AMENDMENT NUMBER ONE
TO THE SFY25 EMERGENCY CONTRACTUAL AGREEMENT
BETWEEN
THE DIVISION OF MEDICAID
IN THE OFFICE OF THE GOVERNOR
AND
MOLINA HEALTHCARE OF MISSISSIPPI, INC.
A COORDINATED CARE ORGANIZATION (CCO)

(Molina Healthcare of Mississippi Inc. Children's Health Insurance Program (CHIP))

THIS EMERGENCY CONTRACTUAL AGREEMENT (hereinafter "Emergency Contract" or "Agreement")**,** made and entered into by and between the **DIVISION OF MEDICAID IN THE OFFICE OF THE GOVERNOR,** an administrative agency of the **STATE OF MISSISSIPPI,** hereinafter referred to as "DOM" or "Division," and **MOLINA HEALTHCARE OF MISSISSIPPI, INC.,** a corporation qualified to do business in Mississippi, hereinafter referred to as "CCO" or "Contractor," and collectively hereinafter referred to as "Parties," for the provision of prepaid comprehensive health care services as defined in 42 C.F.R. § 438.2 for the benefit of certain CHIP beneficiaries.

WHEREAS, through its written determination to the Mississippi Public Procurement Review Board (PPRB) Office of Personal Service Contract Review (OPSCR), DOM identified the continuing need for CHIP Program Services to CHIP beneficiaries on an emergency basis with the aforementioned Contractor pursuant to Sections 3-207 and 7-111 of the 2018 PPRB OPSCR Rules and Regulations;

WHEREAS, DOM is charged with the administration of the Mississippi State Plan for Medical Assistance in accordance with the requirements of Title XXI of the Social Security Act of 1935, as amended, (the "Act") and Miss. Code Ann. §§ 41-86-1, *et seq*., and 43-13-101 *et seq.* (1972, as amended);

WHEREAS, Contractor is an entity eligible to enter into a full risk capitated contract in accordance with Section 1903(m) of the Social Security Act and 42 C.F.R. §§ 438.6(b) and 457.1201 and is engaged in the business of providing comprehensive services as defined in 42 C.F.R. § 457.10. The Contractor is licensed appropriately as defined by the Department of Insurance of the State of Mississippi pursuant to Miss. Code Ann. § 83-41-305 (1972, as amended);

WHEREAS, DOM contracted with the CCO to obtain services for the benefit of a separate child health program in accordance with Section 2102(a)(1) of the Social Security Act and 42 C.F.R § 457.70 and the CCO has provided to DOM continuing proof of the CCO's financial responsibility, including adequate protection against the risk of insolvency, and its capability to provide quality services efficiently to eligible Mississippi children, hereinafter referenced as the "Previous Contract";

WHEREAS, the original term of the Previous Contract began on August 1, 2019, and has a final end date of July 31, 2024 pursuant to the terms of the Previous Contract;

WHEREAS, the Parties hereby agree that the Previous Contract and subsequent Amendments 1 through 12, as agreed to by the Parties, are hereby incorporated into this Emergency Contract as referenced herein as Attachment A;

WHEREAS, on December 10, 2021, DOM issued a Request for Qualifications No. 20211210 (RFQ) from qualified offerors to provide services for the statewide administration of DOM's Coordinated Care Organization Program consisting of the Mississippi Coordinated Access Network (MSCAN) and the Mississippi Children's Health Insurance Program (CHIP) for continued services to begin July 1, 2023;

WHEREAS, DOM received five (5) responses to the RFQ and on August 10, 2022 issued its Notice of Intent to Award to three (3) offerors;

WHEREAS, on August 17, 2022, DOM received protests of the Notice of Intent to Award from two (2) offerors not selected for award. Since that date, DOM and the five (5) RFQ offerors were involved with Protective Order actions in Hinds County Chancery which are now resolved;

WHEREAS, on March 1, 2023, PPRB approved an exception to PPRB OPSCR Rules and Regulations Section 3-102.02 to stay the expiration of the RFQ until such time that a contract may be awarded pending the outcome of the administrative protest process;

WHEREAS, DOM issued its final protest decision on June 2, 2023;

WHEREAS, the two (2) protesting offerors each timely submitted an appeal of DOM's final protest decision to PPRB on June 9, 2023;

WHEREAS, on April 11, 2024, PPRB held a hearing on the appeal of DOM's final protest decision and issued a ruling denying the protests of each protesting offeror thereby approving the DOM award of the contract under the RFQ;

WHEREAS, the April 11, 2024 PPRB protest appeal ruling denying the protests allows DOM to proceed with RFQ Coordinated Access contract award and execution pursuant to PPRB rules and regulations to the three (3) awarded entities;

WHEREAS, during the administrative protest and appeal process at the agency and PPRB levels, inclusive of Protective Order actions in Hinds County Chancery Court, DOM was able to continue delivery of CHIP services through the Previous Contract; however, DOM will seek to terminate the Previous Contract prior to its natural end date to align the start and end dates of the separate MSCAN and CHIP service contracts with the dates of the state fiscal year calendar for financial reporting;

WHEREAS, the RFQ Coordinated Access awarded contracts are structured to begin on May 1, 2024, pending PPRB approval and could involve an implementation period of up to eighteen (18) months for each vendor at no additional cost to the state which will not include delivery of combined Medicaid managed care services during the implementation period;

WHEREAS, considering the implementation period for the newly awarded RFQ Coordinated Access contracts, DOM was positioned where continuation of federally required CHIP Program Services to child beneficiaries will be needed through an Emergency Contract to maintain and protect the health and safety of child beneficiaries beginning July 1, 2024 and ending June 30, 2025 (SFY25);

WHEREAS, DOM entered into an Emergency Contract with Contractor to continue provision of CHIP services as required herein for SFY25 and Contractor has agreed to render said services to DOM in accordance with this Agreement; and

WHEREAS, through this Amendment No. 1 and in order to comply with CMS requirements regarding management of capitation rates paid to its Managed Care contractors, DOM desires to amend the capitation rates within the Emergency Contract pursuant to 42 CFR § 438 and to amend other substantive provisions relative to providing CHIP services.

NOW THEREFORE, in consideration of the foregoing recitals and of the mutual promises contained herein, DOM and CCO agree that the CHIP SFY 2025 Emergency Contract is amended as follows to address the following:

1. **ENTIRE AGREEMENT AND INCORPORATION:** This Emergency Contractual Agreement for SFY25 (Emergency Contract) between DOM and Contractor shall include the Previous Contract. The Parties agree to be bound by all terms and conditions of the Previous Contract, and any amendments thereto, which are incorporated herein by reference as Attachment A, unless those terms are specifically modified or overridden through this Emergency Contract.

   Any ambiguities, conflicts, disputes, or questions of interpretation of this Emergency Contract shall be resolved pursuant to the following order of priority:
   (1) This Emergency Contract and any amendments thereto; and
   (2) Previous Contract and any amendments and attachments thereto.

2. Section 5.F.2., COVERED SERVICES AND BENEFITS, Prescribed Drugs, Physician-Administered Drugs and Implantable Drug System Devices is hereby amended to add the following language:

   Effective January 1, 2025, certain high-cost drugs provided in an inpatient hospital setting will be reimbursed separately from the APR-DRG payment. A separate outpatient hospital claim may be submitted by the hospital to receive

reimbursement for certain high-cost drugs during the time of inpatient services. High-cost drugs will be reimbursed using the provider's invoice price. Invoice price must be the actual net price paid by the hospital. The list of high-cost drugs is maintained on the Division of Medicaid's website at https://medicaid.ms.gov/pharmacy/.

Providers, including coordinated care organizations, are prohibited from collecting any manufacturer rebates on items included on the Preferred Diabetic Supply List.

All other language not modified as stated herein for Section 5.F shall remain unchanged and in full force and effect.

3. Section 12.A.9., FINANCIAL REQUIREMENTS – Capitation Payments – Capitation Rate, is hereby amended to add the following for SFY24 and SFY25:

9. <u>Capitation Rate</u>

The established Coordinated Care Organization SFY24 capitation rate per member per month (PMPM) for Children's Health Insurance Program (CHIP) for the period from July 1, 2023 through June 30, 2024 is $260.82. (See Exhibit 1 to this Amendment No. 1 of the CHIP SFY25 Emergency Contract).

The established Coordinated Care Organization SFY25 capitation rate per member per month (PMPM) for Children's Health Insurance Program (CHIP) for the period from July 1, 2024 through June 30, 2025 is $227.64. (See Exhibit 2 to this Amendment No. 1 of the CHIP SFY25 Emergency Contract).

4. Exhibit 3 to this Amendment No. 1, pursuant to Article I of SFY25 Emergency Contract, incorporates through reference the hereby attached SFY23 Rate Certification Letter and Exhibits for the SFY23 rating period.

All other terms, conditions, and provisions set out in the Original SFY25 Emergency Contract other than those modified and amended herein, remain in full force and effect for the duration of the SFY25 Emergency Contract.

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IN WITNESS WHEREOF, the parties have caused this Amendment No. One to be executed by their duly authorized representatives as follows:

Mississippi Division of Medicaid

By: Cindy Bradshaw
Cindy Bradshaw
Executive Director

Date: 7/1/2025 | 3:32:30 PM CDT

Molina Healthcare of Mississippi, Inc.

By: David Livingston
David Livingston
Chief Executive Officer

Date: 7/1/2025 | 1:54:34 PM CDT

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September 27, 2023

Jennifer Wentworth
Special Projects Admin, Accounting
Mississippi Office of the Governor, Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201
Sent via email: jennifer.wentworth@medicaid.ms.gov

Re: Report21 State Fiscal Year 2024 CHIP Preliminary Rate Calculation and Certification

Dear Jennifer:

The Mississippi Division of Medicaid (DOM) has retained Milliman to develop the state fiscal year SFY 2024 capitation rate for the Children's Health Insurance Program (CHIP) population, effective July 1, 2023 to June 30, 2024.

This report documents the preliminary capitation rate for CHIP. Overall, the preliminary SFY 2024 capitation rate is 4.3% higher than the SFY 2023 capitation rate issued on April 20, 2022.

This report updates our preliminary capitation rate[1]; the following changes were made in this report relative to the prior certification:

- Insulin price adjustments related to the removal of the average manufacturer's price (AMP) cap effective January 1, 2024
- Extension of postpartum coverage from 60 days to 12 months
- Estimated PMPM costs for high-cost pharmacy and other applicable costs that will be included in a high-cost pharmacy risk corridor for SFY 2024
- Removal of the prior Zolgensma carve-out in conjunction with introducing the high-cost pharmacy risk corridor in SFY 2024
- Inclusion of newly covered costs for gene-therapies for the following conditions:
  - Beta-Thalassemia
  - Duchene Muscular Dystrophy
  - Hemophilia A
  - Hemophilia B
  - Sickle Cell Disease

Table 1 summarizes the overall impact on the capitation rate resulting from the changes, noted above. Each of these changes are described in more detail within the capitation report.

[1] "Report13 – SFY 2024 Preliminary CHIP Rate Calculation and Certification.pdf" dated May 2, 2023.

Table 1
SFY 2024 CHIP Capitation Rate Development
Summary of SFY 2024 Rate Change Components

Assumption Change	Change from May 2, 2023 Preliminary Rate
Postpartum Coverage Extension	1.006
Gene Therapy Coverage	1.027
Insulin Price Reduction	0.998
Total SFY 2024 Rate Change	**1.031**

As of the time of this report, the impact on the capitation rate due to COVID-19 is uncertain for SFY 2024. As such, a risk corridor will be used in SFY 2024. The risk corridor is described in more detail in Section II. In addition, explicit adjustments for COVID-19 are made in the rate development for the following:

- **COVID-19 / Influenza / RSV Adjustment:** We developed an adjustment for the estimated difference in costs included in the CY 2021 base period data and projected SFY 2024 costs for testing, vaccination, and treatment for influenza, respiratory syncytial virus (RSV), and COVID-19. This adjustment reflects an expected decrease in COVID-19 costs and an expected increase in influenza and RSV costs from CY 2021 to SFY 2024.

We will continue to monitor the development of this pandemic and adjust assumptions in the SFY 2024 capitation rate, if appropriate.

❖ ❖ ❖ ❖ ❖

Please call either of us at 262 784 2250 if you have questions. We look forward to discussing this report with you and the CCOs.

Sincerely,

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Consulting Actuary

JAB/KNL/zk

Attachments

MILLIMAN REPORT

State of Mississippi Division of Medicaid

State Fiscal Year 2024 CHIP Preliminary Rate Calculation and Certification

September 27, 2023

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
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I. SUMMARY AND DISCUSSION OF RESULTS

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate and document the capitation rate for the Children's Health Insurance Program (CHIP) population effective for state fiscal year (SFY) 2024. This report documents the development of the preliminary capitation rate for the CHIP population. This report is structured as follows:

- Section I includes a high-level overview of the change in the capitation rate relative to the SFY 2023 capitation rate.
- Section II describes the methodology used to develop the SFY 2024 CHIP capitation rate.
- Appendix A contains additional information on the base period data sources and processing.
- Appendix B contains an Actuarial Certification for the CHIP rate cell.
- Appendix C documents our reliance on DOM for data and other assumptions in the development of the capitation rate.

COVID-19 CONSIDERATIONS IN SFY 2024 RATE DEVELOPMENT

As of the time of this report, the impact on the SFY 2024 capitation rate due to COVID-19 is difficult to predict. As such, a risk corridor will be in effect in SFY 2024 to reflect the uncertainty in the capitation rate due to COVID-19. The risk corridor is described in more detail in Section II.

In addition, explicit adjustments for COVID-19 are made in the rate development for the following, as described in Section II:

- Seasonal virus adjustment.

The SFY 2024 capitation rate does not include any explicit adjustments for the following:

- Acuity adjustment - we looked at CY 2021 base period data separately for members still enrolled in CHIP as of June 2022 compared to all members. Although we do see an increase in claims PMPM throughout CY 2021 our analysis would not indicate this is a result of the eligibility redeterminations that occurred during CY 2021. Therefore, no acuity adjustment was applied as part of SFY 2024 capitation rate setting.

CAPITATION RATE CHANGE SUMMARY

The per member per month (PMPM) preliminary capitation rate for SFY 2024 is $260.82. As documented in Section II of this report, one statewide rate was selected for SFY 2024 after a review of historical experience by region.

The SFY 2024 CHIP capitation rate is 4.3% higher than the SFY 2023 capitation rate. Table 1 shows a summary of the main drivers of the rate change that make up this change to the capitation rate.

Table 1 Mississippi Division of Medicaid Summary of SFY 2024 Rate Change by Component	
SFY 2023 Capitation Rate	**$250.02**
Base Period Data Update	0.921
Restate CY 2021 to SFY 2023 Utilization Trends	1.051
Restate CY 2021 to CY 2022 PDL Adjustment	1.001
Updates Relative to SFY 2023 Assumptions	**0.969**
Seasonal Virus Adjustment	1.002
Postpartum Coverage Extension	1.006
SFY 2023 to SFY 2024 Trends	1.040
CY 2022 to CY 2023 PDL Adjustment	1.000
Insulin Price Reduction	0.998
Gene Therapy Drug Coverage Expansion	1.028
Gene Therapy Drug Coverage Savings	0.999
Update Admin	1.003
Preliminary SFY 2024 Rate Change	**1.043**

- The development of the SFY 2024 capitation rate is a ground-up approach where the base data and each assumption is evaluated separate from the SFY 2023 capitation rate. However, for the purposes of explaining the rate change from SFY 2023 to SFY 2024, we isolate the impact of rebasing the data and assumptions that we updated relative to the data or assumptions used to develop the SFY 2023 values. Overall, this rebasing decreased the projection of SFY 2023 costs by 3.1% from costs projected in the SFY 2023 capitation rate. This 3.1% decrease contains the following sub-components:
  - CY 2019 claims data was used as the base period for SFY 2023 rate setting, whereas CY 2021 data was used for the SFY 2024 rate. This data update, as shown in the “Base Period Data Update” row above, resulted in a 7.9% decrease.
  - Utilization trend assumptions from CY 2021 to SFY 2023 were restated based upon more recent experience with a resulting increase on the CHIP capitation rate of 5.1%.
  - Milliman restated the impact of PDL changes effective January 1, 2022. This resulted in a rate increase of 0.1% to the capitation rate.
- The seasonal virus adjustment increased the capitation rate by 0.2%. This increase shows the impact of the expected seasonal virus load in SFY 2024 compared to CY 2021 and was based on historical costs observed in CY 2018 and CY 2019.
- Per SB 2212, postpartum coverage extended from 60 days to 12 months for SFY 2024. Previously, pregnant CHIP members were transitioned out of the CHIP program once they were identified as pregnant. In SFY 2024, pregnant CHIP members will not be transitioned to the MississippiCAN program and will instead remain in the CHIP program during their pregnancy and through 12 months of postpartum coverage. We adjusted the CHIP rate cell for the costs associated with pregnant members and the increased postpartum coverage. This adjustment increased the capitation rate by approximately 0.6%.
- Claim costs were increased approximately 4.0% for anticipated utilization and unit charge increases from SFY 2023 to SFY 2024.
- Preferred drug list (PDL) updates effective January 1, 2023 are estimated to have a minimal impact resulting in a negligible change to the capitation rate.
- Insulin manufacturer cost adjustments, related to the removal of the average manufacturer’s price (AMP) cap effective January 1, 2024, reduced the capitation rate by 0.2%.
- A high-cost gene therapy for the treatment of Hemophilia B is currently available and authorized for use during SFY 2024. Anticipated medical and pharmacy costs associated with this treatment increased the rate by 2.8%. Anticipated medical savings from this therapy reduced the rate by 0.1%.

- Changes to administrative expenses on a PMPM basis result in an increase to the rate of approximately 0.3%, based upon CCO reported administrative expenses for CY 2021 trended to SFY 2024. A positive rate change in Table 1 indicates that the administrative costs increased as a percentage of the overall rate (i.e., administrative costs trended at a higher percentage than the overall rate.) The overall PMPM for administrative expenses increased 3.0% from the SFY 2023 allowance, comprised of a fixed administrative expense increase from $7.40 PMPM in the SFY 2023 rate to $7.63 PMPM in the SFY 2024 rate, and variable administrative expense increase from 6.91% in the SFY 2023 rate to 6.83% in the SFY 2024 rate.

DATA RELIANCE AND IMPORTANT CAVEATS

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the SFY 2024 CHIP capitation rate. We 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 input to the models. We used CCO encounter data and CCO financial reporting from January 2021 to August 2022 with runout through August 2022, FFS cost and eligibility data from January 2021 to December 2021, historical and projected reimbursement information, TPL recoveries, fee schedules, pharmacy and dispensing fee pricing, and other information from DOM, CHIP CCOs, Myers and Stauffer, Change Healthcare, and CMS to calculate the preliminary CHIP capitation rate shown in this report. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix C for a full list of the data relied upon to develop the SFY 2024 CHIP capitation rate.

Differences between the capitation rate and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our report is intended for the internal use of DOM to review the preliminary CHIP capitation rate for SFY 2024. The report and the models used to develop the values in this report may not be appropriate for other purposes. We anticipate the report will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. This capitation rate may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under this rate.

The results of this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

The authors of this report are actuaries employed by Milliman, members 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 their knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

II. DEVELOPMENT OF CAPITATION RATE

This section of the report describes the development of the preliminary SFY 2024 CHIP capitation rate.

METHODOLOGY OVERVIEW

The methodology used to calculate the capitation rate can be outlined in the following steps:

1. Summarize financial reporting and encounter data for CY 2021 CHIP enrollees.
2. Trend CY 2021 adjusted experience to SFY 2024.
3. Apply adjustments for program changes.
4. Provide an allowance for non-service expenses.
5. Calculate risk corridor settlements.

Each of the above steps is described in detail below.

Step 1: Summarize Financial Reporting and Encounter Data for CY 2021 CHIP Enrollees

MEMBERSHIP

Member months by region in CY 2021 were summarized from the detailed CHIP eligibility data. These enrollment counts were validated against enrollment information provided by the CCOs. In total, the enrollment in the eligibility files is within 0.04% of enrollment as reported by the CCOs.

Row (a) of Exhibit 1 includes the CY 2021 member months included in base data development.

CLAIM DATA

The encounter data expenditures for both CCOs are combined to summarize CY 2021 claim experience for CHIP enrollees with runout through April 2022. Row (b) of Exhibit 1 includes the CY 2021 total claim costs from the encounter data. Row (c) converts the total costs to a PMPM basis.

All experience used to develop the base period data for the SFY 2024 capitation rate is on a net basis, excluding any member cost sharing, which varies by the income eligibility of the enrolled child's family.

- No copayments are charged to enrolled children in families with an annual income up to 150% FPL
- Enrolled children in families with an annual income above 150% of the FPL are charged the following copayments:
  - Outpatient Health Care Professional Visit, $5.00
  - Emergency Room Visit, $15.00
- Annual out-of-pocket maximums for the following are in place:
  - Families with annual income from 151% to 175% FPL shall pay no more than $800
  - Families with annual income above 175% FPL shall pay no more than $950

No cost sharing is applied to preventive services, including immunizations, well childcare, routine preventive and diagnostic dental services, routine dental fillings, routine eye examinations, eyeglasses, or hearing aids. There is also no cost sharing for American Indian or Alaska Native children.

Effective November 1, 2019, no cost sharing is charged on outpatient mental health and substance use disorder (SUD) visits for all income eligibility levels.

Exhibit 8 contains the databook summarizing the total paid amounts and paid PMPMs in the encounter data for CY 2021.

