is at risk of paying too much for the provision of NEMT services for eligible recipients. Mercer used CY 2013 annual enrollment to calculate the composite capitation rates.

December 1, 2015 through January 31, 2016 Bayou Health NEMT services rate ranges are displayed in the following table:

Category of Aid (COA)	CY 2013 Member Months	Lower Bound	Upper Bound
CCM	62,148	\$7.21	\$7.55
HCBS	181,177	\$12.74	\$13.06
Other	1,029,188	\$11.34	\$11.84
Composite Total	1,272,513	\$11.34	\$11.80

Please find additional information related to the Bayou Health NEMT services Rate Development in Appendix B.

Certification

In preparing these actuarially sound capitation rate ranges, Mercer has used and relied upon enrollment, eligibility, FFS claims data, and other various information supplied by the State and its fiscal agent. The State and its fiscal agent are responsible for the validity and completeness of these supplied data and information. 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. If the data and information are incomplete or inaccurate, the values shown in this report may need to be revised accordingly.

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Mercer certifies that these rate ranges were developed in accordance with generally accepted actuarial practices and principles, and are appropriate for the populations and services covered under the managed care 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.

Rate ranges developed by Mercer are actuarial projections of future contingent events. Actual results will differ from these projections. Mercer has developed these rate ranges on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and accordance with applicable law and regulations. Use of these rate ranges for any purpose beyond that stated may not be appropriate.

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

This certification letter assumes the reader is familiar with the State's Bayou Health program, Medicaid eligibility rules, and actuarial rating techniques. It is intended for the State 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. This document should be reviewed only in its entirety.

If you have questions on any of the above, please feel free to contact me at +1 404 442 3358 at your convenience.

Sincerely,



Jaredd Simons, ASA, MAAA
Senior Associate Actuary

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Appendix A: NEMT CY 2013 Base Data

COA	CY 2013 Member Months	Total Paid	Units	Annual Util/1,000	Unit Cost	Base PMPM
CCM	62,148	\$329,458	4,180	807	\$78.82	\$5.30
HCBS	181,177	\$2,010,030	22,014	1,458	\$91.31	\$11.09
Other	1,029,188	\$7,165,120	104,303	1,216	\$68.70	\$6.96
Total	1,272,513	\$9,504,608	130,497	1,231	\$72.83	\$7.47

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Appendix B: NEMT Rate Development

Rate Cell	Base Data			Rate After Trend			Rate After Retention				
	MMs	Expenses	PMPM	Low Trend	High Trend	Low PMPM	High PMPM	Admin	Low PMPM	High PMPM	Target PMPM
CCM	62,148	\$ 329,458	\$ 5.30	7.00%	9.00%	\$ 6.28	\$ 6.58	12.93%	\$ 7.21	\$ 7.55	\$ 7.38
HCBS	181,177	\$ 2,010,030	\$ 11.09	0.00%	1.00%	\$ 11.09	\$ 11.37	12.93%	\$ 12.74	\$ 13.06	\$ 12.90
Other	1,029,188	\$ 7,165,120	\$ 6.96	15.00%	17.00%	\$ 9.87	\$ 10.31	12.93%	\$ 11.34	\$ 11.84	\$ 11.59
Total	1,272,513	\$ 9,504,608	\$ 7.47	11.80%	13.62%	\$ 9.87	\$ 10.28	12.93%	\$ 11.34	\$ 11.80	\$ 11.57

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Appendix C: NEMT Eligibility Designation

COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
SSI (Aged, Blind and Disabled)			
Acute Care Hospitals (LOS > 30 days)			●
BPL (Walker vs. Bayer)			●
Disability Medicaid			●
Disabled Adult Child			●
Disabled Widow/Widower (DW/W)			●
Early Widow/Widowers			●
Family Opportunity Program*			●
Former SSI*			●
Medicaid Buy-In Working Disabled (Medicaid Purchase Plan)			●
PICKLE			●
Provisional Medicaid			●
Section 4913 Children			●
SGA Disabled W/W/DS			●
SSI (Supplemental Security Income)*			●
SSI Conversion			●
Tuberculosis (TB)			●
SSI (OCS Foster Care, IV-E OCS/OYD and OCS/OYD (XIX))			
Foster Care IV-E - Suspended SSI			●
SSI (Supplemental Security Income)			●
TANF (Families and Children, LIFC)			
CHAMP Child			●
CHAMP Pregnant Woman (to 133% of FPIG)			●
CHAMP Pregnant Woman Expansion (to 185% FPIG)			●

