



15800 Bluemound Road
Suite 100
Brookfield, WI 53005
USA
Tel +1 262 784 2250
Fax +1 262 923 3680

milliman.com

Michael C. Cook, FSA, MAAA
Principal and Consulting Actuary

Michael.cook@milliman.com

December 8, 2016

Ms. Tara Smith Clark
Executive Administrator
Mississippi Office of the Governor, Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201

Re: MississippiCAN Estimated Program Savings – January 2011 to June 2016

Dear Tara:

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate, document, and certify to the MississippiCAN capitation rate development since the inception of the program in January 2011. This letter provides estimated cumulative MississippiCAN cost savings projections from January 2011 to June 2016, consistent with the capitation rate development for each rating period. We estimate DOM cost savings, excluding the impact of premium tax, and the net state government premium tax proceeds.

Table 1 below displays the estimated cost savings to Mississippi for medical services from January 2011 to June 2016 for MississippiCAN enrolled populations relative to our projection of what their fee-for-service (FFS) costs would have been in absence of managed care. While it is not possible to know with certainty what medical costs would have been if MississippiCAN had not have been in place, we examined the most recent FFS experience available for each population to make a “best estimate” projection using accepted actuarial practices. The savings were calculated as reductions in medical costs relative to FFS which are then partially offset by targeted CCO administrative costs and margin to provide more efficient and higher quality of care under managed care. In addition, beginning in January 2014, the Health Insurer Fee imposed under the Affordable Care Act offsets some savings.

Table 1 also estimates the net revenue Mississippi will realize through collection of the 3% premium tax on MississippiCAN capitation payments. We did not reflect the timing of payments in our analysis.

Concurrent with the inclusion of inpatient hospital services in MississippiCAN capitation rates effective December 1, 2015, the Mississippi Hospital Access Program (MHAP) was established. This program helps to ensure sufficient access to inpatient hospital services for the Medicaid population by including enhanced hospital reimbursement in the capitation rates. Including these amounts in the capitation rates also subjects the amounts to state premium tax and potentially the Health Insurer Fee. Table 1 displays the cost and net premium tax impact of MHAP separate from the MississippiCAN capitation rates.

Table 1
MississippiCAN Estimated Program Savings
January 2011 to June 2016
Total Expenditures (State and Federal)
Estimated Program Savings Relative to FFS
(\$ Millions)

Capitated Population¹	Projected FFS Claims w/o Managed Care	MSCAN Costs^{2,3}	Total Savings	Mississippi Share of Savings
SSI / Disabled, Foster Care, BCCP	\$4,081.3	\$3,805.4	\$275.9	\$73.1
MA Adults, Pregnant Women, Newborns	\$1,867.9	\$1,820.4	\$47.4	\$12.4
MA Children / Q-CHIP Children	\$832.7	\$830.1	\$2.6	\$0.7
MHAP	\$533.0	\$534.1	-\$1.1	-\$0.3
Subtotal				\$85.9
Net Premium Tax Revenue - Capitation				\$112.7
Net Premium Tax Revenue - MHAP				\$11.9
Total Impact to MS				\$210.5

¹ Costs included for populations only during enrollment in MSCAN.

² MSCAN costs include both capitated services and inpatient services paid FFS prior to Dec 2015 for MSCAN members.

³ MSCAN costs include the impact of the Health Insurer Fee beginning January 2014.

Table 2 summarizes the state share of the savings and net premium tax revenue by capitation rate period from January 2011 to June 2016.

Table 2
MississippiCAN Estimated Program Savings
January 2011 to June 2016
State Share Only
Estimated Program Savings Relative to FFS
(\$ Millions)

Capitation Rate Period¹	Mississippi Share of Savings	Net premium tax revenue	Total Impact to MS
CY 2011	\$14.5	\$10.2	\$24.7
CY 2012	\$15.6	\$9.8	\$25.4
CY 2013	\$21.9	\$18.3	\$40.2
Jan-June 2014	\$6.1	\$10.1	\$16.2
SFY 2015	\$10.9	\$20.7	\$31.6
SFY 2016	\$16.9	\$55.5	\$72.4
January 2011 to June 2016	\$85.9	\$124.6	\$210.5

¹ Costs included for populations only during enrollment in MSCAN.

CAVEATS AND LIMITATIONS

This letter is intended for the use of DOM in accordance with its statutory and regulatory requirements. Milliman recognizes the materials may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, any third parties who receive this letter and related materials. The materials should only be reviewed in their entirety. Milliman gives DOM permission to publicly release this letter.

This letter is designed to help estimate savings related to the MississippiCAN program from January 2011 to June 2016. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with documentation of the development of January 2011 to June 2016 capitation rates by rating period for the MississippiCAN populations.

Differences between actual and expected capitation payments, premium tax payments, and FFS costs will depend on the extent to which future experience conforms to the assumptions we made to develop these savings calculations. It is certain that actual experience will not conform exactly to the assumptions used. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

In preparing this information, we relied on information provided by DOM and MississippiCAN coordinated care organizations. We accepted this information without audit, but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.

I am an actuary for Milliman, a member of the American Academy of Actuaries, and meet the qualification standards of the Academy to render the actuarial opinion contained herein. To the best of my knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. The terms of Milliman's contract with DOM effective June 1, 2015 applies to this letter and its use.



Sincerely,



Michael C. Cook, FSA, MAAA
Principal and Consulting Actuary

MCC/cm