Data Collection and Validation

DOM and Milliman go through extensive data validation processes to review CCO submitted encounter data. DOM regularly monitors encounter claims compared to cash disbursement journals (CDJs) to ensure the timeliness and completeness of submitted encounters and works with Myers and Stauffer to identify the correct original or final claim to keep in each claim string. Milliman relied on this claim status identification process to remove duplicates and identify denied claims that are anticipated to be resubmitted and accepted, as described in Appendix A.

As part of rate development, Milliman requests financial reporting data from each CCO. This financial reporting data is reconciled to each CCO's CY 2021 audited NAIC financial statement. After several rounds of questions to clarify, adjust, and confirm understanding of the reported financial information, Milliman compared the encounter data to the financial reporting data, together for paid claims and subcapitated claims. This comparison excludes estimates for incurred but not reported (IBNR) claims and adjusts for expanded benefits, pharmacy rebates, and any other claims that were identified as missing from the processed encounter data. The following items are noted:

- Overall, the paid amounts in the encounters reconcile closely to the paid amounts shown in the CCO financial reporting for the CHIP population. Table 2 shows that encounter data is within 0.28% of financial data.
- At a category of service level, there is a greater variance between encounter data and financial reporting, particularly for non-pharmacy categories of service.

Table 2
Mississippi Division of Medicaid
SFY 2024 CHIP Capitation Rate Development
Comparison of Financial and Encounter Data

Difference of Encounters and Financials (% of Encounters)	
IP / OP / Phys / Dental / Other Services	0.35%
Drug Services	0.03%
All Services	0.28%

Given how closely the encounter data reconciles to the financial data submitted by the CCOs, we are not making a financial to encounter adjustment for CY 2021. As an additional source of verification for the encounter data we reviewed the CDJ summaries provided by DOM and were able to validate that the encounter data ties very closely (within 0.6%) to the amounts reported by the CCOs in the CDJ summary reports for similar time periods. Since the CDJ summary reports are on a paid basis (rather than an incurred basis) they do not line up exactly with the time periods we use for rate setting, therefore, we reviewed reports from Q4 2020 through Q1 2022.

The financial reporting expenditures for all CCOs were combined to perform the encounter validation outlined above, as well as to develop the following adjustments to apply to the encounter data:

- Removal of services offered by CCOs that are not covered by the CHIP program
- Removal of pharmacy rebates collected by CCOs
- Removal of costs that would be paid or recouped by third parties
- Addition of IBNR expenses not yet included in encounters
- Addition of claims paid by the CCOs that are not yet reflected in the encounter system

Non-Covered Services

The value of expanded services offered to plan members that were not CHIP covered services during the base data period are excluded from the base data. In CY 2021, these services are non-emergency transportation services offered by one CCO. The costs of expanded services were excluded from paid claims in CCO financial reporting. These services are equivalent to approximately 0.01% of total reported CHIP CY 2021 service costs. Corresponding amounts were removed from the encounter data, as reported by the impacted CCO.

This adjustment is shown in Exhibit 1 in row (d).

Third Party Liability Recoveries

The CCOs provided Milliman with a summary of recoveries for TPL payments related to claims incurred from CY 2021. Using CY 2018 and CY 2019 data, Milliman calculated the portion of total CY 2018 and CY 2019 TPL recoveries recovered after the end of each year. We used this information to estimate the recoveries for claims incurred in CY 2021 not yet reflected in the CY 2021 base data. DOM assumes these outstanding TPL recoveries will offset CY 2021 CCO final paid totals.

We removed the TPL amounts as a percentage of total paid claims across all categories of service from the CY 2021 base data. These TPL recoveries amounted to a 0.07% reduction to CY 2021 base data.

This adjustment is shown in Exhibit 1 in row (e).

Pharmacy Rebate Adjustment

An adjustment was made to pharmacy claims to reflect the average rebate collected by the CCOs in CY 2021 and not reflected in the paid pharmacy data. Rebate costs were summarized from the financial reporting and removed from the paid pharmacy claims. Rebates totaled approximately 7.0% of adjusted pharmacy costs.

This adjustment is shown in Exhibit 1 in row (f).

IBNR Adjustment

The adjustment for IBNR claims as of April 30, 2022, uses the best estimate IBNR claims provided by each of the CCOs in their financial reporting. We performed the following high-level reasonability checks to validate these estimates:

- Data, including IBNR estimates, was reported on a quarterly basis by each CCO. We reviewed the reported IBNR by quarter to determine that there was a reasonable pattern throughout the year (i.e., IBNR amounts held for Q1 2021 were significantly lower than Q4 2021).
- IBNR estimates among the CCOs were reviewed to validate that they were approximately the same as a percentage of total claims, where appropriate.
- IBNR estimates by category of service are approximately the same as a percentage of total claims as IBNR adjustments applied to the CHIP data in prior years after accounting for differences in runout period between years.

Overall, the base data increases by 0.2% on a PMPM basis for IBNR claims.

The IBNR adjustment is shown in Exhibit 1 in row (g).

Missing Data Adjustment

A separate adjustment was made to account for payments made by the CCOs that are not yet submitted to the encounter system or cannot be reasonably applied to a specific claim (e.g., provider bonuses or settlements). These claim amounts are not included in the detailed encounter data after the processing outlined in Appendix A.

Each CCO provided separate financial reporting to support and validate the amounts reported for claims not appearing in encounters. The detailed financial reporting provided by the CCOs included splits by region and rate cell, which were used to allocate missing data on Exhibit 1.

Overall, the base data is increased 0.5% on a PMPM basis for missing data. The aggregate adjustment for all missing data described above is shown in Exhibit 1 in row (h).

FINAL PMPM BASE PERIOD COSTS

Total CY 2021 base period PMPM costs are shown in Exhibit 1 row (i).

Step 2: Trend CY 2021 Adjusted Experience to SFY 2024

Starting with the base data developed in Step 1, we apply trend adjustments to project the base period to SFY 2024. Below, we describe each trend adjustment shown on Exhibit 2. The adjustments for non-pharmacy and pharmacy services are developed using differing methodologies and, therefore, described separately in this section.

Non-Pharmacy Trend Overview

Our general approach to trend development for non-pharmacy categories of service is to consider expected changes in provider reimbursement along with historical PMPM trend values. We then develop utilization / service mix trends that produce targeted PMPM trends. We confirm the reasonability of the utilization trends against experience and assumptions from similar programs in other states. We utilize this approach because it is frequently difficult to directly measure changes in utilization for services, other than inpatient hospital and pharmacy over time, due to differences in counting utilization "units."

The following data sources were used to develop the trend assumptions:

- Encounter data and financial reporting experience for CHIP members to analyze PMPM and utilization trends by major service categories from CY 2017 through CY 2021. Exhibit 6 includes a historical trend summary for the CHIP program from CY 2017 through CY 2021. This includes encounter data from all three CCOs that have provided CHIP services over the time period shown and has been normalized for the following to put it on a consistent basis across time:
  - IBNR from the financial templates was added to the encounter data to review PMPM trends on a completed basis.
  - Estimates of the impact of the following material program or reimbursement changes were removed for the applicable time periods. These changes are accounted for in separate adjustments in this report and, therefore, should not be included in data analyzed for trends.
    - PDL changes
    - Provider settlements
  - Encounter data compared to the financial data for CHIP varies across time periods. Therefore, a high-level adjustment was applied to reflect the estimated difference between encounter data and financial data by calendar year (scaling encounters to financial data).
  - As shown in Table 3, the annualized PMPM trends on a normalized basis for the CHIP program averaged 1.0% from CY 2017 to CY 2019 prior to the beginning of the COVID-19 pandemic:

Table 3
Mississippi Division of Medicaid
CHIP Annualized PMPM Trends
January 2017 to December 2021

Category of Service	CY 2017 to CY 2018	CY 2018 to CY 2019	CY 2019 to CY 2020	CY 2020 to CY 2021
Inpatient Hospital	-3.9%	0.1%	11.8%	-7.4%
Outpatient Hospital	-4.9%	4.2%	-39.7%	14.5%
Physician	1.0%	4.6%	-20.4%	18.8%
Dental	0.0%	2.6%	-24.0%	11.1%
Other	7.2%	16.8%	-17.2%	15.1%
Non-Pharmacy Total	-1.8%	3.9%	-24.2%	11.9%

- Experience from similar programs in other states.

In addition, we carefully reviewed January to June 2022 experience reported by the CCOs to understand to what level services have returned to pre-pandemic levels.

We observe that starting during CY 2021 PMPM costs begin to increase and continue to increase steadily into CY 2022, approaching pre-COVID costs for the program as a whole. Therefore, when selecting prospective trend assumptions to apply from CY 2021 to SFY 2024 we relied primarily on pre-pandemic CHIP data, as well as data from other similar programs.

Utilization and unit charge adjustments are shown in rows (c) and (d), respectively, on Exhibit 2.

Prescription Drug Utilization and Unit Cost Trends

We developed pharmacy trends using the following sources:

- ***CHIP Pharmacy Data*** – We analyzed January 2021 to December 2021 pharmacy experience for the CHIP population and developed utilization and cost summaries by specialty and traditional (i.e., non-specialty) drug types, for the 22 top specialty therapeutic classes and 26 top traditional therapeutic classes. We developed cost projections to SFY 2024 from CY 2021 experience. We validated that the selected trends were reasonable to use by reviewing the therapeutic class distribution and resulting trends compared to those selected for the MississippiCAN children.

  Considerations were made when reviewing prescription drug experience for the estimated impacts of changes in annual updates to the state's uniform PDL.

- ***Industry Research*** – We reviewed recent drug trend reports from PBMs to benchmark the prospective list price and utilization trends used in our detailed modeling of CHIP-specific data. Additionally, we conducted industry research to adjust trends for anticipated market events, including but not limited to, novel pipeline drug launches, patent loss / major generic launches, expanded treatable population for approved drugs (e.g., new indication or age expansion), changes in standard of care (e.g., major clinical guideline updates), drug mix in CHIP pharmacy experience, and the state's uniform PDL status and anticipated updates.

- ***FDA Drug Approvals*** – When developing prospective drug trends, we consider the FDA approval of various new therapies. Some of the therapies we expect to have higher frequency and / or cost include:

  – Adbry™
  – Apretude®
  – Auvelity®
  – Briumvi™
  – Cabenuva®
  – Cibinqo™
  – Dupixent® (label expansion)
  – Jaypirca®
  – Krazati®
  – Mounjaro®
  – Olumiant® (label expansion)
  – Orserdu®
  – Rinvoq® (label expansion)
  – Skyrizi® (label expansion)
  – Sotyktu®
  – Tezspire®
  – Tzield™
  – Vtama®

  However, building explicit additional trend into the capitation rate for these products is difficult due to a lack of information on expected pricing and uptake among the various populations. Therefore, we build in modest additional trend to reflect the expansion of new approvals for each population. We note, the historical experience reviewed in trend development also reflects the impact of FDA approvals that were new during those periods. For select high-cost pharmaceuticals we build explicit adjustments into the capitation rate, as outlined in Step 3, rather than incorporating into the pharmacy trend assumption.

Based on our analyses, we estimate annualized utilization and unit cost trends from CY 2021 to SFY 2024 shown in Table 4. The utilization trends shown in Table 4 include the indirect impact of the change in mix of products due to pure utilization trends.

Table 4
Mississippi Division of Medicaid
Pharmacy Trends for CY 2021 to SFY 2024

Annualized Unit Cost Trends	2.50%
Annualized Utilization Trend	1.00%

When developing prospective drug trends, no consideration was given for brand to generic shifts. These shifts are reflected separately as a change in the state PDL.

Rows (c) and (d) in Exhibit 2 includes the trend adjustments for the pharmacy services.

Seasonal Virus Trend Adjustment

As the COVID-19 global pandemic evolves, we continue to monitor COVID-19 costs associated with testing, treatment, and vaccinations. In addition, we monitor costs associated with other seasonal viruses, including influenza and respiratory syncytial virus (RSV). We queried historic costs associated with COVID-19, influenza, and RSV and compared them to expectations about seasonal viral loads in SFY 2024. The expected SFY 2024 influenza and RSV costs were projected using historical costs observed in CY 2018 and CY 2019 for the children population (this included CHIP, as well as the children rate cells from MississippiCAN). The expected SFY 2024 COVID-19 costs were projected based on CY 2021 observed costs by population removing any large spikes corresponding with emerging COVID-19 variants to approximate costs in a “steady-state” COVID-19 environment. Table 5 below shows the development of this adjustment. See Exhibit 9 for further information on the development on the seasonal virus trend adjustment.

Table 5
Mississippi Division of Medicaid
CHIP Seasonal Virus Trend Adjustment

CY 2021 Cost	$8.85
SFY 2024 Cost	$9.25
Adjustment	**$0.40**

Row (e) in Exhibit 2 shows the adjustment for the seasonal virus trend adjustment.

Step 3: Apply Program Change Adjustments

For SFY 2024, there are several program and reimbursement changes expected for CHIP relative to the base period of CY 2021.

Postpartum Coverage Extension

Per SB 2212, postpartum coverage expands from 60 days to 12 months in SFY 2024. Previously, members in CHIP were transitioned out of the program once the member was identified as pregnant. To adjust for this change in enrollment shifting and the additional postpartum coverage members will receive in SFY 2024, we queried detailed claim and enrollment records for those members that we identified as removed from the CHIP rate cell due to a pregnancy. We added these claims and enrollment records and adjusted the expected SFY 2024 costs accordingly. Table 6 below demonstrates the development of the population change factor.

Table 6 Mississippi Division of Medicaid Postpartum Extension Adjustment		
	CY 2021 Original Coverage Population	
(A)	Member Months	554,885
(B)	Total Allowed	$107,622,415
(C) = (B) / (A)	**Allowed PMPM**	**$193.95**
	CY 2021 Expanded Coverage Population	
(D)	Member Months	1,441
(E)	Total Allowed	$970,315
(F) = (E) / (D)	**Allowed PMPM**	**$673.36**
	CY 2021 Blended Population	
(G) = (A) + (D)	Member Months	556,326
(H) = (B) + (E)	Total Allowed	$108,592,731
(I) = (H) / (G)	**Allowed PMPM**	**$195.20**
(J) = (I) / (C)	**Postpartum Population Change Factor**	**1.006**

Row (f) in Exhibit 2 shows the adjustment for the seasonal virus trend adjustment.

Preferred Drug List Revisions

Updates are made to the state PDL annually and take effect on January 1 of each year. We estimated the impact of these changes using detailed modeling provided by Change Healthcare, who is contracted by DOM to regularly update and maintain the state PDL. In our reliance on the PDL modeling performed by Change Healthcare we reviewed the output of the models for reasonableness, but did not audit their analyses.

The modeling provided by Change Healthcare included drug-level analyses of expected utilization shifts and resulting changes to pharmacy expenditures on a gross of rebate basis. This modeling uses data from both FFS and MississippiCAN populations, so we cannot directly use the output for rate development. Therefore, we applied the change in gross costs on a percentage basis by therapeutic class to CHIP encounter data to develop program-specific impacts of PDL revisions. Separate PDL adjustments were developed for each population to account for the different mix of drugs used for each group.

Table 7 shows the estimated impact of PDL revisions. The full adjustment applied is a combination of the PDL changes from CY 2021 to SFY 2024.

Table 7 Mississippi Division of Medicaid PDL Adjustment		
	2021 to 2022	**2022 to 2023**
CHIP	0.978	0.998

Relative to prior years, PDL changes effective January 1, 2023 only impacted seven therapeutic classes. Table 8 displays all seven classes and outlines the shifting assumptions modeled by Change Healthcare for each class.

Table 8
Mississippi Division of Medicaid
January 2023 PDL Adjustments

Therapeutic Class	Utilization Shifts To	Utilization Shifts From	Modeled Shift	Estimated Increase (Decrease) in Gross Costs	% of Total PDL Change
Antidiabetics-Insulin	Toujeo	Tresiba	25%	(0.4%)	10.3%
Contraceptives-Vaginal	Phexxi P	Phexxi NP	300%	200.0%	-0.7%
Growth Hormone Agents	Genotropin	Norditropin Nutropin	10% 10%	1.3%	-9.7%
Miscellaneous-Carbaglu	Carglumic Acid	Carbaglu	100%	(17.5%)	3.1%
Resp-Beta Agonist Inhalers	Proventil HFA Ventolin HFA	Proair HFA	100%	(7.9%)	31.2%
Resp-Steroid Inhalers	Fluticasone Salmeterol	Advair Diskus	50%	(6.7%)	81.5%
Urinary Antispasmodic Agents	Myrbetriq	Oxybutynin Chloride Solifenacin Succinate Darifenacin Gemtesa	5% 25% 50% 30%	73.7%	-15.8%

The shifting assumptions developed by Change Healthcare are meant to reflect the best estimate for how utilization will shift as certain products change preferred status effective January 1, 2023, recognizing that a full shift will not happen immediately. The estimated change in gross cost assumes the ultimate modeled shift shown in Table 8 is achieved two quarters after the PDL changes take effect, and therefore, the January 2023 PDL updates will be applicable to all of SFY 2024.

The adjustment for PDL revisions is shown in row (g) of Exhibit 2.

Gene Therapy Coverage

There are several high-cost gene therapies that are currently available or will become available during SFY 2024. We worked closely with our clinical team and the clinical team at DOM to identify eligible members, potential treatment uptake percentages, and total costs for treatment for each gene therapy. Ultimately, we included an estimate for a treatment for Hemophilia B. Table 9 below details the assumptions for this treatment.

Table 9
SFY 2024 CHIP Capitation Rate Development
Gene Therapy Estimates

Condition	Gene Therapy	Number of Treatments	Pharmacy Cost per Treatment	Inpatient Cost per Treatment
Hemophilia B	Hemgenix	1	$3,500,000	$0

Row (h) in Exhibit 2 shows this adjustment.

Gene Therapy Coverage Savings

The gene therapy listed above is assumed to significantly reduce or eliminate symptoms of the underlying condition. We queried CY 2021 claims data for potential utilizers meeting the clinical profile for Hemgenix. We worked closely with our clinical team to determine, which costs associated with the Hemophilia B are likely to be alleviated and calculated assumed annual savings amounts for potential utilizers of this treatment. We assumed a uniform distribution of uptake throughout SFY 2024 and applied the relevant portion of the annual savings in the adjustment. For Hemophilia B, we assume about $106,000 in medical savings per member as a result of this treatment.

Row (i) in Exhibit 2 shows this adjustment.

Insulin Price Reduction

Starting on January 1, 2024 the American Rescue Plan Act of 2021 removes the limit, or "cap," on Medicaid drug rebates, which are currently capped at the average manufacturer price (AMP). Several insulin manufacturers have announced price decreases related to the removal starting as early as Q3 2023, with most prices decreasing January1, 2024. We pulled CY 2021 insulin claims at the NDC level and repriced these claims at the announced new price accounting for the timing of each price reduction throughout SFY 2024. Please see Exhibit 12 for a list of insulin products and their price reduction.

Row (j) in Exhibit 2 shows this adjustment.

Step 4: Provide an Allowance for CCO Non-Service Expenses

Administrative Expenses, Premium Tax, and Targeted Margin

The administrative allowance included in the capitation rate is intended to cover the following costs:

- Case management
- Utilization management
- Claim processing and other IT functions
- Customer service
- Provider contracting and credentialing
- Third party liability and program integrity
- Member grievances and appeals
- Financial and other program reporting
- Local overhead costs
- Corporate overhead and business functions (e.g., legal, executive, human resources)

The non-service expense allowance for the SFY 2024 capitation rate is comprised of a flat PMPM for fixed administrative costs and a percentage of revenue for variable administrative costs. We also included explicit adjustments of 1.80% of revenue for target margin and 3.00% for the Mississippi premium tax, for a total non-service expense allowance of 14.55%. Table 10 displays the allowance included in the CHIP rate for non-service expenses.

Table 10
Mississippi Division of Medicaid
Non-Service Expenses

	% of Revenue	PMPM
Fixed Costs[1]	2.93%	**$7.63**
Variable Costs[2]	**6.83%**	$17.80
Premium Tax[2]	**3.00%**	$7.82
Margin[2]	**1.80%**	$4.69
Total	14.55%	$37.95

[1] Included in the rate as a PMPM, equivalent % of revenue shown.
[2] Included in the rate as a % of revenue, equivalent PMPM is shown.

The administrative expense allowance for SFY 2024 was developed by trending the fixed and variable allowances from CY 2021 financial data provided by the CCOs, adjusted for the results of administrative expense audits by Myers and Stauffer. Administrative expenses were trended by an average 3.8% increase per year. The 3.8% annual trend is a blend of actual employment cost index (ECI) data from CY 2021 through CY 2022 and an assumed 3.0% annual trend from CY 2022 to SFY 2024. The future 3.0% trend assumption is consistent with the average ECI annual change from CY 2018 through CY 2021. The ECI data reflects expected changes in wages and other services that comprise a majority of administrative costs.

Step 5: Calculate Risk Corridor Settlements

Subject to CMS approval, DOM will implement two symmetrical risk corridors to address the uncertainty of medical costs given the unwinding of the COVID-19 PHE during SFY 2024 and the uncertainty of several current and anticipated high-cost medications.

High-Cost Pharmacy Risk Corridor

Some Medicaid members have conditions requiring very expensive drug treatments. These members are infrequent and not evenly distributed among the CCOs. To help mitigate the CCO's risk, the state is introducing a high-cost pharmacy risk corridor for SFY 2024, subject to CMS approval. The risk corridor is applicable to total drug spend and related costs due to administration and monitoring for specified products of $500,000 or more per year at a member level. The capitation rate includes a $5.37 PMPM estimate of the costs that will be covered in the high-cost pharmacy risk corridor specific to the CHIP rate cell. Please see Exhibit 13A and Exhibit 13B for the detailed calculation of the $5.37 PMPM target. The actual costs from the CCOs will be compared to the estimated cost for the settlement calculations.