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COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
Deemed Eligible			●
ELE - Food Stamps (Express Lane Eligibility-Food Stamps)			●
Grant Review			●
LaCHIP Phase 1			●
LaCHIP Phase 2			●
LaCHIP Phase 3			●
LaCHIP Phase IV: Non-Citizen Pregnant Women Expansion			●
LIFC - Unemployed Parent / CHAMP			●
LIFC Basic			●
PAP - Prohibited AFDC Provisions			●
Pregnant women with income greater than 118% of FPL and less than or equal to 133% of FPL			●
Regular MNP (Medically Needy Program)			●
Transitional Medicaid			●
FCC (Families and Children)			
Former Foster Care children			●
Youth Aging Out of Foster Care (Chaffee Option)			●
FCC (OCS Foster Care, IV-E OCS/OYD and OCS/OYD (XIX))			
CHAMP Child			●
CHAMP Pregnant Woman (to 133% of FPIG)			●
IV-E Foster Care			●
LaCHIP Phase 1			●
OYD - V Category Child			●
Regular Foster Care Child			●
YAP (Young Adult Program)			●

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COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
YAP/OYD			●
BCC (Families and Children)			
Breast and/or Cervical Cancer			●
LAP (Families and Children)			
LaCHIP Affordable Plan			●
HCBS Waiver			
ADHC (Adult Day Health Services Waiver)		●	
Children's Waiver - Louisiana Children's Choice		●	
Community Choice Waiver		●	
New Opportunities Waiver – SSI		●	
New Opportunities Waiver Fund		●	
New Opportunities Waiver, non-SSI		●	
Residential Options Waiver - non-SSI		●	
Residential Options Waiver – SSI		●	
SSI Children's Waiver - Louisiana Children's Choice		●	
SSI Community Choice Waiver		●	
SSI New Opportunities Waiver Fund		●	
SSI/ADHC		●	
Supports Waiver		●	
Supports Waiver SSI		●	
CCM			
Chisholm Class Members**		●	
LaHIPP			
Louisiana's Health Insurance Premium Payment Program***			●
Dually Eligible			
Louisiana's Dually Eligible Population****	●	●	

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COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
Excluded from Bayou Health Physical Services			
CHAMP Presumptive Eligibility			●
CSOC			●
DD Waiver			●
Denied SSI Prior Period			●
Disabled Adults authorized for special hurricane Katrina assistance			●
EDA Waiver			●
Family Planning, New eligibility / Non-LaMOM			●
Family Planning, Previous LaMOMs eligibility			●
Family Planning/Take Charge Transition			●
Forced Benefits			●
GNOCHC Adult Parent			●
GNOCHC Childless Adult			●
HPE B/CC			●
HPE Children under age 19			●
HPE Family Planning			●
HPE Former Foster Care			●
HPE LaCHIP			●
HPE LaCHIP Unborn			●
HPE Parent/Caretaker Relative			●
HPE Pregnant Woman			●
LBHP - Adult 1915(i)			●
LTC (Long-Term Care)	●		
LTC Co-Insurance			●
LTC MNP/Transfer of Resources	●		
LTC Payment Denial/Late Admission Packet	●		

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COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
LTC Spend-Down MNP	●		
LTC Spend-Down MNP (Income > Facility Fee)			●
OCS Child Under Age 18 (State Funded)			●
OYD (Office of Youth Development)			●
PACE SSI			●
PACE SSI-related			●
PCA Waiver			●
Private ICF/DD	●		
Private ICF/DD Spend-Down Medically Needy Program	●		
Private ICF/DD Spend-Down Medically Needy Program/Income Over Facility Fee			●
Public ICF/DD	●		
Public ICF/DD Spend-Down Medically Needy Program	●		
QI-1 (Qualified Individual - 1)			●
QI-2 (Qualified Individual - 2) (Program terminated 12/31/2002)			●
QMB (Qualified Medicare Beneficiary)			●
SLMB (Specified Low-Income Medicare Beneficiary)			●
Spend-Down Medically Needy Program			●
Spend-Down Denial of Payment/Late Packet	●		
SSI Conversion / Refugee Cash Assistance (RCA)/ LIFC Basic			●
SSI DD Waiver			●
SSI Payment Denial/Late Admission	●		
SSI PCA Waiver			●
SSI Transfer of Resource(s)/LTC	●		
SSI/EDA Waiver			●

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COA/Eligibility Category Name	Mandatory	Voluntary Opt-In	Excluded
SSI/LTC	●		
SSI/Private ICF/DD	●		
SSI/Public ICF/DD	●		
State Retirees			●
Terminated SSI Prior Period			●
Transfer of Resource(s)/LTC	●		

* Children under 19 years of age who are automatically enrolled into Bayou Health, but may voluntarily disenroll.

** Individuals under the age of 21 otherwise eligible for Medicaid who are listed on the OCDD's Request for Services Registry who are CCMs.

*** LaHIPP is not a category of eligibility. Eligibility designation for LaHIPP enrollees will vary according to the qualifying category of eligibility.

****Dually eligible individuals are identified based on the Medicare Duals Eligibility table supplied by the State's fiscal agent. Dually eligible individuals are represented by Dual Status codes 02, 04, and 08.