



Appendix E

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Mr. Al Dickerson
Ohio Department of Medicaid
Rate Setting and Cost Settling Section
50 West Town Street, Suite 400
Columbus, OH 43215

October 28, 2014

Subject: Calendar Year 2015 Capitation Rate Certification — Extension

Dear Mr. Dickerson:

The State of Ohio (State) Department of Medicaid (ODM) has contracted with Mercer Government Human Services Consulting (Mercer) to develop actuarially sound capitation rates¹ for the calendar year (CY) 2015 Extension population that will receive services through managed care plans (MCPs). The Extension population covers Parents from 91% to 138% (includes the 5% income disregard) of federal poverty level (FPL) and Childless Adults from 0% to 138% of FPL. This letter provides a certification of the resulting Extension rates.

Enclosures

Accompanying this letter are the following enclosures:

1. MCP Rate Structure.
2. Projected Medical Cost (Base) Data Development.
3. Adjustments to Reflect an Efficient Managed Care Environment.
4. Risk-Adjustment Applications.

Rate Certification

In preparing the capitation rates for the CY 2015 Extension Risk-Based Managed Care program, Mercer has used and relied upon enrollment, eligibility, claim, encounter, financial and other data, and information supplied by the State and its vendors. The State and its vendors are responsible for the validity and completeness of this supplied data and information. Mercer has reviewed the data and information for internal consistency and reasonableness, but Mercer did not audit it. If the data and information is incomplete or inaccurate, the values shown in this letter may need to be revised accordingly.

¹ Mercer defines the term “actuarially sound” within the rate certification section of the letter.

Mercer certifies that the rates were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the managed care contract. The undersigned actuaries are members of the American Academy of Actuaries and meet its qualification standards to certify the actuarial soundness² of Medicaid managed care capitation rates.

Capitation rates developed by Mercer are actuarial projections of future contingent events. Actual costs will differ from these projections. Mercer has developed these rates on behalf of the State to demonstrate compliance with the Centers for Medicare and Medicaid Services (CMS) requirements under 42 CFR 438.6(c) and in accordance with applicable laws and regulations. Use of these rates for any purpose beyond that stated may not be appropriate.

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

This certification letter assumes the reader is familiar with the Ohio Medicaid 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 only be reviewed in its entirety.

² 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/files/publications/Practice_Note_Actuarial_Certification_Rates_for_Medicaid_Managed_Care_Programs_aug2005.pdf

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If you have any questions on any of the above, please feel free to contact Mike Nordstrom at +1 602 522 6510 or Ernest Jaramillo at +1 602 522 6444.

Sincerely,

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MN/EJ/mb

Enclosures

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