Table 11 summarizes the share of gains and losses relative to the estimated high-cost pharmacy costs for each party.

Table 11
Mississippi Division of Medicaid
Proposed High-Cost Pharmacy Risk Corridor Parameters

CCO Gain / Loss	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less than -6.0%	0%	100%
-6.0% to -3.0%	50%	50%
-3.0% to +3.0%	100%	0%
+3.0% to +6.0%	50%	50%
Greater than +6.0%	0%	100%

The high-cost pharmacy risk corridor will be implemented using the following provisions:

- Estimated high-cost pharmacy costs are calculated separately for the CHIP rate cell based on the expected mix of high-cost products.
- The CHIP rate cell's actual high-cost pharmacy costs will include payments made for the following:
  - All pharmacy claims with an NDC code billed through a retail or specialty pharmacy, regardless of where these claims are administered.
  - All drugs billed as medical claims with a HCPCS code that starts with the letter "J."
  - Inpatient stays for the administration and monitoring for select gene therapies and other select products. The estimated pharmacy costs included in the high-cost risk corridor include the following; however, DOM will monitor and revise the list of approved products if additional products are covered by DOM for use during SFY 2024.
    - Lovotibeglogene autotemcel (lovo-cel)
    - Exagamglogene autotemcel (exa-cel)
    - Zynteglo
- The timing of the risk corridor settlements will occur during the initial and final settlements for the program-wide risk corridor. The high-costs pharmacy risk corridor will be calculated independent of the larger program-wide risk corridor.
  - The initial settlement will occur after the contract year is closed, using six months of runout.
  - The final settlement will occur once the MLR audit has been completed. MLR audits are usually completed 12 to 18 months after the close of the SFY.

The 85% minimum MLR provision (Federal MLR definition) in the CCO contract will apply after the risk corridor settlement calculation.

Program-Wide Risk Corridor

The capitation rate in this report reflects a target medical loss ratio (MLR), which measures the projected medical service costs as a percentage of the total capitation rate paid to the CCOs less the cost eligible for the high-cost pharmacy risk corridor. The risk corridor would limit CCO gains and losses if the actual MLR is different than the target MLR. Table 12 summarizes the share of gains and losses relative to the target MLR for each party.

Table 12
Mississippi Division of Medicaid
Proposed Risk Corridor Parameters

MLR Claims Corridor	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less than Target MLR -2.0%	0%	100%
Target MLR -2.0% to Target MLR +2.0%	100%	0%
Greater than Target MLR +2.0%	0%	100%

For the purposes of the SFY 2024 program-wide risk corridor, a different definition of MLR will be used than the Federal MLR definition. The last column of Exhibit 3 illustrates the calculation of the target MLR for each CCO. The final target MLR will not vary by CCO.

The program-wide risk corridor will be implemented using the following provisions:

- Actual and target MLRs will be calculated separately for each CCO based on their actual enrollment mix.
- The numerator of each CCO's actual MLR will include state plan covered services incurred during the period of SFY 2024 with payments made to providers as defined in Exhibit D of the CCO Contract, including fee for-service payments, subcapitation payments, and settlement payments. Non-covered services will be removed from the numerator.
- The high-costs pharmacy risk corridor will be calculated independent of the larger program-wide risk corridor.
- Adjustments to revenue and claims resulting from the MLR audit will be incorporated into the calculation of each CCO's actual MLR.

The program-wide risk corridor settlement will occur after the contract year is closed, using six months of runout. An initial calculation will occur, but the final calculation will occur once the MLR audit has been completed. MLR audits are usually completed 12 to 18 months after the close of the SFY.

Other Program Considerations

Minimum MLR

The program includes a minimum MLR requirement of 85% of revenue. The sum of medical expenses and HCQI expenses must meet or exceed 85% of revenue. Revenue for premium taxes is excluded from the MLR calculation. If the 85% threshold is not met, CCOs return revenue to DOM until the threshold is met. Due to the implementation of a 2% risk corridor for SFY 2024, the minimum MLR will be greater than 85% and not trigger any additional payments as of a result of this provision.

Withholds

There are no withholds associated with the CHIP capitation rate.

Risk Adjustment

The SFY 2024 CHIP capitation rate will not be risk adjusted.

EXHIBITS 1 THROUGH 13B

(Provided in Excel Format Only)

APPENDIX A

Data Processing

APPENDIX B

Actuarial Certification of the SFY 2024 CHIP Capitation Rate

This report assumes the reader is familiar with the State of Mississippi's CHIP program, its benefits, and rate setting principles. The report was prepared solely to provide assistance to DOM to set the SFY 2024 capitation rate for the CHIP program. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

APPENDIX C

Data Reliance Letter

This report assumes the reader is familiar with the State of Mississippi's CHIP program, its benefits, and rate setting principles. The report was prepared solely to provide assistance to DOM to set the SFY 2024 capitation rate for the CHIP program. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

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Caveats and Limitations
Mississippi Division of Medicaid
READ BEFORE PROCEEDING

Milliman has developed certain models to estimate the values included in these exhibits and appendices. The intent of the models was to estimate SFY 2024 capitation rates. We 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 input to the models. We used CCO encounter data and CCO financial exhibits and appendicesing from January 2021 to December 2021 with runout through April 2022, historical and projected reimbursement information, TPL recoveries, fee schedules, pharmacy and dispensing fee pricing, and other information from DOM, CHIP CCOs, Myers and Stauffer, Change Healthcare, and CMS to calculate the preliminary CHIP capitation rates shown in these exhibits and appendices. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix E for a full list of the data relied upon to develop the SFY 2024 capitation rates.

Differences between the capitation rates and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our exhibits and appendices are intended for the internal use of DOM to review preliminary CHIP capitation rates for SFY 2024. The exhibits and appendices and the models used to develop the values in these exhibits and appendices may not be appropriate for other purposes. We anticipate the exhibits and appendices will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. These capitation rates may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under these rates.

The results of these exhibits and appendices are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

The authors of these exhibits and appendices are actuaries employed by Milliman, members 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 their knowledge and belief, these exhibits and appendices are complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

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January 8, 2025

Jennifer Wentworth
Chief of Staff
Mississippi Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201
Sent via email: jennifer.wentworth@medicaid.ms.gov

Re: Wentworth01 – Q3 to Q4 2024 CHIP Risk Adjustment

Dear Jennifer:

Milliman and the Mississippi Division of Medicaid (DOM) developed capitation rates for CHIP-eligible members for state fiscal year (SFY) 2025, which are documented in a separately provided report.[1] As outlined in that report, starting in SFY 2025 the CHIP population will be risk adjusted to estimate acuity differences between the enrolled populations of each Coordinated Care Organization (CCO).

This letter documents the results and methodology used to develop the budget neutral risk scores effective July 1, 2024 through December 31, 2024 (Q3 to Q4 2024) for each CCO. Additionally, this letter describes how the risk scores should be applied to the capitation rate for SFY 2025. Risk scores for January through June 2025 (Q1 to Q2 2025) were provided in a separate letter.[2]

As described in greater detail below, we develop Q3 to Q4 2024 risk scores using diagnoses from January 2023 to December 2023 (CY 2023) and the enrollment mix for each CCO as of June 2024.

RESULTS AND COMMENTS

Table 1 shows the member months and budget-neutral risk scores for each CCO covering the CHIP population. Exhibit 1 contains additional detail of the membership and risk scores for each CCO, separately for scored and unscored members. Risk scores for Q3 to Q4 2024 were developed using:

- Diagnosis Period: Medical and drug diagnosis information from encounter claims incurred during CY 2023 with runout through April 26, 2024.
- Enrollment Period: Demographic and enrollment information from June 2024.

Table 1
CHIP Risk Score Summary
Q3 to Q4 2024 Prospective Risk Scores
Based on CY 2023 Diagnosis Period

CCO	Total Member Months	Budget Neutral Risk Score
Molina	19,236	0.989
United	32,023	1.006

Only CHIP-eligible members enrolled in a CCO during June 2024 were considered in this analysis. Risk scores are assigned to individuals using the following data.

- Scored Individuals: For individuals with at least six months of eligibility in the diagnosis period, their risk score is developed using both demographic and diagnostic information. In addition a variable based upon the length of enrollment during the diagnostic period is included in the risk score calculation.

[1] "Report19 - SFY 2025 Preliminary CHIP Rate Calculation and Certification.pdf," dated December 4, 2024.
[2] "Wentworth17 - Q1 to Q2 2025 MississippiCAN Risk Adjustment.pdf," dated December 13, 2024

- Unscored Individuals: For individuals with less than six months of eligibility in the diagnosis period, their risk score is developed solely from demographic information in the enrollment records.

Table 2 shows the percentage of members who are scored in this release.

Table 2
Q3 to Q4 2024 CHIP Risk Scores
Statewide Scored Percentages

	Molina	United	Total
CHIP			
Q3 to Q4 2024	96%	96%	**96%**

Detailed Prevalence Reports

Exhibit 2 provides a detailed prevalence report supporting each CCO's population and risk score calculation.

The prevalence reports in Exhibit 2 include the member counts associated with each CCO, the unadjusted plan factor, and the budget-neutral plan factor. Within each prevalence report, the following information can be found for each CCO's population, when applicable:

- Scored Members
  - CDPS + Rx cost weights based on MississippiCAN children and CHIP combined data
  - Count of members falling into each demographic category
  - Count of members falling into each durational category
  - Count of members in the non-utilizer category
  - Count of members assigned to the housing insecurity category
  - Disease category prevalence
  - Count of members not assigned to a CDPS + Rx category
- Unscored Members
  - Demographic only cost weights based on MississippiCAN children and CHIP combined data
  - Count of members falling into each demographic category
- Risk Adjustment Results
  - Calculation of budget neutral risk score for scored and unscored members and in total

Additionally, the detailed prevalence reports include the disease impact rank for each CCO, if applicable. The disease impact rank is a measure of the significance of specific disease conditions in the risk adjustment process and identifies the diseases with the greatest impact on risk scores for scored individuals. The disease impact for each condition is calculated as the product of the associated cost weight and the prevalence of the condition within each population. Conditions are ordered from highest to lowest disease impact to determine the disease impact rank for each condition.

Table 3 shows the top five conditions by disease impact using diagnostic information on a statewide basis across both CCOs. The disease impact ranks vary by CCO and are included in Exhibit 2.

Table 3
Q3 to Q4 2024 CHIP Risk Scores
Conditions with the Top Five Disease Impacts
Statewide Results

Rank	CHIP
1	Psychiatric, low
2	Skeletal, very low to medium
3	Pulmonary, low
4	Gastro, low
5	Diabetes, type 1

Member-Level Risk Scores

Text files providing member-level demographic, duration, diagnosis, and other risk score category information have been provided to DOM for distribution with this letter to each CCO.

For each CCO, two extracts are provided:

- The "scored" extract provides detailed demographic, durational, diagnostic, and other risk score category information for each member
- The "unscored" extract provides only demographic information for each member

A data dictionary is included with the extracts.

METHODOLOGY

Please see the previous letter[3] that describes the custom risk weight model developed for risk scores after July 2024 for information on the data, methodology, and prediction metrics associated with the customized risk models used in this analysis.

Exhibits 3A and 3B display the cost weights used for the CHIP population, along with a mapping from the standard CDPS + Rx diagnostic buckets to those used for the CHIP population.

APPLICATION OF RISK SCORES

When applying the risk scores in this letter, the following formula should be used:

CCO Capitation Rate = Base Capitation Rate x CCO Budget Neutral Risk Score

The CCO normalized risk factors are shown on Exhibit 1.

Exhibit 4 provides an illustrative example of how the risk scores documented in this letter should be applied to the base capitation rate as shown in Exhibit 3 of the capitation rate report.

CAVEATS AND LIMITATIONS ON USE

This letter is intended for the internal 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 has developed certain models to estimate the values included in this letter. The intent of the models was to calculate Q3 to Q4 2024 risk scores for the CHIP program. We 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 input to the models. We used CCO encounters from January 2023 to December 2023 with runout through April 26, 2024, along with eligibility data from June 2024 and other information from DOM, CHIP CCOs, and CMS to calculate the risk scores shown in this letter. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

This letter is designed to document the risk scores for Q3 to Q4 2024 for CHIP eligible members. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with the SFY 2025 capitation rate report.

[3] "Wentworth13 - July 2024 MSCAN Risk Weight Development.pdf," dated October 31, 2024.

Differences between the actual costs incurred by members and the costs predicted using the developed risk weights will differ. 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.

We are consulting actuaries for Milliman, members 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 our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

❖ ❖ ❖ ❖ ❖

Jennifer, please call us at 262 784 2250 if you have questions.

Sincerely,

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Consulting Actuary

JAB/KNL/bl

Attachments (Provided in Excel)

Caveats and Limitations
Mississippi Division of Medicaid
Q3 to Q4 2024 CHIP Risk Adjustment Exhibits

READ BEFORE PROCEEDING

These exhibits are intended for the internal 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 these exhibits. These exhibits should only be reviewed in their entirety.

Milliman has developed certain models to estimate the values included in these exhibits. The intent of the models was to calculate Q3 to Q4 2024 risk scores for the CHIP program. We 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 input to the models. We used CCO encounters and FFS claims from January 2023 through December 2023 with runout through April 2024 and eligibility data from June 2024 and other information from DOM, CHIP CCOs, and CMS to calculate the risk scores shown in these exhibits. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

These exhibits are designed to document the risk scores for Q3 to Q4 2024 for CHIP eligible members. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with our final SFY 2024 capitation rate report.

Differences between the actual costs incurred by members and the costs predicted using the developed risk weights will differ. 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.

We are Actuaries for Milliman, members 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 our knowledge and belief, these exhibits are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices.

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December 4, 2024

Jennifer Wentworth
Deputy Executive Director, Finance
Mississippi Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201
Sent via email: jennifer.wentworth@medicaid.ms.gov

Re: Report16 State Fiscal Year 2025 CHIP Preliminary Rate Calculation and Certification

Dear Jennifer:

The Mississippi Division of Medicaid (DOM) has retained Milliman to develop the state fiscal year SFY 2025 capitation rate for the Children's Health Insurance Program (CHIP) population, effective July 1, 2024 to June 30, 2025.

This report updates the preliminary capitation rate for CHIP from the prior iteration dated September 6, 2024.[1] Overall, the preliminary SFY 2025 capitation rate in this report is 0.1% higher than the previous version.

This report updates our preliminary capitation rate; the following changes were made in this report relative to the prior certification:

- Updated projected SFY 2025 enrollment, using more recent membership data available.
- Corrected an issue that was discovered in the application of the intended unit cost trends for physician administered drugs (PADs) in the "Physician – Other" service category.
- Removal of postpartum coverage extension adjustment.
- Seasonal virus adjustments were updated to incorporate additional runout and feedback provided by the coordinated care organizations (CCOs).

Table 1 summarizes the overall impact on the capitation rate resulting from the changes noted above. Each of these changes are described in more detail within the capitation report.

Table 1
SFY 2025 CHIP Capitation Rate Development
Summary of SFY 2025 Rate Change Components

Assumption Change	Change from September 6, 2024 Preliminary Rate
PAD Unit Cost Trend Fix Impact	1.003
Remove Postpartum Extension Adjustment	0.997
Restate Seasonal Virus Adjustment	1.001
Total SFY 2025 Rate Change	**1.001**

There are many considerations taken in the development of the SFY 2025 capitation rate to reflect impacts of COVID-19 and the unwinding of the continuous coverage requirement (CCR) in the Families First Coronavirus ACT (FFCRA). Explicit adjustments for COVID-19 are made in the rate development for the following:

- **Acuity Adjustment:** Per the Consolidated Appropriations Act, 2023 (CAA), the continuous coverage requirement, which was previously tied to the federal PHE ended on March 31, 2023. Additional guidance from the Centers for Medicare and Medicaid Services (CMS) indicates that states will have 14 months after this date to complete redeterminations for affected enrollees. Within the options outlined by CMS, DOM began eligibility redeterminations starting in April 2023 and began disenrolling Mississippi Medicaid recipients who

[1] "*Report13 – SFY 2025 Preliminary CHIP Rate Calculation and Certification.pdf*" dated September 6, 2024.

are no longer eligible in July 2023 and throughout the following year. This change in Medicaid coverage has resulted in members transitioning to the CHIP program (increasing enrollment) and impacting the average acuity of the CHIP population. We have been monitoring membership and population acuity changes as of a result of the end of the continuous coverage requirements and have applied an acuity adjustment to the preliminary SFY 2025 capitation rate based on the most recent data available at this time.

- **COVID-19 / Influenza / RSV Adjustment:** We developed an adjustment for the estimated difference in costs included in the CY 2022 base period data and projected SFY 2025 costs for testing, vaccination, and treatment for influenza, respiratory syncytial virus (RSV), and COVID-19. This adjustment reflects an expected decrease in COVID-19, influenza, and RSV costs from CY 2022 to SFY 2025.

❖ ❖ ❖ ❖ ❖

Jennifer, please call either of us at 262 784 2250 if you have questions. We look forward to discussing this report with you and the CCOs.

Sincerely,

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Consulting Actuary

JAB/KNL/tm

Attachments

MILLIMAN REPORT

State of Mississippi Division of Medicaid

State Fiscal Year 2025 CHIP Preliminary Rate Calculation and Certification

December 4, 2024

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
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Table of Contents

I. SUMMARY AND DISCUSSION OF RESULTS

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate and document the capitation rate for the Children's Health Insurance Program (CHIP) population effective for state fiscal year (SFY) 2025. This report documents the development of the preliminary capitation rate for the CHIP population. This report is structured as follows:

- Section I includes a high-level overview of the change in the capitation rate relative to the SFY 2024 capitation rate.
- Section II describes the methodology used to develop the SFY 2025 CHIP capitation rate.
- Appendix A contains additional information on the base period data sources and processing.
- Appendix B contains an Actuarial Certification for the CHIP program.
- Appendix C documents our reliance on DOM for data and other assumptions in the development of the capitation rate.

PHE UNWIND AND COVID-19 CONSIDERATIONS IN SFY 2025 RATE DEVELOPMENT

Several adjustments were made in the SFY 2025 capitation rate to reflect changes as a result of COVID-19 and the unwinding impacts of the associated CCR, including:

- Acuity adjustments: Enrollment information through March 2024 was utilized as part of a risk score analysis to estimate changes in population acuity between the base period (CY 2022) and SFY 2025 for the CHIP population. Please see Section II for more information on this adjustment.
- Seasonal virus adjustments: Adjustments are made in the rate development to account for estimated changes in seasonal virus loads (including COVID-19, RSV, and influenza) between CY 2022 and SFY 2025. Please see Section II for more information on this adjustment.

CATEGORIES OF SERVICE

For SFY 2025 capitation rate development, the CY 2022 base data was categorized using a more granular category of service methodology in which inpatient, outpatient, and physician services are further subset into more specific sub-categories of service. We believe that these additional breakouts will allow for greater transparency when developing the SFY 2025 capitation rate. Table 1 below shows the comparison between the categories of service for the SFY 2024 and the SFY 2025 capitation rates.

Starting in July 2024, DOM entered into an arrangement with their Pharmacy Benefits Administrator (PBA) in which certain pharmacy claims are paid through the PBA. As such, we identified and removed the associated pharmacy claims from the CY 2022 base data for the purpose of developing the SFY 2025 capitation rate. Please see Appendix B for a further description of the associated pharmacy services.

Table 1 Mississippi Division of Medicaid SFY 2024 & SFY 2025 Categories of Service	
SFY 2024 Category	**SFY 2025 Category**
Inpatient Hospital	Inpatient Hospital Services - Maternity / Deliveries
	Inpatient Hospital Services - Psychiatric / Substance Abuse
	Inpatient Hospital Services - All Other
Outpatient Hospital	Outpatient Hospital Services - Emergency Room
	Outpatient Hospital Services - Pharmacy
	Outpatient Hospital Services - All Other
Physician	Physician Services - Maternity / Deliveries
	Physician Services - Psychiatric / Substance Abuse
	Physician Services - All Other
Pharmacy	N/A
Dental	Dental - All Services
Other	All Other Services

CAPITATION RATE CHANGE SUMMARY

The per member per month (PMPM) preliminary capitation rate for SFY 2025 is $227.64. As documented in Section II of this report, one statewide rate was selected for SFY 2025 after a review of historical experience by region.

The SFY 2025 CHIP capitation rate is 3.5% higher than the SFY 2024 capitation rate. Table 2 shows a summary of the main drivers of the rate change that make up this change to the capitation rate. **The rate change components are based on the SFY 2024 rate excluding pharmacy services and adjusted to show cell and gene therapy (CGT) costs as part of the physician service category (rather than pharmacy as originally projected in SFY 2024 rate development).**

Table 2 Mississippi Division of Medicaid Summary of SFY 2025 Rate Change by Component	
Final SFY 2024 Capitation Rate - Including Pharmacy Services	**$260.82**
Remove Non-Physician Administered Pharmacy Services	0.817
Final SFY 2024 Capitation Rate - Excluding Pharmacy Services	**$213.07**
Shift CGT Estimates from Pharmacy to Physician	1.033
Final SFY 2024 Capitation Rate - Excluding Pharmacy Services, CGT Shift	**$220.03**
Base Period Data Update	1.010
Restate CY 2022 to SFY 2024 Trends	0.991
Updates Relative to SFY 2024 Assumptions	**1.001**
SFY 2024 to SFY 2025 Trends	1.034
SFY 2025 Population Acuity	1.021
Remove Gene Therapy Drug Coverage / Savings	0.970
Restate Seasonal Virus Adjustment	1.022
Updated SFY 2025 Admin	0.996
Remove SFY 2025 Pharmacy Admin	0.992
Preliminary SFY 2025 Rate Change	**1.035**

- The SFY 2024 capitation rate was developed to project total medical and pharmacy costs, including those that will be covered by DOM's PBA for SFY 2025. For comparison purposes we include the SFY 2024 rate with and without the PBA-eligible pharmacy services. The impact of removing estimated pharmacy expenses from the SFY 2024 rate decreased overall costs by about 18.3%.

- The estimated SFY 2024 pharmacy category of service costs were developed using CY 2021 base period experience and trended to SFY 2024, including adding cost estimates for new CGT treatments to the pharmacy category of service. Based on our current understanding of how these claims will be paid in SFY 2025, these services will be paid in physician category of services. Therefore, we restated the SFY 2024

rate with CGT costs included in the physician service category for a more direct comparison to the SFY 2025 capitation rate. This change increases the SFY 2024 rate without PBA-eligible pharmacy services by 3.3%. The net impact of these two adjustments for the removal of PBA eligible pharmacy services (excluding CGTs) is a decrease of about 15.6%.

- The development of the SFY 2025 capitation rate is a ground-up approach where the base data and each assumption is evaluated separate from the SFY 2024 capitation rate. However, for the purposes of explaining the rate change from SFY 2024 to SFY 2025, we isolate the impact of rebasing the data and assumptions that we updated relative to the data or assumptions used to develop the SFY 2024 values. Overall, this rebasing increased the projection of SFY 2024 costs by 0.1% from costs projected in the SFY 2024 capitation rate. This 0.1% increase contains the following sub-components:
  - CY 2021 claims data was used as the base period for SFY 2024 rate setting, whereas CY 2022 data was used for the SFY 2025 rate. The impact of changing our base data (including the associated impact of restating base data adjustments) increased projected costs by 1.0%.
  - Utilization trend assumptions from CY 2022 to SFY 2024 were restated based upon more recent experience with a resulting decrease on the CHIP capitation rate of 0.9%. Higher trends were applied as part of SFY 2024 rate setting to reflect the return to service noted during CY 2022, but now that CY 2022 is used for the base period data average annual trends were decreased slightly.
- Claim costs were increased approximately 3.4% for anticipated utilization and unit charge increases from SFY 2024 to SFY 2025. Please see Section II for more information on trend assumptions included in the SFY 2025 capitation rate.
- The continuous coverage requirement ended on March 31, 2023 and DOM started redeterminations in April 2023, with disenrollments of ineligible recipients starting in July 2023. Given the changes in enrollment between CY 2022 and SFY 2025, Milliman developed a population acuity adjustment based on population risk scores to estimate the relative acuity of the base period to the projected SFY 2025 population. This population acuity adjustment increased capitation rates by 2.1%. Please see Section II for a further description of the population acuity adjustment.
- No cell and gene therapy cost or savings adjustments are applied during the SFY 2025 capitation rate development. This results in a 3.0% decrease in the capitation rate.
- The SFY 2024 capitation rate included an adjustment reflecting estimated changes in testing, treatment, and vaccination costs for COVID-19, influenza, and RSV. We performed a similar analysis for the SFY 2025 capitation rate reviewing actual experience during CY 2023 to inform our new baseline costs for COVID-19, influenza, and RSV. The change to use these new adjustments increased the overall rate by 2.2%, as shown in Table 2.
- Changes to administrative expenses on a PMPM basis result in a decrease to the rate of approximately 0.4%, based upon CCO reported administrative expenses for CY 2022 trended to SFY 2025. A positive rate change in Table 2 indicates that the administrative costs increased as a percentage of the overall rate (i.e., administrative costs trended at a higher percentage than the overall rate). The overall PMPM for administrative expenses decreased 3.8% from the SFY 2024 allowance, comprised of a fixed administrative expense decrease from $7.63 PMPM in the SFY 2024 rate to $7.34 PMPM in the SFY 2025 rate, and variable administrative expense decrease from $17.80 in the SFY 2024 rate to $17.12 in the SFY 2025 rate.
- As mentioned above, certain pharmacy expenses are expected to be paid by DOM's PBA rather than the CCOs. As these services will not be administered by the CCOs, Milliman reduced the SFY 2025 administrative cost levels to account for this change, based on splits of PBM related costs provided by DOM and the CCOs, which show that approximately 15% of prior PBM costs are related to duties that will be retained by the CCOs in SFY 2025. The change decreased overall capitation rates by 0.8% or an additional 7.5% ($1.85) on a PMPM basis.

DATA RELIANCE AND IMPORTANT CAVEATS

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the SFY 2025 CHIP capitation rate. We 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 input to the models. We used CCO encounter data and CCO financial reporting for January 2022 to December 2022 with runout through June 2023, historical and projected reimbursement information, fee schedules, and other information from DOM, CHIP CCOs, Gainwell Technologies, Myers and Stauffer, and CMS to calculate the preliminary CHIP base data shown in this report. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix C for a full list of the data relied upon to develop the SFY 2025 base data.

Differences between the capitation rate and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our report is intended for the internal use of DOM to review the preliminary CHIP capitation rate for SFY 2025. The report and the models used to develop the values in this report may not be appropriate for other purposes. We anticipate the report will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. This capitation rate may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under this rate.

The results of this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Jill Bruckert and Katarina Lorenz are consulting actuaries for Milliman, members 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 their knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

II. DEVELOPMENT OF CAPITATION RATE

This section of the report describes the development of the preliminary SFY 2025 CHIP capitation rate.

METHODOLOGY OVERVIEW

The methodology used to calculate the capitation rate can be outlined in the following steps:

1. Summarize financial reporting and encounter data for CY 2022 CHIP enrollees.
2. Trend CY 2022 adjusted experience to SFY 2025.
3. Apply adjustments for program changes.
4. Provide an allowance for non-service expenses.
5. Adjust for CCO specific risk scores.
6. Calculate risk corridor settlements.

Each of the above steps is described in detail below.

Step 1: Summarize Financial Reporting and Encounter Data for CY 2022 CHIP Enrollees

MEMBERSHIP

Member months by region in CY 2022 were summarized from the detailed CHIP eligibility data. These enrollment counts were validated against enrollment information provided by the CCOs. In total, the enrollment in the eligibility files is within 0.2% of enrollment as reported by the CCOs.

Row (a) of Exhibit 1 includes the CY 2022 member months included in base data development.

CLAIM DATA

The encounter data expenditures for both CCOs are combined to summarize CY 2022 claim experience for CHIP enrollees with runout through June 2023. Row (b) of Exhibit 1 includes the CY 2022 total claim costs from the encounter data. Row (c) converts the total costs to a PMPM basis.

All experience used to develop the base period data for the SFY 2025 capitation rate is on a net basis, excluding any member cost sharing, which varies by the income eligibility of the enrolled child's family.

- No copayments are charged to enrolled children in families with an annual income up to 150% FPL.
- Enrolled children in families with an annual income above 150% of the FPL are charged the following copayments:
  - Outpatient Health Care Professional Visit, $5.00.
  - Emergency Room Visit, $15.00.
- Annual out-of-pocket maximums for the following are in place:
  - Families with annual income from 151% to 175% FPL shall pay no more than $800.
  - Families with annual income above 175% FPL shall pay no more than $950.

No cost sharing is applied to preventive services, including immunizations, well childcare, routine preventive and diagnostic dental services, routine dental fillings, routine eye examinations, eyeglasses, or hearing aids. There is also no cost sharing for American Indian or Alaska Native children.

Effective November 1, 2019, no cost sharing is charged on outpatient mental health and substance use disorder (SUD) visits for all income eligibility levels.

Exhibit 7 contains the databook summarizing the total paid amounts and paid PMPMs in the encounter data for CY 2022.

Data Collection and Validation

DOM and Milliman go through extensive data validation processes to review CCO submitted encounter data. DOM regularly monitors encounter claims compared to cash disbursement journals (CDJs) to ensure the timeliness and completeness of submitted encounters and works with Myers and Stauffer to identify the correct original or final claim to keep in each claim string. Milliman relied on this claim status identification process to remove duplicates and identify denied claims that are anticipated to be resubmitted and accepted, as described in Appendix A.

As part of rate development, Milliman requests financial reporting data from each CCO. This financial reporting data is reconciled to each CCO's CY 2022 audited NAIC financial statement. After several rounds of questions to clarify, adjust, and confirm understanding of the reported financial information, Milliman compared the encounter data to the financial reporting data, together for paid claims and subcapitated claims. This comparison excludes estimates for incurred but not reported (IBNR) claims and adjusts for any claims that were identified as missing from the processed encounter data. To align the financial templates and encounter data on a comparable basis, we performed this reconciliation exercise using CY 2022 data with run-out through June 2023.

As discussed above, DOM transitioned to a new data vendor during CY 2022. In the process of reviewing the CY 2022 data from the new data vendor, Gainwell, we noted several issues, including duplicate claims. We are still working with DOM and Gainwell to determine a possible resolution for this issue. Therefore, this base data report includes an adjustment to calibrate encounters to CCO reported financial levels at a high-level service category level. This adjustment is discussed in more detail below.

Additionally, starting on July 1, 2024, DOM entered into an arrangement with their PBA in which certain pharmacy claims are paid through the PBA. As such, we identified and removed the associated pharmacy claims from the CY 2022 base data for the purpose of developing the SFY 2025 capitation rate. Please see Appendix A for a further description of the associated pharmacy services.

Encounter to Financial Adjustment

In the development of the base data the following items are noted:

- As the CY 2022 financial data was reported using the SFY 2024 categories of service definitions, we compared financial to encounter data utilizing the SFY 2024 level of granularity, and the following notes reflect this classification.
- Overall, the paid amounts in the encounters exceed the paid amounts shown in the CCO financial reporting for the CHIP population. Table 3 shows that encounter data is 2.37% higher than financial data, likely driven by issues with duplicate claims.
- At a category of service level there was a greater variance between encounter data and financial reporting, particularly for the inpatient and dental categories of service, which may be most impacted by the duplicate claim issues, noted above. Therefore, when calculating and applying the financial to encounter data adjustments we applied separate adjustments for inpatient and dental services. All other services receive the same adjustment.

Table 3
Mississippi Division of Medicaid
SFY 2025 CHIP Capitation Rate Development
Comparison of Financial and Encounter Data

Difference of Encounters and Financials (% of Encounters)	
OP / Physician / Other Services	-0.66%
IP Services	-4.25%
Dental Services	-8.12%
All Services	**-2.37%**

Encounter data for both CCOs is combined to summarize CY 2022 claim experience for CHIP enrollees. The financial reporting expenditures for all CCOs were combined to perform the encounter validation outlined above, as well as to develop the following adjustments to apply to the encounter data:

- Removal of services offered by CCOs that are not covered by the CHIP program.
- Removal of costs that would be paid or recouped through a third party.
- Addition of IBNR expenses not yet included in encounters.
- Addition of claims paid by the CCOs that are not yet reflected in the encounter system.

To reflect differences between claims in the financial reporting and the encounter data, the financial to encounter data adjustment is applied on row (d) of Exhibit 1. Given duplicate claims and other encounter data issues noted by Gainwell and DOM, this adjustment calibrates overall encounter claims to levels reported in the financial templates.

Missing Data Adjustment

A separate adjustment was made to account for payments made by the CCOs that are not reflected in the detailed encounter data or cannot be reasonably applied to a specific claim (e.g., provider bonuses or settlements). These claim amounts are not included in the detailed encounter data after the processing outlined in Appendix A.

Each CCO provided separate financial reporting to support and validate the amounts reported for claims not appearing in encounters. As the CY 2022 financial data was reported using the SFY 2024 categories of service definitions, we developed the adjustments utilizing the financial data at the SFY 2024 level of granularity and applied the resulting adjustment factors to all corresponding breakout categories of service. The detailed financial reporting provided by the CCOs included splits by region, which were used to allocate missing data on Exhibit 1.

Overall, the base data is increased by 0.4% on a PMPM basis for missing data.

The aggregate adjustment for all missing data described above is shown in Exhibit 1 in row (e).

IBNR Adjustment

The adjustment for IBNR claims as of June 30, 2023 uses the best estimate IBNR claims provided by each of the CCOs in their financial reporting. As the CY 2022 financial data was reported using the SFY 2024 categories of service definitions, we developed the adjustments utilizing the financial data at the SFY 2024 level of granularity and applied the resulting adjustment factors to all corresponding breakout categories of service.

We performed the following high-level reasonability checks to validate these estimates:

- Data, including IBNR estimates, was reported on a quarterly basis by each CCO. We reviewed the reported IBNR by quarter to determine that there was a reasonable pattern throughout the year (i.e., IBNR amounts held for Q1 2022 were significantly lower than Q4 2022).

- IBNR estimates among the CCOs were reviewed to validate that they were approximately the same as a percentage of total claims, where appropriate.

- IBNR estimates by category of service are approximately the same as a percentage of total claims as IBNR adjustments applied to the CHIP data in prior years after accounting for differences in runout period between years.

Overall, the base data increased by 0.3% on a PMPM basis for IBNR claims.

The IBNR adjustment is shown in Exhibit 1 in row (f).

Non-Covered Services

The value of expanded services offered to plan members that were not CHIP covered services during the base data period are excluded from the base data. In CY 2022, these services are non-emergency transportation services offered by one CCO. The costs of expanded services were excluded from paid claims in CCO financial reporting. These services are equivalent to approximately 0.02% of total reported CHIP CY 2022 service costs. Corresponding amounts were removed from the encounter data, as reported by the impacted CCO.

This adjustment is shown in Exhibit 1 in row (g).

Third Party Liability Recoveries

The CCOs provided Milliman with a summary of recoveries for TPL payments related to claims incurred in CY 2022 and recovered through December 2022. Using CY 2019 through CY 2021 data, Milliman calculated the portion of total CY 2019 through CY 2021 recoveries recovered after the end of each year. The recovery patterns looked noticeably different in CY 2020 and CY 2021, possibly because of the COVID-19 pandemic. Therefore, we relied on CY 2019 data to estimate total claim recoveries for services incurred in CY 2022, but not yet reflected in the CY 2022 base data. It is assumed that these outstanding TPL recoveries will reduce ultimate CY 2022 paid totals.

We removed the total TPL amounts as a percentage of total paid claims across all categories of services from the CY 2022 base data. In total, these TPL recoveries amounted to a 0.1% reduction to CY 2022 base data. We do not have information to apply this estimate at a service category level, and therefore, apply a uniform adjustment for the estimate of TPL recoveries.

This adjustment is shown in Exhibit 1 in row (h).

Adjusted CY 2022 PMPM Costs

Total CY 2022 base period PMPM costs are shown in Exhibit 1 row (i).

Step 2: Trend CY 2022 Adjusted Experience to SFY 2025

Starting with the base data developed in Step 1, we apply trend adjustments to project the base period costs to SFY 2025. Below, we describe each trend adjustment shown on Exhibit 2. The adjustments for non-pharmacy and pharmacy services for which the CCOs are responsible (physician administered drugs) are developed using different methodologies and are therefore described separately in this section.

Non-Pharmacy Trend Overview

Our general approach to trend development for non-pharmacy categories of service is to consider expected changes in provider reimbursement along with historical PMPM trend values. We then develop utilization / service mix trends that produce targeted PMPM trends. We confirm the reasonability of the utilization trends against experience and assumptions from similar programs in other states. We utilize this approach because it is frequently difficult to directly measure changes in utilization for services, other than inpatient hospital and pharmacy over time, due to differences in counting utilization "units."

The following data sources were used to develop the trend assumptions:

- Encounter data and financial reporting experience for CHIP members to analyze PMPM and utilization trends by major service categories from CY 2019 through September 2023. Exhibit 6 includes a historical trend summary for the CHIP program from CY 2019 through September 2023. This includes encounter data from all three CCOs that have provided CHIP services over the time period shown and has been normalized for the following to put it on a consistent basis across time:
  - IBNR from the financial templates was added to the encounter data to review PMPM trends on a completed basis.
  - Estimates of the impact of the following material program or reimbursement changes were removed for the applicable time periods. These changes are accounted for in separate adjustments in this report, and therefore, should not be included in data analyzed for trends.
    - Financial to encounter adjustments
    - Provider settlements
  - No adjustments were made to account for population acuity changes over time.
- Experience from similar programs in other states.

In addition, we carefully reviewed January to September 2023 experience reported by the CCOs for changes in PMPM costs prior to and during the early months of the CCR unwind.

Table 4 below shows the adjusted Q1 through Q3 2023 PMPM costs for the CHIP population, as reported by the CCOs in their emerging CY 2023 financial template data. As described below, this data was adjusted to reflect the expected acuity of the population currently enrolled (as of March 2024). To help assess the reasonability of the trend assumptions selected above we compared the adjusted Q1 to Q3 2023 PMPM costs for the CHIP populations to the projected service costs in SFY 2025 and the implied PMPM trend on an annualized basis between the emerging CY 2023 experience and projected SFY 2025 costs.

Table 4
Mississippi Division of Medicaid
CY 2023 Emerging Experience

Rate Cell	Q1 2023 PMPM[1]	Q2 2023 PMPM[1]	Q3 2023 PMPM[1]	SFY 2025 PMPM[2]	Implied Annualized Trend From Q1 2023	Implied Annualized Trend From Q2 2023	Implied Annualized Trend From Q3 2023
CHIP	$172.79	$170.76	$189.19	$194.10	6.4%	8.2%	1.9%

[1] *Adjusted for acuity changes.*

[2] *Adjusted to remove the impact of extended postpartum coverage.*

Similar to cost patterns noted in SFY 2024 capitation rate development, we observe that PMPM costs for the CHIP population begin to increase from dampened CY 2020 utilization throughout CY 2021 until August 2022, then level off at the end of CY 2022 and into CY 2023. Therefore, when selecting prospective trend assumptions to apply from CY 2022 to SFY 2025 we first normalized the PMPMs in Table 4 for the impact of acuity changes during this time period to avoid double counting the impact of acuity changes and then selected reasonable utilization and unit charge trend assumptions based off this emerging experience and historical CHIP annual changes prior to COVID-19.

Utilization and unit charge adjustments are shown in rows (c) and (d), respectively, on Exhibit 2.

Physician Administered Drug Utilization and Unit Cost Trends

We developed physician administered drug (PAD) trends using the following sources:

- ***CHIP-Specific Data*** – We analyzed completed January 2022 to December 2023 experience for pharmacy claims administered in a medical setting, also referred to in this report as physician administered drugs (PADs). We analyzed historical experience in CY 2022 and CY 2023 by drug type.
- ***Industry Research*** – We reviewed recent drug trend reports from PBMs to benchmark the prospective list price and utilization trends used in our detailed modeling of CHIP-specific data. Additionally, we conducted industry research to adjust trends for anticipated market events, including but not limited to, recent average sales price (ASP) price change, biosimilars, novel brand drugs, expanded treatable population for approved drugs (e.g., new indication or age expansion), and drug mix in MississippiCAN medical experience.
- ***FDA Drug Approvals*** – When developing prospective PAD trends, we consider the FDA approval of various new therapies. However, building explicit additional trend into capitation rates for these products is difficult due to a lack of information on expected pricing and uptake among the various populations. Therefore, we build in modest additional trend to reflect the expansion of new approvals for each population. We note, the historical experience reviewed in trend development also reflects the impact of FDA approvals that were new during those periods.

Based on our analyses, we estimate annualized utilization and unit cost trends of 2.50% from CY 2022 to SFY 2025.

Seasonal Virus Trend Adjustment

We continue to monitor costs associated with COVID-19 (testing, treatment, and vaccinations), as well as costs associated with influenza and respiratory syncytial virus (RSV). We queried CY 2022 MississippiCAN children and CHIP costs associated with COVID-19, influenza, and RSV by population and compared them to similar costs in CY 2023 data with runout through August 2024. Specific adjustments were made to ensure claims are not counted as both COVID-19 and influenza / RSV. Additionally, we excluded all maternity and delivery claims from being identified as either COVID-19 or influenza / RSV, given we would expect those claims to occur regardless.

We expect that seasonal virus costs in SFY 2025 will be more similar to levels observed in CY 2023 which is further removed from the height of the COVID-19 PHE than the base period experience in CY 2022. We observe material decreases in costs related to COVID-19, influenza, and RSV in CY 2023 compared to CY 2022 levels.

Therefore, we applied high-level dampening adjustments to apply to CY 2022 COVID-19, influenza, and RSV costs to decrease them in line with observed CY 2023 levels. These dampening adjustments were calculated separately by population and for COVID-19 versus influenza and RSV and the final resulting dampened cost is included in Table 5 below. The PMPM cost adjustments are scaled across service categories based on the historical cost distribution.

Table 5
Mississippi Division of Medicaid
Seasonal Virus Trend Adjustment

	CY 2022 PMPM Cost	CY 2023 PMPM Cost	Adjustment	CY 2022 Dampened Cost PMPM
Children				
COVID-19	$8.34	$4.69	-40.0%	$5.01
Flu / RSV	$5.22	$4.52	-10.0%	$4.69
Total	**$13.56**	**$9.21**		**$9.70**

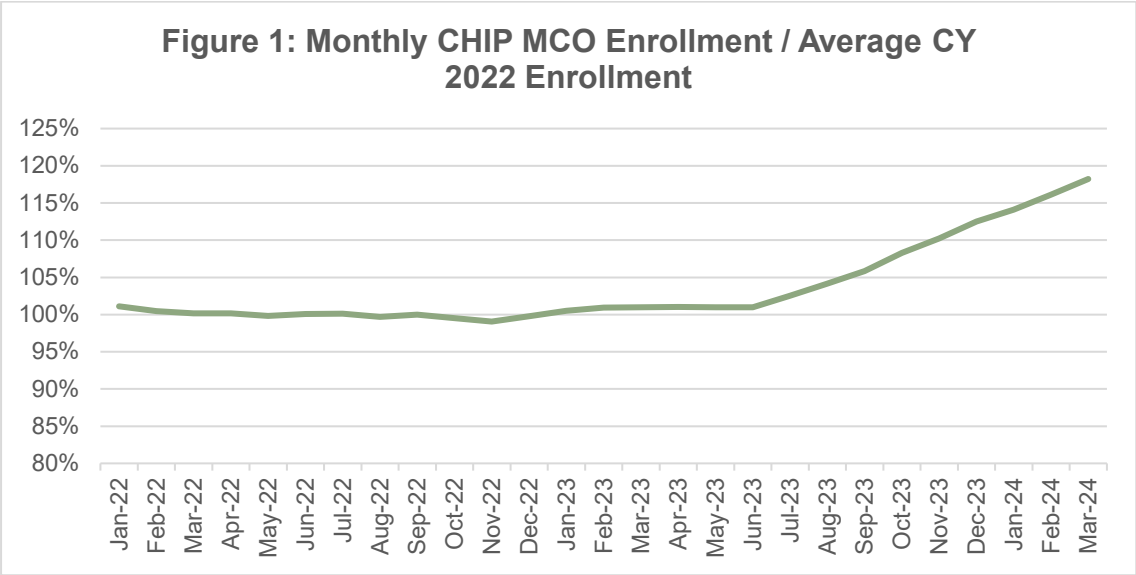
Row (f) in Exhibit 2 shows the adjustment for seasonal viruses.

Step 3: Apply Program Change Adjustments

For SFY 2025, there are several program and reimbursement changes expected for CHIP relative to the base period of CY 2022.

Population Acuity Adjustment

The CCR ended on March 31, 2023, and DOM initiated Medicaid eligibility redeterminations in April 2023, with disenrollments of ineligible recipients starting in July 2023 and continuing over the next 12 months. Since the beginning of the CCR unwinding period, we have seen steady CHIP enrollment increases throughout CY 2023 and into CY 2024. Figure 1 shows this change in monthly enrollment compared to the average enrollment in CY 2022 for the CHIP population (e.g., a ratio of 110% indicates that month's enrollment is 10% higher than the average enrollment during the CY 2022 base data).



To estimate the change in acuity due to population changes between the CY 2022 base period data and the population we expect to be enrolled during SFY 2025, we performed a risk score-based acuity analysis. We calculated risk scores for two distinct time frames:

1. CY 2022 (CY 2021 diagnoses and CY 2022 enrollment).

2. March 2024 (CY 2023 diagnoses and March 2024 enrollment used as a proxy for the population enrolled during SFY 2025).

A Mississippi-specific risk score model for the CHIP population was not available when the SFY 2025 CHIP capitation rate was initially developed. Therefore, we relied on standard CDPS weights from the CDPS + Rx risk score model. We excluded pharmacy claims from the risk score model, as these claims are not included in the capitation rate for SFY 2025. Given the large changes in membership between CY 2022 and March 2024 we only looked at members that were able to be "scored," meaning they had at least six months of enrollment during the diagnosis period.

To calculate the acuity adjustment, we compared the average risk scores for March 2024 enrollment compared to the average risk score in CY 2022. The final acuity adjustment applied is an upward adjustment of 2.5%, as shown in Table 6 below.

Table 6
SFY 2025 CHIP Capitation Rate Development
Population Acuity Adjustment

	CY 2022 - Scored Members		March 2024 - Scored Members			
Cap Cell	Member Months	Average Risk Score	Member Months	Average Risk Score	Risk Score Change	Final Acuity Adjustment
CHIP	473,149	0.967	46,974	0.992	1.025	1.025

Additional information about the risk scores for members enrolled in CHIP during CY 2022 and March 2024, including additional splits for various time periods are shown in Table 7 below.

We observed that although total CHIP membership remained relatively stable during CY 2022, the number of scored members decreases throughout the year due to population churn however, risk scores remain relatively stable.

We similarly reviewed monthly risk scores for the CHIP population from December 2023 to March 2024 where we saw membership increases as a result of Medicaid eligibility redeterminations related to the unwinding of the PHE. This shows a steady increase in membership month over month along with increases in the average risk score.

Table 7 Mississippi Division of Medicaid Acuity Adjustment - CHIP					
	CY 2022 Risk Scores by Quarter				
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	CY 2022
Scored Member Months	121,247	119,250	117,357	115,295	473,149
Average Monthly Enrollment	40,416	39,750	39,119	38,432	39,429
Risk Score	0.961	0.967	0.971	0.970	**0.967**
	December 2023 to March 2024 Risk Scores				
		Dec-23	Jan-24	Feb-24	Mar-24
Scored Members		41,449	42,539	44,257	46,974
Risk Scores		0.983	0.983	0.986	**0.992**

Row (e) in Exhibit 2 shows the population acuity adjustment.

Step 4: Provide an Allowance for CCO Non-Service Expenses

Administrative Expenses, Premium Tax, and Targeted Margin

The administrative allowance included in the capitation rate is intended to cover the following costs:

- Case management
- Utilization management
- Claim processing and other IT functions
- Customer service
- Provider contracting and credentialing
- TPL and program integrity
- Member grievances and appeals
- Financial and other program reporting
- Local overhead costs
- Corporate overhead and business functions (e.g., legal, executive, human resources)

The non-service expense allowance for the SFY 2025 capitation rate is comprised of a flat PMPM for fixed administrative costs and a percentage of revenue for variable administrative costs. We also included explicit adjustments of 1.80% of revenue for target margin and 3.00% for the Mississippi premium tax, for a total non-service expense allowance of 14.73%. Table 8 displays the allowance included in the CHIP rate for non-service expenses.

Table 8 Mississippi Division of Medicaid Non-Service Expenses		
	% of Revenue	PMPM
Fixed Costs[1]	2.98%	**$6.78**
Variable Costs[2]	**6.95%**	$15.83
Premium Tax[2]	**3.00%**	$6.83
Margin[2]	**1.80%**	$4.10
Total	14.73%	$33.54

[1] Included in the rate as a PMPM, equivalent % of revenue shown.
[2] Included in the rate as a % of revenue, equivalent PMPM is shown.

The administrative expense allowance for SFY 2025 was developed by trending the fixed and variable allowances from CY 2022 financial data provided by the CCOs, combined for MississippiCAN and CHIP. These reported expenses were then adjusted to limit PMPM increases to the employment cost index (ECI) trend of 5.1% between CY 2021 and CY 2022 on a CCO level, if applicable, and to adjust administrative expenses consistent with the administrative expense audits conducted by Myers and Stauffer and related party administrative expense analysis completed by DOM. Applying adjustments consistent with the audit report and related party expenses decreased the CCO reported administrative costs by roughly 3.5% ($1.24 PMPM) and limiting the PMPM trend to 5.1% for the one CCO with higher trend decreased the reported administrative costs another 8.7% ($3.03 PMPM). Compared to CY 2021 administrative expenses

underlying the SFY 2024 capitation rate, adjusted CY 2022 administrative expenses are down 1.1% on a PMPM basis from $36.42 to $36.02 alongside membership decreases for the same time period of 15 to 20%.

Adjusted CY 2022 administrative expenses were trended by an annual trend of 3.8% from CY 2022 to SFY 2025. The 3.8% annual trend is a blend of actual employment cost index (ECI) data from CY 2022 through CY 2023 of 4.4% and an assumed 3.4% annual trend from CY 2023 to SFY 2025. The future 3.4% trend assumption is consistent with the average ECI annual change from CY 2018 through CY 2022. The ECI data reflects expected changes in wages and other services that comprise a majority of administrative costs. In addition, we reviewed the CMS Medicare Economic Index (MEI) that includes actual changes through June 2023 and forecasted quarterly changes afterwards. The MEI from CY 2022 through SFY 2025 has an annualized change of 3.8%, similar to our analysis with the ECI data.

Administrative costs for SFY 2025 were also adjusted to reflect the transition of certain pharmacy claims from the CCOs to the DOM contracted PBA. Based on reporting provided by the CCOs and DOM we estimate that approximately 85% of reported CCO PBM costs incurred during CY 2022 are related to duties that will no longer be performed by the CCOs in SFY 2025 and were therefore removed, resulting in a decrease in administrative costs of roughly $2.39 PMPM or approximately 7.5%. After the removal of these PBM fees the administrative expenses are projected to decrease by 10.7% on a PMPM basis compared to SFY 2024.

Finally, the administrative expenses are split between the MississippiCAN and CHIP programs, based on the distribution of costs in prior financial template reporting that split MississippiCAN and CHIP expenses. The final overall projected administrative cost PMPM (for fixed and variable expenses) is $22.62 for the CHIP program in SFY 2025 as shown in columns (b) and (d) of Exhibit 3.

The margin of 1.8% of revenue is applied in column (e) of Exhibit 3 and premium tax of 3.00% of revenue is applied in column (g) of Exhibit 3 for costs included in the capitation rates.

Step 5: Adjust For CCO-Specific Risk Score

CHIP Risk Adjustment

New in SFY 2025 the CHIP capitation rate will be further adjusted for each CCO using the combined Chronic Illness and Disability Payment System and Medicaid Rx risk adjuster (CDPS + Rx). The CDPS + Rx risk adjuster will be used to adjust for the acuity differences between the enrolled populations of each CCO. Risk adjustment will be budget-neutral to DOM. This risk sharing mechanism is developed in accordance with generally accepted actuarial principles and practices.

To establish these risk scores, the CDPS + Rx risk adjuster will be run with risk weights consistent with services covered in CHIP for the given time period. These risk weights are Mississippi specific developed from a combination of MississippiCAN children and CHIP populations, to increase the population used to develop the model. In the application of the risk adjustment model, a beneficiary must have at least six months of eligibility in the data year to be scored. If a beneficiary does not have enough data, they will receive a score based on demographic information, such as age and gender. We will monitor the percentage of CCO enrollees who are not scored and adjust the methodology if necessary.

Table 9
Mississippi Division of Medicaid
CCO Capitation Rate Risk Adjustment Schedule
SFY 2025 Capitation Payments

Rate Cell	Capitation Payments	Diagnosis Source Data	Enrollment Source
CHIP	July 2024 to December 2024	CY 2023 FFS and Encounter Data with runout through April 2024	June 2024
CHIP	January 2025 to June 2025	SFY 2024 FFS and Encounter Data with runout through April 2024	October 2024

Step 6: Calculate Risk Corridor Settlements

Subject to CMS approval, DOM will implement a symmetrical high-cost pharmacy risk corridor to address the uncertainty around cell and gene therapies (CGTs) and other potential high-cost medications.

High-Cost Pharmacy Risk Corridor

Some CHIP members have conditions requiring very expensive drug treatments. These members are infrequent and not evenly distributed among the CCOs. To help mitigate the CCO's risk, the state is introducing a high-cost pharmacy risk corridor for SFY 2025, subject to CMS approval. The risk corridor is applicable to total drug spend and related costs due to administration and monitoring for specified products of $250,000 or more per year at a member level.

The SFY 2025 CHIP capitation rate does not include any projected costs for CGTs at this time, but the risk corridor will provide protection for the CCOs if any such treatments are provided during SFY 2025.

The capitation rate includes a $0.87 PMPM estimate of the costs that will be covered in the high-cost pharmacy risk corridor specific to the CHIP program. This target is based on estimates of total costs that will exceed the threshold of $250,000 per member, using historical data. The actual costs from the CCOs will be compared to the estimated cost for the settlement calculations.

Table 10 summarizes the share of gains and losses relative to the estimated high-cost pharmacy costs for each party.

Table 10
Mississippi Division of Medicaid
Proposed High-Cost Pharmacy Risk Corridor Parameters

CCO Gain / Loss	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less than -6.0%	0%	100%
-6.0% to -3.0%	50%	50%
-3.0% to +3.0%	100%	0%
+3.0% to +6.0%	50%	50%
Greater than +6.0%	0%	100%

The high-cost pharmacy risk corridor will be implemented using the following provisions:

- Estimated high-cost pharmacy costs are calculated separately for the CHIP program based on the expected mix of high-cost products.
- Actual high-cost pharmacy costs for the CHIP program will include payments made for the following:
  - All drugs billed as medical claims with a HCPCS code that starts with the letter "J."
  - Inpatient stays for the administration and monitoring for select gene therapies and other select products. The estimated pharmacy costs included in the high-cost risk corridor include the following; however, DOM will monitor and revise the list of approved products if additional products are covered by DOM for use during SFY 2025.
    - Lyfgenia
    - Casgevy
    - Zynteglo
- The timing of the risk corridor settlements will occur during the initial and final settlements for the program-wide risk corridor. The high-costs pharmacy risk corridor will be calculated independent of the larger program-wide risk corridor.
  - The initial settlement will occur after the contract year is closed, using six months of runout.

- The final settlement will occur once the MLR audit has been completed. MLR audits are usually completed 12 to 18 months after the close of the SFY.

The 85% minimum MLR provision (Federal MLR definition) in the CCO contract will apply after the risk corridor settlement calculation.

Other Program Considerations

Minimum MLR

The program includes a minimum MLR requirement of 85% of revenue. The sum of medical expenses and HCQI expenses must meet or exceed 85% of revenue. Revenue for premium taxes is excluded from the MLR calculation. If the 85% threshold is not met, CCOs return revenue to DOM until the threshold is met.

Withholds

There are no withholds associated with the CHIP capitation rate.

EXHIBITS 1 THROUGH 10

(Provided in Excel Format Only)

APPENDIX A

Data Processing

APPENDIX A

Encounter Data Processing

A number of data sources are used to develop the base data for the SFY 2025 CHIP capitation rate:

- Medicaid eligibility data
- CCO encounter data
- CCO financial data

CY 2022 encounter data forms the primary base data for the SFY 2025 capitation rate. This section of the report outlines the Medicaid eligibility and CCO encounter data sources and steps to process the data.

ELIGIBILITY

DOM's MMIS vendor provided detailed eligibility data for CY 2022. We relied upon the 'CHP' lock in code for each eligibility span to include individuals enrolled in the CHIP program in the base period.

ENCOUNTER DATA

Encounter claims are included in the data provided by DOM's MMIS vendor. This data represents the actual amounts paid to the provider, so no repricing was done as part of the development of capitation rates. A claim processed by a CCO and submitted to DOM can be identified in the data based on the cde_claim_ffs_enc field. A value of 'E' in this field denotes an encounter claim. Please note, field names may vary from those provided in the encounter data submission from the CCOs.

For all service categories we used CY 2022 encounter data with runout through June 2023.

Only encounter claims for members flagged as a CHIP enrollee in the eligibility data were included in the base data. Encounter claims which failed to be mapped to a CHIP CCO enrollee, were removed.

CCO encounters are rigorously vetted by Myers and Stauffer as part of their reconciliation of encounters against CCOs' cash disbursement journals (CDJs). As part of this reconciliation, Myers and Stauffer identifies encounter claims that are duplicates, voids, or replacements for other encounter claims. Myers and Stauffer shares these findings with CCOs at a claim level to ensure they are accurately determining the final, non-duplicated version of each paid claim. As a result of their analysis, Myers and Stauffer is able to reconcile closely to the CCOs' CDJs (historically within 0.6% on a paid basis). We use summaries provided by Myers and Stauffer to identify final, non-duplicative claims consistent with their CDJ reconciliation.

Lastly, the encounter data is run through Milliman's *Health Cost Guidelines*™ (*HCGs*) grouper to map the encounter data into detailed categories of service. These categories of service are then rolled up into 11 high level categories of service used for rate development. This mapping from detailed category of service to broad category of service is included as Exhibit 2.

After processing the data, we review the encounter data for several considerations, including:

- Monthly encounter counts per member (including and excluding $0 payments)
- Monthly payments per member
- Average cost per unit
- Monthly units and payments by COS
- Quarterly units and payments relative to financials by COS
- Frequency of diagnosis completion by COS

Removal of Pharmacy Benefit Administered Claims

Starting in July 2024, DOM expects to enter into an arrangement with their Pharmacy Benefits Administrator (PBA) in which certain pharmacy claims will be paid through the PBA. While these pharmacy services are not carved-out of managed care, the CCO will not be at risk for these expenses. As such, we identified and removed the associated pharmacy claims from the CY 2022 base data for the purpose of developing SFY 2025 capitation rates. These claims were identified and removed using the follow logic:

- Claim Type equal to "P" or "Q"

APPENDIX A

ENCOUNTER DATA PROCESSING

FINANCIAL REPORTING DATA

For base data development, each CCO submitted a financial report reconciled to their organization's audited CY 2022 financial statements for Mississippi. The report submitted for CY 2022 includes earned premium, claim experience with run out through June 2023, best estimate IBNR claim amounts, subcapitated arrangements, non-service expenses, and membership. The reported membership was close in total to the MMIS enrollment, so we utilized the MMIS enrollment for rate development.

We worked with each CCO to validate that their reports were filled out consistently with the category of service and non-medical definitions used in the capitation rate development. Adjustments were made to the original submissions to help align these definitions.

APPENDIX B

Actuarial Certification of the SFY 2025 CHIP Capitation Rate

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Principal and Consulting Actuary

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December 4, 2024

Mississippi Division of Medicaid
Capitated Contracts Ratesetting
Actuarial Certification
SFY 2025 CHIP Capitation Rates - Update

I, Jill Bruckert, am associated with the firm of Milliman, Inc., am a member of the American Academy of Actuaries, and meet its Qualification Standards for Statements of Actuarial Opinion. I was retained by the Mississippi Division of Medicaid (DOM) to perform an actuarial certification of the Children's Health Insurance Program (CHIP) capitation rates for July 1, 2024 through June 30, 2025 (SFY 2025) for filing with the Centers for Medicare and Medicaid Services (CMS). This certification is an update to the prior certification dated September 6, 2024.

I reviewed the capitation rate development and am familiar with the following regulation and guidance:

- The relevant requirements of 42 CFR §438.3(c), 438.3(e), 438.4, 438.5, 438.6, and 438.7
- CMS "Appendix A, PAHP, PIHP, and MCO Contracts Financial Review Documentation for At-risk Capitated Contracts Ratesetting" dated November 10, 2014
- 2024 to 2025 Medicaid Managed Care Rate Development Guide
- Actuarial Standard of Practice 49

I examined the actuarial assumptions and actuarial methods used in setting the capitation rates for SFY 2025 dated December 4, 2024 and accompanying this certification.

To the best of my information, knowledge, and belief, for the SFY 2025 period, the capitation rates offered by DOM are in compliance with the relevant requirements of 42 CFR 438.4(b). The attached actuarial report describes the capitation rate setting methodology.

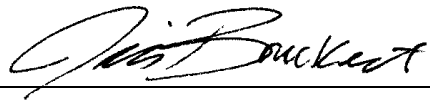
In my opinion, the capitation rates are actuarially sound, as defined in Actuarial Standard of Practice 49, were developed in accordance with generally accepted actuarial principles and practices and are appropriate for the populations to be covered and the services to be furnished under the contract.

In making my opinion, I relied upon the accuracy of the underlying claim and eligibility data records and other information. I did not audit the data and calculations, but did review them for reasonableness and consistency and did not find material defects. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary. The reliance letter from DOM is included in Appendix C.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, whose standards form the basis of this Statement of Opinion.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted coordinated care organization's situation and experience.

This Opinion assumes the reader is familiar with the CHIP program and actuarial rating techniques. The Opinion is intended for the State of Mississippi and the Centers for Medicare and Medicaid Services and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the projection results.



Jill A. Bruckert
Member, American Academy of Actuaries
Principal and Consulting Actuary
December 4, 2024

APPENDIX C

Data Reliance Letter

OFFICE OF THE GOVERNOR
Walter Sillers Building | 550 High Street, Suite 1000 | Jackson, Mississippi 39201

MISSISSIPPI DIVISION OF MEDICAID

November 21, 2024

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.
17335 Golf Parkway, Suite 100
Brookfield, WI 53045

Re: Data Reliance for Actuarial Certification of SFY 2025 CHIP Capitation Rate

Dear Jill:

I, Jennifer Wentworth, Chief of Staff for the Mississippi Division of Medicaid (DOM), hereby affirm that the data prepared and submitted to Milliman, Inc. (Milliman) for the purpose of certifying the CHIP capitation rate was prepared under my direction and, to the best of my knowledge and belief, is accurate, complete, and consistent with the data used to develop the capitation rate. The capitation rate is effective July 1, 2024 to June 30, 2025.

Provided data or information used in the development of the capitation rate includes:

1. Data from DOM's Medicaid Management Information Systems (MMIS) vendor (Gainwell):
    a. Encounter claims through June 2023.
    b. Eligibility through June 2023.
2. Data from DOM's vendor Myers and Stauffer:
    a. Detailed encounter claim status reports, including identification of duplicative or voided claims through December 29, 2023.
3. Supporting documentation provided by DOM:
    a. MLR reports through December 2023.
    b. Estimates of uptake rates of certain gene therapies used to treat Hemophilia A, Hemophilia B, Sickle Cell Disease, Beta-Thalassemia, and Duchene Muscular Dystrophy.
    c. High-cost drug risk corridor parameters for SFY 2025.
    d. Confirmation that Zolgensma will be included in the capitation rate for SFY 2025.

4. Other computer files and clarifying correspondence.

Milliman relied on DOM and their MMIS vendor for the collection and processing of the CCO encounter data. Milliman relied on Myers and Stauffer's review of encounter data for duplicative or voided claims. Milliman relied on the CCOs to provide accurate CY 2022 financial data as certified by each CCO. Milliman did not audit the CCO financial data or the encounter data but did assess the data for reasonableness as documented in the capitation rate report.

Jennifer Wentworth

Name

Chief of Staff

Title

November 21, 2024

Date

For more information about Milliman, please visit us at:

milliman.com

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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Caveats and Limitations
Mississippi Division of Medicaid
READ BEFORE PROCEEDING

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the SFY 2025 CHIP capitation rate. We 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 input to the models. We used CCO encounter data and CCO financial reporting for January 2022 to December 2022 with runout through June 2023, historical and projected reimbursement information, fee schedules, and other information from DOM, CHIP CCOs, Gainwell Technologies, Myers and Stauffer, and CMS to calculate the preliminary CHIP base data shown in this report. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix C for a full list of the data relied upon to develop the SFY 2025 base data.

Differences between the capitation rates and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our exhibits and appendices are intended for the internal use of DOM to review preliminary CHIP capitation rates for SFY 2025. The exhibits and appendices and the models used to develop the values in these exhibits and appendices may not be appropriate for other purposes. We anticipate the exhibits and appendices will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. These capitation rates may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under these rates.

The results of these exhibits and appendices are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Jill Bruckert and Katarina Lorenz are consulting actuaries for Milliman, members 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 their knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

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December 13, 2024

Jennifer Wentworth
Chief of Staff
Mississippi Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201
Sent via email: jennifer.wentworth@medicaid.ms.gov

Re: Wentworth16 - CHIP Capitation Risk Adjustment – Q1 to Q2 2025 Prospective Payments

Dear Jennifer:

Milliman and the Mississippi Division of Medicaid (DOM) developed a capitation rate for CHIP-eligible members for state fiscal year (SFY) 2025, which are documented in a separately provided report.[1] As outlined in that report, starting in SFY 2025 the CHIP population will be risk adjusted to estimate acuity differences between the enrolled populations of each Coordinated Care Organization (CCO).

This letter documents the results and methodology used to develop the budget neutral risk scores effective January 1, 2025 through June 30, 2025 (Q1 to Q2 2025) for each CCO. Additionally, this letter describes how the risk scores should be applied to the capitation rate for SFY 2025.

As described in greater detail below, we develop Q1 to Q2 2025 risk scores using diagnoses from July 2023 to June 2024 (SFY 2024) and the enrollment mix for each CCO as of October 2024.

RESULTS AND COMMENTS

Table 1 shows the member months and budget-neutral risk scores for each CCO covering the CHIP population. Exhibit 1 contains additional detail of the membership and risk scores for each CCO, separately for scored and unscored members. Risk scores for Q1 to Q2 2025 were developed using:

- Diagnosis Period: Medical and drug diagnosis information from encounter claims incurred during SFY 2024 with runout through August 30, 2024. Pharmacy claims data was excluded from this analysis for July to September 2023, given issues with the pharmacy data during that time period.
- Enrollment Period: Demographic and enrollment information from October 2024.

Table 1
Mississippi Division of Medicaid
CHIP Risk Score Summary
Q1 to Q2 2025 Prospective Risk Scores
Based on SFY 2024 Diagnosis Period

CCO	Total Member Months	Budget Neutral Risk Score
Molina	20,424	0.990
United	32,572	1.006

Only CHIP-eligible members enrolled in a CCO during October 2024 were considered in this analysis. Risk scores are assigned to individuals using the following data.

[1] "Report19 - SFY 2025 Preliminary CHIP Rate Calculation and Certification.pdf," dated December 4, 2024.

- Scored Individuals: For individuals with at least six months of eligibility in the diagnosis period, their risk score is developed using both demographic and diagnostic information. In addition, variables based upon utilizer status, housing insecurity indicators, and the length of enrollment during the diagnostic period are included in the risk score calculation.
- Unscored Individuals: For individuals with less than six months of eligibility in the diagnosis period, their risk score is developed solely from demographic information in the enrollment records.

Table 2 shows the percentage of members who are scored in this release and the last release.

Table 2
Mississippi Division of Medicaid
Q1 to Q2 2025 CHIP Risk Scores
Statewide Scored Percentages

	Molina	United	Total
CHIP			
Q3 to Q4 2024	96%	96%	**96%**
Q1 to Q2 2025	95%	96%	**95%**

Risk Score Changes

The last release of risk scores included prospective budget-neutral risk scores for Q3 to Q4 2024. These risk scores were based on June 2024 enrollment and diagnoses from January 2023 through December 2023 with runout through April 26, 2024. Changes in budget-neutral plan risk scores between the Q3 to Q4 2024 risk scores and the Q1 to Q2 2025 risk scores presented in this letter are driven by updated diagnosis information and enrollment changes.

Table 3 shows the statewide budget-neutral risk score change for each CCO relative to the prior release.

Table 3
Mississippi Division of Medicaid
Q1 to Q2 2025 CHIP Risk Scores
Changes in Statewide Budget Neutral Risk Scores
Q3 to Q4 2024 vs. Q1 to Q2 2025

Risk Scores:	**Q3 to Q4 2024**	**Q1 to Q2 2025**	
Enrollment:	**June 2024**	**October 2024**	
Diagnosis Period:	**CY 2023**	**SFY 2024**	**% Change**
Molina	0.990	0.990	0.04%
United	1.006	1.006	0.00%

Exhibit 2 allocates the change in risk scores between the last release and this letter into various components by population.

- Column A: Shows the risk scores provided in the prior risk score deliverable.
- Column B: Updates the risk scores shown in Column A with an additional data runout.
- Column C: Updates the risk scores shown in Column B with an updated diagnosis period.
- Column D: Updates the risk scores shown in Column C with enrollment from October 2024, the snapshot enrollment month chosen to represent enrollment for January to June 2025.

Detailed Prevalence Reports

Exhibit 3 provides a detailed prevalence report supporting each CCO's risk score calculation.

The prevalence reports in Exhibit 3 include the member counts associated with each CCO, the unadjusted plan factor, and the budget-neutral plan factor. Within each prevalence report, the following information can be found for each CCO's population, when applicable:

- Scored Members
  - CDPS + Rx cost weights based on MississippiCAN children and CHIP combined data
  - Count of members falling into each demographic category
  - Count of members falling into each durational category
  - Count of members in the non-utilizer category
  - Count of members assigned to the housing insecurity category
  - Disease category prevalence
  - Count of members not assigned to a CDPS + Rx category
- Unscored Members
  - Demographic only cost weights based on MississippiCAN children and CHIP combined data
  - Count of members falling into each demographic category
- Risk Adjustment Results
  - Calculation of budget neutral risk score for scored and unscored members and in total

Additionally, the detailed prevalence reports include the disease impact rank for each CCO, if applicable. The disease impact rank is a measure of the significance of specific disease conditions in the risk adjustment process and identifies the diseases with the greatest impact on risk scores for scored individuals. The disease impact for each condition is calculated as the product of the associated cost weight and the prevalence of the condition within each population. Conditions are ordered from highest to lowest disease impact to determine the disease impact rank for each condition.

Table 4 shows the top five conditions by disease impact using diagnostic information on a statewide basis across both CCOs. The disease impact ranks vary by CCO and are included in Exhibit 3.

Table 4
Mississippi Division of Medicaid
Q1 to Q2 2025 CHIP Risk Scores
Conditions with the Top Five Disease Impacts
Statewide Results

Rank	CHIP
1	Psychiatric, low
2	Skeletal, very low to medium
3	Pulmonary, low
4	Diabetes, type 1
5	Gastro, low

Member-Level Risk Scores

Text files providing member-level demographic, duration, diagnosis, and other risk score category information have been provided to DOM for distribution with this letter to each CCO.

For each CCO, two extracts are provided:

- The "scored" extract provides detailed demographic, durational, diagnostic, and other risk score category information for each member.
- The "unscored" extract provides only demographic information for each member.

A data dictionary is included with the extracts.

METHODOLOGY

Please refer to the previous letter[2] that describes the custom risk weight model developed for periods after July 2024 for information for on the data, methodology, and prediction metrics associated with the customized risk models used in this analysis.

Exhibits 4A and 4B display the cost weights used for the CHIP population, along with a mapping from the standard CDPS + Rx diagnostic buckets to those used for the CHIP population.

APPLICATION OF RISK SCORES

When applying the risk scores in this letter, the following formula should be used:

CCO Capitation Rate = Base Capitation Rate x CCO Budget Neutral Risk Score

The CCO normalized risk factors are shown on Exhibit 1.

Exhibit 5 provides an illustrative example of how the risk scores documented in this letter should be applied to the base capitation rate as shown in Exhibit 4 of the capitation rate report.

CAVEATS AND LIMITATIONS ON USE

This letter is intended for the internal 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 has developed certain models to estimate the values included in this letter. The intent of the models was to calculate Q1 to Q2 2025 risk scores for this CHIP program. We 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 input to the models. We used CCO encounters from July 2023 to June 2024 with runout through August 30, 2024, along with eligibility data from October 2024 and other information from DOM, CHIP CCOs, and CMS to calculate the risk scores shown in this letter. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

This letter is designed to document the risk scores for Q1 to Q2 2025 for CHIP eligible members. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with our final SFY 2025 capitation rate report.

Differences between the actual costs incurred by members and the costs predicted using the developed risk weights will differ. 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.

We are consulting actuaries for Milliman, members 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 our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

[2] Wentworth15 - July 2024 MSCAN Risk Weight Development.pdf" dated October 31, 2024.

Jennifer, please call us at 262 784 2250 if you have questions.

Sincerely,

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Consulting Actuary

JAB/KNL/zk

Attachments (Provided in Excel)

Caveats and Limitations
Mississippi Division of Medicaid
Q1 to Q2 2025 CHIP Risk Adjustment Exhibits
READ BEFORE PROCEEDING

These exhibits are intended for the internal 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 these exhibits. These exhibits should only be reviewed in their entirety.

Milliman has developed certain models to estimate the values included in these exhibits. The intent of the models was to calculate Q1 to Q2 2025 risk scores for the CHIP program. We 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 input to the models. We used CCO encounters and FFS claims from July 2023 through June 2024 with runout through August 2024 and eligibility data from October 2024 and other information from DOM, CHIP CCOs, and CMS to calculate the risk scores shown in these exhibits. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

These exhibits are designed to document the risk scores for Q1 to Q2 2025 for CHIP eligible members. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with our final SFY 2025 capitation rate report.

Differences between the actual costs incurred by members and the costs predicted using the developed risk weights will differ. 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.

We are Actuaries for Milliman, members 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 our knowledge and belief, these exhibits are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices.

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April 20, 2022

Jennifer Wentworth
Special Projects Admin, Accounting
Mississippi Office of the Governor, Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201

[Sent via email: jennifer.wentworth@medicaid.ms.gov]

Re: Report06 - State Fiscal Year 2023 CHIP Preliminary Rate Calculation and Certification

Dear Jennifer:

The Mississippi Division of Medicaid (DOM) has retained Milliman to develop the state fiscal year SFY 2023 capitation rate for the Children's Health Insurance Program (CHIP) population, effective July 1, 2022 to June 30, 2023. This report documents the preliminary capitation rate for CHIP.

Overall, the preliminary SFY 2023 capitation rate is 6.3% lower than the SFY 2022 capitation rate issued on April 21, 2021.

As of the time of this report, the impact on the capitation rate due to COVID-19 is uncertain for SFY 2023. As such, a risk corridor will be used in SFY 2023 to reflect the uncertainty in the capitation rate due to COVID-19. The risk corridor is described in more detail in Section II. In addition, explicit adjustments for COVID-19 are made in the rate development for the following:

- Except for drug services, no utilization trends were applied from CY 2019 to SFY 2023, as described in greater detail in Section II
- The capitation rate includes dampened emergency service projections which reflect utilization pattern changes observed during the COVID-19 pandemic and expected to persist following the pandemic
- The capitation rate includes provisions for expected vaccination administration fees related to COVID-19 in SFY 2023

Additionally, the SFY 2023 capitation rate uses CY 2019 data as the basis for projections. Under normal circumstances, the SFY 2023 capitation rate would be based on CY 2020 experience. However, given the large changes in member behavior in CY 2020, we do not find this experience to be a credible basis for SFY 2023 projections, as we expect SFY 2023 will be more similar to CY 2019 than to CY 2020. However, CY 2020 and emerging 2021 experience is used to help inform trends and other targeted adjustments, where appropriate.

We will continue to monitor the development of this pandemic and adjust assumptions in the SFY 2023 capitation rate, if appropriate.

DOM is working through any other changes as of a result of HB657 which was signed into law on April 19, 2022. If there are any program or reimbursement changes that have a material impact upon the SFY 2023 capitation rate, we will include these changes once the rate impacts are known.

Please call either of us at 262 784 2250 if you have questions. We look forward to discussing this report with you and the CCOs.

Sincerely,

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Consulting Actuary

JAB/KNL/bl

Attachments

MILLIMAN REPORT

State of Mississippi Division of Medicaid

State Fiscal Year 2023 CHIP Preliminary Rate Calculation and Certification

April 20, 2022

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I. SUMMARY AND DISCUSSION OF RESULTS

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate and document the capitation rate for the Children's Health Insurance Program (CHIP) population effective for state fiscal year (SFY) 2023. This report documents the development of the preliminary capitation rate for the CHIP population. This report is structured as follows:

- Section I includes a high-level overview of the change in the capitation rate relative to the SFY 2022 capitation rate.
- Section II describes the methodology used to develop the SFY 2023 CHIP capitation rate.
- Appendix A contains additional information on the base period data sources and processing.
- Appendix B includes an Actuarial Certification of SFY 2023 CHIP capitation rate.
- Appendix C documents our reliance on DOM for data and other assumptions in the development of the capitation rate.

SELECTION OF BASE DATA

Under normal circumstances, data from CY 2020 would be used as the primary base data for the SFY 2023 capitation rate. Due to the emergence of COVID-19 in 2020, however, the CY 2020 encounter data shows significantly different utilization and cost patterns when compared with prior time periods. We expect claims and member behavior in SFY 2023 to be more similar to prior time periods than to CY 2020, therefore we use CY 2019 data as our primary data source for the SFY 2023 capitation rate.

While CY 2020 encounter data is not the primary data source for the SFY 2023 capitation rate, we use this data and emerging data from CY 2021 to inform assumptions used to develop the SFY 2023 capitation rate, such as trend assumptions or service mix changes expected to persist post-COVID-19. We validated the quality of the CY 2020 encounter data by comparing the data to financial reporting provided by the CCOs, similar to the validation process for the CY 2019 data described in Section III below. Based on our analysis, the CY 2020 encounter data and the CCOs' financial reporting align reasonably well, with the reported financial data being approximately 0.7% higher than the reported encounters.

COVID-19 CONSIDERATIONS IN SFY 2023 RATE DEVELOPMENT

As of the time of this report, the impact on the SFY 2023 capitation rate due to COVID-19 is difficult to predict. As such, a risk corridor will be in effect in SFY 2023 to reflect the uncertainty in the capitation rate due to COVID-19. The risk corridor is described in more detail in Section II.

In addition, explicit adjustments for COVID-19 are made in the rate development for the following, as described in Section II:

- For all categories of service except for drug services, we apply no utilization trend from CY 2019 to SFY 2023. The application of a 0% utilization trend for this 42-month period implicitly assumes that once services return to pre-pandemic levels, they are not anticipated to reflect 42 months of utilization trend relative to CY 2019 levels.
- The capitation rate includes dampened emergency service projections which reflect utilization pattern changes observed during the COVID-19 pandemic and expected to persist following the pandemic.
- The capitation rate includes provisions for expected vaccination administration fees related to COVID-19 in SFY 2023.

The SFY 2023 capitation rate does not include any explicit adjustments for the following:

- COVID-19 Testing and Treatment Cost: The infection rate for COVID-19 in SFY 2023 is dependent on many variables that are difficult to predict, limiting our ability to include an estimate for the cost of testing for and treating individuals with COVID-19. Some of the variables under consideration include, but are not limited to:

  - The take-up rate and timing of COVID-19 vaccinations.
  - The emergence of COVID-19 variants and the efficacy of vaccines upon these variants.
  - The implementation of social distancing measures.

  To our knowledge, there is not a publicly-available model that includes COVID-19 infection rates or hospital admissions through June 2023. In addition, the publicly available models have materially changed short-term and long-term projections of COVID-19 prevalence in reaction to emerging data as different variations of COVID-19 become the main strain of infections. Given the unpredictable patterns of COVID-19 prevalence to date in Mississippi and the changing national models there is a range of potential impacts on the SFY 2023 rate.

  In addition, part of the rationale for not adding future COVID-19 related costs is that flu-related costs have also been dampened during the COVID-19 pandemic relative to the amounts that are included in the CY 2019 base period data. Similar to estimating future COVID-19 related costs, future flu-related costs are also difficult to predict. It is unknown if the dampened infection rates in the 2020 / 2021 and 2021 / 2022 flu seasons (as of the date of this report) will persist after the end of the PHE due to increased population adherence to precautionary measures (such as masking and hand washing), or if a “normal” flu season will return.

- Deferred and Foregone Services: The most significant fiscal impact of COVID-19 to date has been the deferral of non-essential services, either through government-enacted policies, the impact of social distancing on the administration of services, or personal choice to defer services. We have reviewed MississippiCAN emerging data by population type (to remove the impact of membership mix changes). As of September 2021, there was still measurable reductions in claim costs compared to the PMPMs in CY 2019 for some population types. However, it is difficult to use this historical data to project the impact of deferred services for SFY 2023 for many reasons.

  - We observed the change in service utilization has varied as the level of COVID-19 diagnoses and hospital admissions has changed in Mississippi over the course of the pandemic to date. Therefore, a key variable in predicting future service utilization changes relative to pre-pandemic levels is the future prevalence of COVID-19, which as noted above, is unknown.

  - Despite the availability of vaccines and loosening of restrictions in CY 2021, we still have not seen claims return to a pre-pandemic level or the impact of any warehousing of claims.

  - In the MississippiCAN data that we have reviewed it is difficult to isolate the impact of deferred services from changes in utilization due to other drivers, such as change in service mix.

  - The length of the pandemic to date means that some of the routine care services that may have been deferred will be foregone rather than made up at a later time. For example, an individual will not receive two physicals in one year if they missed their prior evaluation.

  - Even if demand for deferred services is higher in SFY 2023, the amount of these services that can be provided is limited by the capacity of the state’s medical infrastructure. Some delayed services may continue to be delayed or never performed if demand exceeds capacity.

- Acuity Changes: No adjustment is currently applied for any changes in membership and resulting population acuity during the PHE. We will monitor enrollment during SFY 2023 and adjust the rate for acuity differences if material population differences are observed.

CAPITATION RATE CHANGE SUMMARY

The per member per month (PMPM) preliminary capitation rate for SFY 2023 is $250.02. As documented in Section II of this report, one statewide rate was selected for SFY 2023 after a review of historical experience by region.

The SFY 2023 CHIP capitation rate is 6.3% lower than the SFY 2022 capitation rate. Table 1 shows a summary of the main drivers of the rate change that make up this change to the capitation rate.

Table 1
Mississippi Division of Medicaid
Summary of SFY 2023 Rate Change by Component

Final SFY 2022 Capitation Rate	**$266.77**
CY 2019 Base Data Restatement	1.002
TPL on CY 2019 Claims	0.997
Restate CY 2019 to SFY 2022 Trends	1.000
Restate CY 2019 to CY 2020 PDL Adjustment	0.998
Other Restated Assumptions	1.000
Restated SFY 2022 Rate	**0.997**
SFY 2022 to SFY 2023 Trend	1.005
CY 2019 Contracting Change Adjustment	0.969
Emergency Services Savings Adjustment	0.974
CY 2021 to CY 2022 PDL Adjustment	0.996
SFY 2022 to SFY 2023 COVID-19 Vaccine Administration Change	0.994
Update Admin	1.003
Preliminary SFY 2023 Rate Change	**0.937**

- The development of the SFY 2023 capitation rate is a ground-up approach where the base data and each assumption is evaluated separate from the SFY 2022 capitation rate. However, for the purposes of explaining the rate change from SFY 2022 to SFY 2023, we isolate the impact of rebasing the data and assumptions that result in a change in the projected SFY 2022 values. Overall, this rebasing decreased the projection of SFY 2022 costs by 0.3% from costs projected in the SFY 2022 capitation rate. This 0.3% decrease contains the following sub-components:
  - CY 2019 claims data developed for SFY 2022 rate setting included runout through April 2020 and an IBNR estimation of additional runout, while restated claims used for SFY 2023 rate setting include runout through August 2021 with no IBNR estimations necessary. This data update, as shown in the "Base Period Data Update" row above, amounted to a rate increase of 0.2% relative to the SFY 2022 rate.
  - We reflected additional runout on collections related to third party liability (TPL) incurred in CY 2019, but not yet reflected in the base encounter data used for rate setting. This amounted to a 0.3% reduction to the SFY 2023 rate relative to the SFY 2022 rate.
  - Trends assumptions from CY 2019 to SFY 2022 were restated based upon more recent experience with a negligible net impact on the CHIP capitation rate.
  - Milliman restated the impact of PDL changes effective January 1, 2020. This resulted in an additional 0.2% reduction to the SFY 2023 rate relative to the SFY 2022 rate.
  - Various other assumptions were restated using updated CY 2019 claim data. These restated assumptions had a negligible impact on the SFY 2023 capitation rate.
- Claim costs were increased approximately 0.5% for anticipated utilization and provider reimbursement increases from SFY 2022 to SFY 2023.
- During CY 2019, one CCO exited the CHIP program and was replaced by another CCO. The latter CCO showed consistently lower CHIP medical expenditures than the former CCO, and thus, we applied a contracting change factor to reprice CY 2019 CHIP claims from the former CCO to the levels observed by the latter CCO. Overall, this contracting change reduced the capitation rate by approximately 3.1%.
- CHIP has seen a decrease in the utilization of emergency services since the beginning of the COVID-19 pandemic. Milliman projects that this shifted member behavior will persist into SFY 2023, and has thus, projected a decrease to emergency service utilization relative to CY 2019 levels. This results in a 2.6% decrease to the capitation rate.

- Preferred drug list (PDL) updates effective January 1, 2022 are estimated to decrease gross pharmacy costs prior to DOM rebate collection by approximately 2.7% resulting in an overall 0.4% decrease to the capitation rate.
- CHIP CCOs will be responsible for expenses related to the administration of the COVID-19 vaccine. As described in greater detail below, Milliman revised the estimate of these vaccine administration expenses from SFY 2022 to SFY 2023. SFY 2023 vaccine administration expense estimates totaled $0.56 PMPM, down from $2.11 in the SFY 2022 rate, resulting in an overall 0.6% decrease to the capitation rate.
- Changes to administrative expenses on a PMPM basis result in an increase to the rate of approximately 0.3%, based upon CCO reported CHIP administrative expenses for CY 2019 trended to SFY 2023. Fixed administrative expenses increased from $7.19 PMPM in the SFY 2022 rate to $7.40 PMPM in the SFY 2023 rate, and variable administrative expenses increased from 6.29% in the SFY 2022 rate to 6.91% in the SFY 2023 rate.

DATA RELIANCE AND IMPORTANT CAVEATS

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the SFY 2023 capitation rate. We 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 input to the models. We used CCO encounter data and CCO financial reporting from January 2018 to September 2021 with runout through November 2021, FFS cost and eligibility data from January 2017 to December 2018, historical and projected reimbursement information, TPL recoveries, fee schedules, pharmacy and dispensing fee pricing, and other information from DOM, CHIP CCOs, Myers and Stauffer, Change Healthcare, and CMS to calculate the preliminary CHIP capitation rate shown in this report. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix A for a full list of the data relied upon to develop the SFY 2023 capitation rate.

Differences between the capitation rate and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our report is intended for the internal use of DOM to review the preliminary CHIP capitation rate for SFY 2023. The report and the models used to develop the values in this report may not be appropriate for other purposes. We anticipate the report will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. This capitation rate may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under this rate.

The results of this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

The authors of this report are actuaries employed by Milliman, members 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 their knowledge and belief, this report 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 December 1, 2021, apply to this report and its use.

II. DEVELOPMENT OF CAPITATION RATE

This section of the report describes the development of the preliminary SFY 2023 CHIP capitation rate.

METHODOLOGY OVERVIEW

The methodology used to calculate the capitation rate can be outlined in the following steps:

1. Summarize financial reporting and encounter data for CY 2019 CHIP enrollees.
2. Trend CY 2019 adjusted experience to SFY 2023.
3. Apply adjustments for program changes.
4. Provide an allowance for non-service expenses.
5. Calculate risk corridor settlements.

Each of the above steps is described in detail below.

Step 1: Summarize Financial Reporting and Encounter Data for CY 2019 CHIP Enrollees

MEMBERSHIP

Member months by region in CY 2019 were summarized from the detailed CHIP eligibility data. These enrollment counts were validated against enrollment information provided by the CCOs. In total, the enrollment in the eligibility files is within 0.03% of enrollment as reported by the CCOs.

Row (a) of Exhibit 1 includes the CY 2019 member months included in base data development.

CLAIM DATA

The encounter data expenditures for all CCOs is combined to summarize CY 2019 claim experience for CHIP enrollees. Row (b) of Exhibit 1 includes the CY 2019 total claim costs from the encounter data. Row (c) converts the total costs to a PMPM basis. Claim data is summarized with runout through August 2021.

All experience used to develop the base period data for the SFY 2023 capitation rate is on a net basis, excluding any member cost sharing, which varies by the income eligibility of the enrolled child's family.

- No copayments are charged to enrolled children in families with an annual income up to 150% FPL
- Enrolled children in families with an annual income above 150% of the FPL are charged the following copayments:
  - Outpatient Health Care Professional Visit, $5.00
  - Emergency Room Visit, $15.00
- Annual out-of-pocket maximums for the following are in place:
  - Families with annual income from 151% to 175% FPL shall pay no more than $800
  - Families with annual income above 175% FPL shall pay no more than $950

As part of the financial templates, each CCO provided membership and claims separately for children in three populations:

- FPL 134% to 150%
- FPL 151% to 175%
- FPL 176% and up

The difference in the reported claims for CY 2019 on a PMPM basis by population was less than 2%. Therefore, given the reduced credibility of developing rate cells at the FPL group and the small variance in experience we did not develop separate rate cells for each of these populations.

Exhibit 7 contains databooks summarizing the total paid amounts and paid PMPMs in the encounter data for CY 2018 and CY 2019. CY 2018 data is not directly used for rate development, but is included for informational purposes.

Data Collection and Validation

DOM and Milliman go through extensive data validation processes to review CCO submitted encounter data. DOM regularly monitors encounter claims compared to cash disbursement journals (CDJs) to ensure the timeliness and completeness of submitted encounters and works with Myers and Stauffer to identify the correct original or final claim to keep in each claim string. Milliman relied on this claim status identification process to remove duplicates and identify denied claims that are anticipated to be resubmitted and accepted, as described in Appendix A.

As part of rate development, Milliman requests financial reporting data from each CCO. A new contract for CHIP CCOs began in November 2019 with a new CCO entering the program and one CCO exiting the program. Therefore, for CY 2019 we collected data from three CCOs. This financial reporting data is reconciled to each CCO's 2019 audited NAIC financial statement. After several rounds of questions to clarify, adjust, and confirm understanding of the reported financial information, Milliman compared the encounter data to the financial reporting data, together for paid claims and subcapitated claims. This comparison excludes estimates for incurred but not reported (IBNR) claims and adjusts for expanded benefits, pharmacy rebates, and any other claims that were identified as missing from the processed encounter data. The following items were noted:

- Overall, the paid amounts in the encounters reconcile much better to the paid amounts shown in the CCO financial reporting for the CHIP population than in prior years. Encounter data is within 0.01% of financial data.

- At a category of service and rate cell level, there is a greater variance between encounter data and financial reporting due to inconsistencies in allocations between the CCOs in the financial reporting. Therefore, we grouped the encounter data consistently for all CCOs using the Milliman *Health Cost Guidelines*™ *(HCGs)* grouper to use the encounter data as the base data.

To align the financial templates and encounter data on a comparable basis we performed this reconciliation exercise using CY 2019 data with runout through April 2020. We did not update this validation from the analysis performed for the SFY 2022 capitation rate. Please refer to the SFY 2022 capitation rate report[1] for more detail on this analysis. The results of this analysis showed that encounter data was 0.01% lower than the financial data across all categories of services. Given the minimal difference between encounter data and financial data in total, we do not apply any adjustment to the encounter data to reflect differences between the data sources.

Non-Covered Services

The value of expanded services offered to plan members that were not CHIP covered services during the base data period are excluded from the base data. In CY 2019, these services are non-emergency transportation services offered by one CCO. The costs of expanded services were excluded from paid claims in CCO financial reporting. These services are equivalent to approximately 0.02% of total reported CHIP CY 2019 service costs. Corresponding amounts were removed from the encounter data, as reported at regional level by the impacted CCO.

This adjustment is shown in Exhibit 1 in row (d).

Third Party Liability Recoveries

The CCOs provided Milliman with a summary of recoveries for TPL payments related to claims incurred from CY 2018 through CY 2020. Using CY 2018 data, Milliman calculated the portion of total CY 2018 TPL recoveries recovered after the end of CY 2018. We used this information in conjunction with TPL recoveries for claims incurred in CY 2019 and recovered through April 2021 to estimate CY 2019 recoveries not reflected in CY 2019 base data. DOM assumes these outstanding TPL recoveries will reduce ultimate CY 2019 CCO paid totals.

We removed the TPL amounts as a percentage of total paid claims across all categories of service from the CY 2019 base data. These TPL recoveries amounted to a 0.3% reduction to CY 2019 base data.

This adjustment is shown in Exhibit 1 in row (e).

[1] "Report09 - SFY 2022 Preliminary CHIP Capitation Rates.pdf" Dated April 21, 2021

Drug Services Rebate Adjustment

An adjustment was made to pharmacy claims to reflect the average rebate collected by the CCOs in CY 2019 and not reflected in the paid pharmacy data. Rebate costs were summarized from the financial reporting and removed from the paid pharmacy claims. Rebates totaled approximately $1.4 million, or 5.4% of adjusted pharmacy costs.

This adjustment is shown in Exhibit 1 in row (f).

Provider Reimbursement Adjustment

An adjustment was made to physician claims to reflect the total provider settlements collected by CCOs in CY 2019 and not reflected in the encounter data. These costs were converted to a percentage of base period physician costs and allocated across regions. These adjustments totaled approximately $0.15 million in reduced CY 2019 physician expenses.

This adjustment is shown in Exhibit 1 in row (g).

IBNR Adjustment

CY 2019 base data includes over 18 months of runout through August 2021. Based on historical payment patterns we consider the base data to be complete and apply no IBNR adjustment.

The IBNR adjustment is shown in Exhibit 1 in row (h).

Missing Data Adjustment

A separate adjustment was made to account for payments made by the CCOs that are not yet submitted to the encounter system or were denied due to a known issue with edits in the MMIS system. These claim amounts are not included in the detailed encounter data after the processing outlined in Appendix A.

Each CCO provided separate financial reporting and claim extracts to support and validate the amounts reported for claims not appearing in encounters. Milliman also performed a detailed review of the extracts to line the data up against the encounter data and remove any claims already included in the processed encounter data. The detailed claims extracts provided by the CCOs included splits by region and rate cell, which were used to allocate missing data on Exhibit 1.

Overall, the base data is increased 0.7% on a PMPM basis for missing data. The aggregate adjustment for all missing data described above is shown in Exhibit 1 in row (i).

FINAL PMPM BASE PERIOD COSTS

Total 2019 base period PMPM costs are shown in Exhibit 1 row (j).

Step 2: Trend CY 2019 Adjusted Experience to SFY 2023

Starting with the base data developed in Step 1, we apply trend adjustments to project the base period to SFY 2023. Below, we describe each trend adjustment shown on Exhibit 2. The adjustments for non-pharmacy and pharmacy services are developed using differing methodologies, and therefore, described separately in this section.

Non-Pharmacy Trend Overview

Our general approach to trend development for non-pharmacy categories of service is to consider expected changes in provider reimbursement along with historical PMPM trend values. We then develop utilization / service mix trends that produce targeted PMPM trends. We confirm the reasonability of the utilization trends against experience and assumptions from similar programs in other states. We utilize this approach because it is frequently difficult to directly measure changes in utilization for services, other than inpatient hospital and pharmacy over time, due to differences in counting utilization “units.”

The following data sources were used to develop the trend assumptions:

- Encounter data and financial reporting experience for CHIP members to analyze PMPM and utilization trends by major service categories from CY 2017 through CY 2019. While we reviewed CY 2020 experience and Q1 through Q3 2021 experience, it was not directly used to select the trend assumptions applied for a portion of the projection period from CY 2019 to SFY 2023.
- Exhibit 5A includes a historical trend summary for the CHIP program from CY 2017 through CY 2020. This data has been normalized for the following to put it on a consistent basis across time:
  - IBNR from the financial templates was added to the encounter data to review PMPM trends on a completed basis.
  - Estimates of the impact of the following material program or reimbursement changes were removed for the applicable time periods. These changes are accounted for in separate adjustments in this report and, therefore, should not be included in data analyzed for trends.
    - PDL changes
    - Provider settlements
  - Encounter data compared to the financial data for CHIP varies across time periods. Therefore, a high-level adjustment was applied to reflect the estimated difference between encounter data and financial data by calendar year (scaling encounters to financial data).
  - As shown in Table 2, the annualized PMPM trends on a normalized basis for the CHIP program averaged 1.0% from CY 2017 to CY 2019 prior to the beginning of the COVID-19 pandemic:

Table 2
Mississippi Division of Medicaid
CHIP Annualized PMPM Trends
January 2017 to December 2019

Category of Service	CY 2017 to CY 2018	CY 2018 to CY 2019
Inpatient Hospital	-3.9%	0.3%
Outpatient Hospital	-4.9%	4.3%
Physician	1.0%	4.6%
Dental	0.0%	2.6%
Other	7.1%	17.0%
Non-Pharmacy Total	**-1.8%**	**3.9%**

- Exhibit 5A includes the aggregate experience across all three CCOs that have provided CHIP services over the time period shown. As previously noted, a new contract for the CHIP program began in November 2019, with one incumbent CCO staying in the program and the second CCO being replaced by a new CCO. We reviewed the equivalent of Exhibit 5A for the continuing CCO to select trend assumptions. This CCO had lower trends than the program average trends shown in Exhibit 5A. In addition, we reviewed the emerging experience for the new CCO relative to the continuing CCO and observed their experience was more in line with the continuing CCO rather than the CCO that exited the program. Therefore, we feel comfortable using trend rates which are slightly lower than those shown in the aggregate version of Exhibit 5A.
- Experience from similar programs in other states.

In addition, we carefully reviewed CY 2020 and emerging Q1 to Q3 2021 experience to understand to what level services have returned to pre-pandemic levels. We adjusted the emerging experience for the following:

- Similar to the values shown in Exhibit 5 and Table 2 we normalized for material program changes.

- We applied high level IBNR adjustment factors to the 2021 based on IBNR submitted by the CCOs in the 2021 emerging experience financial template to account for the fact that 2021 data is not complete (particularly Q3 2021).
- To remove the impact of seasonality we compared experience from 2019 to 2021 for similar calendar quarters.
- We removed emergency room and pharmacy services. We address emerging trends for each of these types of services separately, as outlined later in this section.

As shown in Table 3 CHIP PMPMs have not yet returned to pre-pandemic levels. Due to the continued dampened costs relative to where emerging 2021 experience would be expected to be given normal pre-pandemic trends, we are applying 0% trend for the full 42-month period between the mid-point of the base period, July 1, 2019, and the mid-point of the rating period, January 1, 2023.

Table 3
Mississippi Division of Medicaid
Recent Experience Excluding Emergency Room and Pharmacy

PMPM Costs[1]				Annualized Trends	
Q2 2019	Q3 2019	Q2 2021	Q3 2021	Q2 2019 to Q2 2021	Q3 2019 to Q3 2021
$151.20	$162.38	$138.03	$147.24	-4.5%	-4.8%

[1] PMPM costs reflect encounter data with runout through October 2021, completed using IBNR reported in CCO financial reporting.

Utilization and unit charge adjustments are shown in rows (c) and (d), respectively, on Exhibit 2.

Contracting Change Adjustment

In November 2019, one CCO exited the CHIP program (the "former CCO") and another CCO began enrolling CHIP members (the "new CCO"). The new CCO has shown consistently lower CHIP medical expenditures than the former CCO, and thus we applied a contracting change factor to reprice CY 2019 CHIP claims from the former CCO to the levels observed by the new CCO.

To identify potential cost differences between the former and new CCOs, we could not directly compare costs for the same time period since the two CCOs did not simultaneously participate in the CHIP program for any period. In addition, we could not perform a study that directly compared costs for members that were transitioned from the former CCO to the new CCO due limited data after the transition available prior to the beginning of the COVID-19 pandemic. Instead, for the time periods during which each CCO participated in the CHIP program, we benchmarked the costs for that CCO against a third CCO (the "continuing CCO") who enrolled CHIP members for the entire time period.

From January 2017 to October 2019, we analyzed the monthly CHIP costs for the former CCO against the continuing CCO. This analysis showed that the former CCO had costs that were, on average, 2.69% greater than the continuing CCO on a PMPM basis, as shown by step a in Table 4 below. From March 2020 to October 2021, we analyzed the monthly CHIP costs for both the new and continuing CCOs. This analysis showed that the new CCO's costs were, on average, 7.17% lower than the continuing CCO costs on a PMPM basis, as shown by step b in Table 4 below. We thus concluded that the new CCO's costs were, on average, 9.60% lower than the former CCO's costs on a PMPM basis. Please note, we excluded November 2019 through February 2020 from this analysis as the new CCO's enrollment and data processing were still stabilizing following the CCO transition.

We used this analysis to reprice the portion of CY 2019 claims incurred by the former CCO to the amount we anticipate they would cost if those members were instead enrolled in the new CCO. As shown by Table 4 below, this repricing resulted in an overall 3.5% reduction to CY 2019 CHIP expenditures.

Table 4 Mississippi Division of Medicaid CHIP Contracting Change		
		Average Monthly PMPM Relativity
a	**Former / Continuing[1]**	102.69%
b	**New / Continuing[2]**	92.83%
c = b / a	**New / Former**	90.40%
		2019 CHIP Medical Costs
d	**Former**	$46,198,038
e	**New + Continuing**	$80,632,491
f = d + e	**Total[3]**	$126,830,529
		Scaled Medical Costs
g = c × d	**Former**	$41,764,630
h = e	**New + Continuing**	$80,632,491
i = g + h	**Total**	$122,397,121
		Contracting Change Factor
j = i / f	**Total**	0.965

[1] Calculated as the average ratio of the former CCO CHIP medical costs PMPM over the continuing CCO CHIP medical costs PMPM from January 2017 to October 2019.
[2] Calculated as the average ratio of the new CCO CHIP medical costs PMPM over the continuing CCO CHIP medical costs PMPM from March 2020 to October 2021.
[3] See Exhibit 1 Row (b).

This adjustment is shown in row (e) on Exhibit 2.

Emergency Services Savings Adjustment

Milliman has identified persistently dampened emergency service utilization since the beginning of the COVID-19 pandemic, as shown by Table 5.

Table 5 Mississippi Division of Medicaid Recent Emergency Room Experience					
PMPM Costs[1]				**Total Change**	
Q2 2019	**Q3 2019**	**Q2 2021**	**Q3 2021**	**Q2 2019 to Q2 2021**	**Q3 2019 to Q3 2021**
$25.85	$24.98	$15.93	$16.10	-38.4%	-35.5%

[1] PMPM costs reflect encounter data with runout through October 2021, completed using IBNR reported in CCO financial reporting.

We expect this shift in member behavior to persist into SFY 2023, as it has not returned to pre-pandemic levels at the same rate as other categories of service. In addition, one of the two CCOs has implemented review protocols to ensure that the correct level of care was coded for emergency room visits. If the level of care coded was higher than warranted by the services, the CCO has been working with the providers to adjust to the appropriate level prior to reimbursing the claim. Therefore, we project decreases to emergency service utilization relative to CY 2019 levels by 25%.

Milliman identified the proportion of CY 2019 claims classified as “Emergency Room” or “ER Visits and Observation Care” as shown by Exhibit 7. We then dampened total outpatient and physician service costs based on the proportion of total CY 2019 claims in these categories.

This adjustment is shown in row (e) on Exhibit 2.

Prescription Drugs Utilization and Unit Cost Trends

We developed pharmacy trends using the following sources:

- ***MississippiCAN-Specific Data*** – We analyzed October 2018 to September 2021 pharmacy experience for the MississippiCAN children population and developed utilization and cost summaries by brand and generic drug types for the 25 top therapeutic classes for non-specialty prescriptions, and the 25 top therapeutic classes for specialty prescriptions. We developed cost projections for CY 2019 to SFY 2023 using those summaries, giving consideration for script utilization per 1,000 increases and average script cost increases for brand, generic, and specialty drugs.

  Considerations were made when reviewing prescription drug experience for the estimated impacts of changes in annual updates to the state's uniform PDL.

- ***CHIP Pharmacy Data*** – Given CHIP has a less-credible base to develop detailed pharmacy trend assumptions we used the pharmacy trends developed from the MississippiCAN children population. We validated that the selected trends for the MississippiCAN children population were reasonable to use for the CHIP population by reviewing the therapeutic class distribution of pharmacy costs compared to the MississippiCAN children population.

- ***Industry Research*** – We reviewed recent drug trend reports from PBMs to benchmark the prospective list price and utilization trends used in our detailed modeling of MississippiCAN-specific data. Additionally, we compared the nationwide trends in these PBM reports to recent trends in the MississippiCAN program by calculating the state-specific NADAC trends. These state-specific NADAC trends were estimated by creating a market basket of products from recent MississippiCAN drug encounters. Historical NADAC prices were applied to this fixed market basket to determine the historical unit cost trends for the MississippiCAN program.

- ***FDA Drug Approvals*** – When developing prospective drug trends, we consider the FDA approval of various new therapies. Some of the therapies we expect to have higher frequency and / or cost include:

  - Rethymic®
  - Cibinqo®
  - Voxzogo®
  - Ciltacabtagene autoleucel
  - Palovarotene
  - Filsuvez®
  - Balstilimab
  - Omidenepag
  - Penpulimab
  - Leqvio®
  - Somatrogon
  - Livmarli™
  - Tivdak™
  - Exkivity™
  - Skytrofa™
  - Comirnaty®
  - Nexviazyme™
  - Bylvay™
  - Vaxneuvance™

  However, building explicit additional trend into the capitation rate for these products is difficult due to a lack of information on expected pricing and uptake among the various populations. Therefore, we build in modest additional trend to reflect the addition of new approvals for each population. We note, the historical experience reviewed in trend development also reflects the impact of FDA approvals that were new during those periods.

Based on our analyses, we estimate annualized utilization and unit cost trends from CY 2019 to SFY 2023 shown in Table 6. The utilization trends shown in Table 6 include the indirect impact of the change in mix of products due to pure utilization trends.

Table 6 Mississippi Division of Medicaid Pharmacy Trends for CY 2019 to SFY 2023	
Annualized Unit Cost Trends	0.84%
Annualized Utilization Trend	1.99%

When developing prospective drug trends, no consideration was given for brand to generic shifts. These shifts are reflected separately as a change in the state PDL.

Zolgensma will be carved out of the capitation rate for SFY 2023. The CCOs will be reimbursed outside of the capitation rate for costs associated with administering Zolgensma to approved members. Therefore, no adjustment was made to pharmacy utilization or cost / script trends for anticipated Zolgensma utilization in SFY 2023.

Rows (c) and (d) in Exhibit 2 includes the trend adjustments for the pharmacy services.

Step 3: Apply Program Change Adjustments

For SFY 2023, there are three material program changes expected for CHIP relative to the base period of CY 2019.

Preferred Drug List Revisions

Major updates are made to the state PDL annually and take effect on January 1 of each year. We estimated the impact of these changes using detailed modeling provided by Change Healthcare, who is contracted by DOM to regularly update and maintain the state PDL. In our reliance on the PDL modeling performed by Change Healthcare we reviewed the output of the models for reasonableness but did not audit their analyses.

The modeling provided by Change Healthcare included drug-level analyses of expected utilization shifts and resulting changes to pharmacy expenditures on a gross of rebate basis. This modeling uses data from both FFS and MississippiCAN populations, so we cannot directly use the output for rate development. Therefore, we applied the change in gross costs on a percentage basis by therapeutic class to CHIP encounter data to develop program-specific impacts of PDL revisions. Separate PDL adjustments were developed for each population to account for the different mix of drugs used for each group.

Table 7 shows the estimated impact of PDL revisions. The CY 2019 to CY 2020 PDL changes shown below include the impact of significant May 2020 PDL changes in addition to January 2020 PDL changes. The full adjustment applied is a combination of the PDL changes from CY 2019 to SFY 2023.

Table 7 Mississippi Division of Medicaid PDL Adjustment			
	2019 to 2020	**2020 to 2021**	**2021 to 2022**
CHIP	0.950	1.007	0.973

Relative to prior years, PDL changes effective January 1, 2022 only impacted five therapeutic classes. Table 8 displays all five classes and outlines the shifting assumptions modeled by Change Healthcare for each class.

Table 8
Mississippi Division of Medicaid
January 2021 PDL Adjustments

Therapeutic Class	Utilization Shifts From	Utilization Shifts To	Modeled Shift	Estimated Increase (Decrease) in Gross Costs	% of Total PDL Change
BRONCHODILATORS - BETA AGONISTS	ALBUTEROL HFA	PROAIR RESPICLICK	70%	41.0%	85.7%
	ALBUTEROL HFA	VENTOLIN HFA			
GLUCOCORTICOIDS - INHALED	FLUTICASONE-SALMETEROL DISKUS	ADVAIR DISKUS	70%	34.4%	25.2%
CYTOKINE MODULATORS - PSA	COSENTYX	TALTZ	50%	1.8%	6.6%
MOVEMENT DISORDER	TETRABENAZINE	AUSTEDO	20%	1.1%	3.2%
STIMULANTS AND RELATED AGENTS	APTENSIO XR	MPH ER 24	50%	(3.6%)	-20.7%
	APTENSIO XR	MPH CD			
	APTENSIO XR	MPH LA			

The shifting assumptions developed by Change Healthcare are meant to reflect the best estimate for how utilization will shift as certain products change preferred status effective January 1, 2022, recognizing that a full shift will not happen immediately. The estimated change in gross cost assumes the ultimate modeled shift shown in Table 7 is achieved two quarters after the PDL changes take effect.

The adjustment for PDL revisions is shown in row (f) of Exhibit 2.

Emergency Ambulance Payment Increase

Effective July 1, 2020, DOM is increasing reimbursement for emergency transportation services. This increase will reimburse these services at 100% of the Medicare fee schedule, while these services were historically reimbursed at 70% of Medicare. We estimated the impact of this reimbursement change in SFY 2023 by applying the reimbursement change to emergency transportation services in the encounter data in CY 2019.

The adjustment to increase reimbursement for emergency transportation services is shown in row (g) in Exhibit 2.

COVID-19 Vaccine Administration Expenses

Per CMS guidance, the cost of the COVID-19 vaccine for Medicaid recipients will be fully reimbursed by the federal government, and, thus, the CCOs will not be at risk for these costs. However, the CCOs will be responsible for expenses related to the administration of the COVID-19 vaccine. Consistent with DOM's provider bulletin issued on March 15, 2021, these expenses are set equal to the Mississippi adjusted Medicare rate of $35.87 for each vaccine dose.

To determine the count of members projected to receive a COVID-19 vaccination in SFY 2023, Milliman calculated the following, as shown by Exhibit 6:

- Starting vaccination rates within the CHIP population. This was calculated as of December 1 using a list of vaccinated members provided by DOM.
- The percentage of Mississippians vaccinated as of early February 2022 using publicly available information accessed from Mississippi's Department of Health (DOH) website.
- The additional vaccinations needed for CHIP vaccination rates to increase to statewide vaccination rates.
- Average doses per non-booster vaccination. Current CDC guidance recommends two dose vaccinations, so we assume two doses per vaccination.

- The percentage of vaccinated members who receive booster shots. Based on the same DOH data source noted above, Milliman determined that approximately 25% of vaccinated Mississippians eligible for a booster shot had also received a booster shot. Thus, for SFY 2023, we projected that 25% of all projected vaccinated members will also receive booster shots.

- Average doses per booster vaccination. We assume booster shots would be obtained twice yearly, and thus, assume two booster shots per member receiving a booster shot.

- Queries of MississippiCAN and CHIP data has shown almost no expenses related to vaccine administration in CY 2021. We project that third parties will continue to incur much of the vaccine administration expenses in SFY 2023, and thus assume that 50% of vaccine administration expenses for CHIP members will be paid by entities other than CHIP CCOs.

Exhibit 6A shows the development of SFY 2023 vaccine administration costs PMPM. Exhibit 6B details the statewide Mississippi data used to develop target assumptions, as noted above.

Given the uncertainty surrounding COVID-19 vaccine availability and uptake rates, Milliman and DOM will monitor vaccination rates and adjust the methodology if necessary.

The COVID-19 vaccine administration expenses are shown in row (h) in Exhibit 2.

Step 4: Provide an Allowance for CCO Non-Service Expenses

Administrative Expenses, Premium Tax, and Targeted Margin

The administrative allowance included in the capitation rate is intended to cover the following costs:

- Case management
- Utilization management
- Claim processing and other IT functions
- Customer service
- Provider contracting and credentialing
- Third party liability and program integrity
- Member grievances and appeals
- Financial and other program reporting
- Local overhead costs
- Corporate overhead and business functions (e.g., legal, executive, human resources)

The non-service expense allowance for the SFY 2023 capitation rate is comprised of a flat PMPM for fixed administrative costs and a percentage of revenue for variable administrative costs. We also included explicit adjustments of 1.80% of revenue for target margin and 3.00% for the Mississippi premium tax, for a total non-service expense allowance of 14.67%. Table 9 displays the allowance included in the CHIP rate for non-service expenses.

Table 9
Mississippi Division of Medicaid
Non-Service Expenses

	% of Revenue	PMPM
Fixed Costs[1]	2.96%	**$7.40**
Variable Costs[2]	**6.91%**	$17.28
Premium Tax[2]	**3.00%**	$7.50
Margin[2]	**1.80%**	$4.50
Total	14.67%	$36.68

[1] Included in the rate as a PMPM, equivalent % of revenue shown.
[2] Included in the rate as a % of revenue, equivalent PMPM is shown.

The administrative expense allowance for SFY 2023 was developed by trending the fixed and variable allowances from the SFY 2022 capitation rate (on a PMPM basis) by 3.0%. The 3.0% trend is based on a review of employment cost index (ECI) data and reflects expected changes in wages and other services that comprise a majority of administrative costs. We reviewed the CY 2020 administrative cost data submitted by the CCOs which also supports a trend of roughly 3.0% compared to the CY 2019 costs underlying the SFY 2022 capitation rate.

The adjusted administrative costs, excluding taxes and fees, were then compared to the national benchmarks released by the Sherlock Company and Milliman's annual analysis of administrative costs for Medicaid managed care plans.

Step 5: Calculate Risk Corridor Settlements

Subject to CMS approval, DOM will implement a symmetrical 2% risk corridor to address the uncertainty of medical costs given the COVID-19 pandemic. The risk corridor will cover the entire SFY 2023 time period.

The capitation rate in this report reflects a target medical loss ratio (MLR), which measures the projected medical service costs as a percentage of the total capitation rate paid to the CCOs. The risk corridor would limit CCO gains and losses if the actual MLR is different than the target MLR. Table 10 summarizes the share of gains and losses relative to the target MLR for each party.

Table 10
Mississippi Division of Medicaid
Proposed Risk Corridor Parameters

MLR Claims Corridor	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less thanTarget MLR -2.0%	0%	100%
Target MLR -2.0% to Target MLR +2.0%	100%	0%
Greater than Target MLR +2.0%	0%	100%

For the purposes of the SFY 2023 risk corridor, a different definition of MLR will be used than the Federal MLR definition. The last column of Exhibit 3 illustrates the calculation of the target MLR for each CCO. The final target MLR will not vary by CCO.

The risk corridor will be implemented using the following provisions:

- Actual and target MLRs will be calculated separately for each CCO based on their actual enrollment mix.
- The numerator of each CCO's actual MLR will include state plan covered services incurred during the period of SFY 2023 with payments made to providers as defined in Exhibit C of the CCO Contract, including fee for-service payments, subcapitation payments, and settlement payments. Non-covered services will be removed from the numerator.
- Adjustments to revenue and claims resulting from the MLR audit will be incorporated into the calculation of each CCO's actual MLR.

The risk corridor settlement will occur after the contract year is closed, using six months of runout. An initial calculation will occur, but the final calculation will occur once the MLR audit has been completed. MLR audits are usually completed 12 to 18 months after the close of the SFY.

Other Program Considerations

Minimum MLR

The program includes a minimum MLR requirement of 85% of revenue. The sum of medical expenses and HCQI expenses must meet or exceed 85% of revenue. Revenue for premium taxes is excluded from the MLR calculation. If the 85% threshold is not met, CCOs return revenue to DOM until the threshold is met. Due to the implementation of a 2% risk corridor for SFY 2023, the minimum MLR will be greater than 85% and not trigger any additional payments as of a result of this provision.

Withholds

There are no withholds associated with the CHIP capitation rate.

Risk Adjustment

The SFY 2023 CHIP capitation rate will not be risk adjusted.

EXHIBITS 1 THROUGH 7

(Provided in Excel Format Only)

APPENDIX A

Data Processing

This report assumes the reader is familiar with the State of Mississippi's CHIP program, its benefits, and rate setting principles. The report was prepared solely to provide assistance to DOM to set SFY 2023 capitation rate for the CHIP program. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

APPENDIX A
ENCOUNTER DATA PROCESSING

A number of data sources are used to develop the base data for the SFY 2023 CHIP capitation rate.

- Medicaid eligibility data
- CCO encounter data
- CCO financial data

CY 2019 encounter data forms the primary base data for the SFY 2023 capitation rate. This section of the report outlines the Medicaid eligibility and CCO encounter data sources and steps to process the data.

For the SFY 2023 CHIP rate the CY 2019 data was restated using the most recent available eligibility and claims data compared to the CY 20199 data used in the development of SFY 2022 CHIP rate.

ELIGIBILITY

DOM's MMIS vendor provided detailed eligibility data for CY 2019. We relied upon the 'CHP' lock in code for each eligibility span to include individuals enrolled in the CHIP program in the base period.

ENCOUNTER DATA

Encounter claims are included in the data provided by DOM's MMIS vendor. This data represents the actual amounts paid to the provider, so no repricing was done as part of the development of capitation rates. A claim processed by a CCO and submitted to DOM can be identified in the data using the following definition. Please note, the field names may vary from those provided in the encounter data submission from the CCOs.

- The 6th character of claim_id is '5' and cl_type is 'R,' or
- The 6th character of claim_id is '0' and cl_type is not 'R'

For all service categories we used CY 2019 encounter data with runout through August 2021.

Only encounter claims for members flagged as a CHIP enrollee in the eligibility data were included in the base data. Encounter claims, which failed to be mapped to a CHIP CCO enrollee, were removed.

CCO encounters are rigorously vetted by Myers and Stauffer as part of their reconciliation of encounters against CCOs' cash disbursement journals (CDJs). As part of this reconciliation, Myers and Stauffer identifies encounter claims that are duplicates, voids, or replacements for other encounter claims. Myers and Stauffer shares these findings with CCOs at a claim level to ensure they are accurately determining the final, non-duplicated version of each paid claim. As a result of their analysis, Myers and Stauffer are able to reconcile closely to the CCOs' CDJs (historically within 2% on a paid basis). We use summaries provided by Myers and Stauffer to identify final, non-duplicative claims consistent with their CDJ reconciliation.

Lastly, the encounter data is run through Milliman's *Health Cost Guidelines*™ (*HCGs*) grouper to map the encounter data into detailed categories of service. These categories of service are then rolled up into six high level categories of service: inpatient, outpatient, physician, pharmacy, dental, and other. This mapping from detailed category of service to broad category of service is included as Exhibit 2.

After processing the data we review the encounter data for several considerations, including:

- Monthly encounter counts per member (including and excluding $0 payments)
- Monthly payments per member
- Average cost per unit
- Monthly units and payments by COS
- Quarterly units and payments relative to financials by COS
- Frequency of diagnosis completion by COS

APPENDIX A
ENCOUNTER DATA PROCESSING

FINANCIAL REPORTING DATA

For base data development, each CCO submitted a financial report reconciled to their organization's audited CY 2019 financial statements for Mississippi. The report submitted for CY 2019 includes earned premium, claim experience with run out through August 2021, best estimate IBNR claim amounts, subcapitated arrangements, non-service expenses, and membership. The reported membership was close in total to the MMIS enrollment, so we utilized the MMIS enrollment for rate development.

We worked with each CCO to validate that their reports were filled out consistently with the category of service and non-medical definitions used in the capitation rate development. Adjustments were made to the original submissions to help align these definitions.

APPENDIX B

Actuarial Certification of the SFY 2023 CHIP Capitation Rate

This report assumes the reader is familiar with the State of Mississippi's CHIP program, its benefits, and rate setting principles. The report was prepared solely to provide assistance to DOM to set SFY 2023 capitation rate for the CHIP program. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

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Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

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April 20, 2022

Mississippi Division of Medicaid
Capitated Contracts Ratesetting
Actuarial Certification
SFY 2023 CHIP Capitation Rates

I, Jill Bruckert, am associated with the firm of Milliman, Inc., am a member of the American Academy of Actuaries, and meet its Qualification Standards for Statements of Actuarial Opinion. I was retained by the Mississippi Division of Medicaid (DOM) to perform an actuarial certification of the Children's Health Insurance Program (CHIP) capitation rates for July 1, 2022 through June 30, 2023 (SFY 2023) for filing with the Centers for Medicare and Medicaid Services (CMS). I reviewed the capitation rate development and am familiar with the following regulation and guidance:

- The relevant requirements of 42 CFR §438.3(c), 438.3(e), 438.4, 438.5, 438.6, and 438.7
- CMS "Appendix A, PAHP, PIHP, and MCO Contracts Financial Review Documentation for At-risk Capitated Contracts Ratesetting" dated November 10, 2014
- 2022 to 2023 Medicaid Managed Care Rate Development Guide
- Actuarial Standard of Practice 49

I examined the actuarial assumptions and actuarial methods used in setting the capitation rates for SFY 2023 dated April 20, 2022 and accompanying this certification.

To the best of my information, knowledge, and belief, for the SFY 2023 period, the capitation rates offered by DOM are in compliance with the relevant requirements of 42 CFR 438.4(b). The attached actuarial report describes the capitation rate setting methodology.

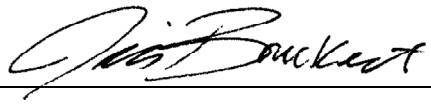
In my opinion, the capitation rates are actuarially sound, as defined in Actuarial Standard of Practice 49, were developed in accordance with generally accepted actuarial principles and practices, and are appropriate for the populations to be covered and the services to be furnished under the contract.

In making my opinion, I relied upon the accuracy of the underlying claim and eligibility data records and other information. I did not audit the data and calculations, but did review them for reasonableness and consistency and did not find material defects. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary. The reliance letter from DOM is included in Appendix C.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, whose standards form the basis of this Statement of Opinion.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted coordinated care organization's situation and experience.

This Opinion assumes the reader is familiar with the CHIP program and actuarial rating techniques. The Opinion is intended for the State of Mississippi and the Centers for Medicare and Medicaid Services and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the projection results.



Jill A. Bruckert
Member, American Academy of Actuaries
Principal and Consulting Actuary
April 20, 2022

APPENDIX C

Data Reliance Letter

This report assumes the reader is familiar with the State of Mississippi's CHIP program, its benefits, and rate setting principles. The report was prepared solely to provide assistance to DOM to set SFY 2023 capitation rate for the CHIP program. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

OFFICE OF THE GOVERNOR
Walter Sillers Building | 550 High Street, Suite 1000 | Jackson, Mississippi 39201

MISSISSIPPI DIVISION OF MEDICAID

April 13, 2022

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.
15800 W. Bluemound Road, Suite 100
Brookfield, WI 53005

Re: Data Reliance for Actuarial Certification of SFY 2023 CHIP Capitation Rate

Dear Jill:

I, Jennifer Wentworth, Deputy Administrator for Finance for the Mississippi Division of Medicaid (DOM), hereby affirm that the data prepared and submitted to Milliman, Inc. (Milliman) for the purpose of certifying the CHIP capitation rate was prepared under my direction and, to the best of my knowledge and belief, is accurate, complete, and consistent with the data used to develop the capitation rates. The capitation rate is effective July 1, 2022 to June 30, 2023.

Provided data or information used in the development of the capitation rate includes:

1. Data from DOM's Medicaid Management Information Systems (MMIS) vendor:
    a. Encounter claims through October 2021.
    b. Eligibility through November 2021.
2. Data from DOM's vendor Myers and Stauffer:
    a. Detailed encounter claim status reports, including identification of duplicative or voided claims.
3. Supporting documentation provided by DOM:
    a. MLR reports for CY 2018 through December 2021.
    b. PDL change analysis files and supporting exhibits provided by Change Healthcare.
    c. Capitation reports showing monthly membership through February 2022.
    d. Risk corridor parameters for SFY 2023.
    e. Estimated fee schedule increase for the ambulance reimbursement change effective July 1, 2020.
    f. Fee schedule for COVID-19 vaccine administration costs for SFY 2023 and vaccine uptake rates by population.

g. Other computer files and clarifying correspondence.

Milliman relied on DOM and their MMIS vendor for the collection and processing of the CCO encounter data. Milliman relied on the CCOs to provide accurate CY 2019 financial data as certified by each CCO. Milliman did not audit the CCO financial data or the encounter data but did assess the data for reasonableness as documented in the capitation rate report.

Jennifer Wentworth

Name

Deputy Administrator for Finance

Title

4/13/2022 | 12:34:59 PM CDT

Date

For more information about Milliman, please visit us at:

milliman.com

Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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Caveats and Limitations
Mississippi Division of Medicaid
READ BEFORE PROCEEDING

Milliman has developed certain models to estimate the values included in these exhibits and appendices. The intent of the models was to estimate SFY 2023 capitation rates. We 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 input to the models. We used CCO encounter data and CCO financial exhibits and appendicesing from January 2018 to September 2021 with runout through November 2021, FFS cost and eligibility data from January 2017 to December 2018, historical and projected reimbursement information, TPL recoveries, fee schedules, pharmacy and dispensing fee pricing, and other information from DOM, CHIP CCOs, Myers and Stauffer, Change Healthcare, and CMS to calculate the preliminary CHIP capitation rates shown in these exhibits and appendices. If the underlying data used is inadequate or incomplete, the results will be likewise inadequate or incomplete. Please see Appendix J for a full list of the data relied upon to develop the SFY 2023 capitation rates.

Differences between the capitation rates and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate 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.

Our exhibits and appendices are intended for the internal use of DOM to review preliminary CHIP capitation rates for SFY 2023. The exhibits and appendices and the models used to develop the values in these exhibits and appendices may not be appropriate for other purposes. We anticipate the exhibits and appendices will be shared with contracted CCOs, CMS and other interested parties. Milliman does not intend to service, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety. These capitation rates may not be appropriate for all CCOs. Any CCO considering participating in CHIP should consider their unique circumstances before deciding to contract under these rates.

The results of these exhibits and appendices are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

The authors of these exhibits and appendices are actuaries employed by Milliman, members 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 their knowledge and belief, these exhibits and appendices are 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 December 1, 2021, apply to these exhibits and appendices and its use.