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

Re: SFY 2020 MississippiCAN Estimated Program Savings Methodology

Dear Tara:

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate, document, and certify to the state fiscal year (SFY) 2020 MississippiCAN capitation rate development. This letter provides the methodology used to estimate program savings for MississippiCAN in state fiscal year (SFY) 2020. A separate letter has been provided that may be shared with legislators upon request that displays the estimated SFY 2020 program savings, as well as savings since the inception of the program. The letter for the legislators does not include a detailed discussion of the methodologies used to estimate the program savings.

Our analysis is based on the MississippiCAN SFY 2020 capitation rates, which is documented in the report titled "Report09 - SFY 2020 Preliminary MississippiCAN Capitation Rates.pdf," dated November 12, 2019. We estimated the DOM savings, excluding the impact of premium tax, and the net state government capitation premium tax proceeds. All savings estimates are for SFY 2020 dates of service. We did not reflect the timing of payments in our analysis.

ESTIMATED PROGRAM SAVINGS SOURCES

Savings from the MississippiCAN program can be attributed to two primary sources:

1. DOM savings on capitated services
2. Net Mississippi (state) savings from premium tax on capitation revenue

Total projected savings are $21.2 million for DOM associated with net capitated service savings and $69.3 million in net revenue for state agencies associated with the 3.0% premium tax. This results in a total estimated state savings impact of $90.4 million for SFY 2020.

The development of the estimates for each of these sources of savings are discussed in the remainder of this letter.

CAPITATED SERVICE SAVINGS

Savings on the capitated services are equal to the difference between the medical and pharmacy cost savings realized by Coordinated Care Organization (CCO) care management efforts and the non-benefit expense allowance portion of the capitation paid to the CCOs, including the impact of the Health Insurer Fee (HIF). This letter excludes the 3.0% state premium tax from the non-benefit expense allowance in this portion of the savings calculation. The net state premium tax savings is calculated separately.

While it is not possible to know with certainty what medical costs would have been if MississippiCAN had not been in place, we examined the most recent FFS experience available for each population prior to their enrollment in MississippiCAN, with the exception of the SED Children population, to make a "best estimate" projection using accepted actuarial practices. We assume savings will persist at this level. We are not projecting incremental savings on top of what has already been achieved, though we expect that relative savings percentage to remain at comparable or improved levels indefinitely.

The SED Children population joined the MississippiCAN program on October 1, 2018. As such, the SED Children population does not have enough experience under MississippiCAN to credibly estimate program savings. Therefore, we continue to assume medical cost savings for the SED population are consistent with the savings assumptions used for capitation rate development in SFY 2020.

Table 1 displays the estimated savings on MississippiCAN capitated services for SFY 2020. For SFY 2020, HIF costs for only half of the capitation rate period are included as an additional expense, due to the moratorium on HIF payments paid in calendar year (CY) 2019.

Table 1
MississippiCAN Estimated Program Savings
State Fiscal Year 2020
Total Expenditures - State and Federal (in millions)
Estimated Program Savings Relative to FFS

	Projected FFS Claims w/o Managed Care	MississippiCAN Costs*	Total Savings	Mississippi Share of Savings
SSI / Disabled, Foster Care, Breast & Cervical Cancer	$1,021.7	$926.6	$95.1	$22.0
MA Adults, Pregnant Women, Non-SSI / Disabled Newborns	$648.8	$625.4	$23.4	$5.4
MA Children, Quasi-CHIP Children, SED Children	$741.4	$770.9	-$29.5	-$6.3
Total All MississippiCAN	**$2,412.0**	**$2,322.9**	**$89.0**	**$21.2**

** MississippiCAN costs include capitated services and the Health Insurer Fee.*

Populations Excluding Opt-Out Populations

The assumed savings are comprised of three components:

- Savings achieved on medical costs, offset by administrative and margin expenses included in capitation rates, separately for non-inpatient services and inpatient services
- Incremental savings from the application of the 5% provider assessment
- Negative savings impact of the HIF

The savings for each component are shown in Table 2.

Table 2
MississippiCAN Estimated Program Savings
State Fiscal Year 2020
Estimated Program Savings Relative to FFS

	Non-Inpatient Savings %	5% Assessment Non-Inpatient Services	Inpatient Savings %	Change in Margin	HIF %	Total Savings %
SSI / Disabled / Foster Care / Breast & Cervical Cancer	6.4%	1.7%	17.7%	0.2%	-1.2%	9.3%
MA Adults / Pregnant Women / Non-SSI / Disabled Newborns	2.3%	1.5%	6.0%	0.2%	-1.2%	3.6%
MA Children / Quasi-CHIP Children	-6.8%	2.4%	9.9%	0.2%	-1.2%	-3.8%
SED Children	-8.3%	0.0%	-8.3%	0.2%	-1.2%	-9.4%

All populations other than SED Children were moved from fee-for-service (FFS) to MississippiCAN between January 2011 and July 2015. Capitation rates for SFY 2020 were developed using CY 2017 encounter experience and financial reporting from the CCOs for members that were eligible for MississippiCAN in CY 2017. Therefore, it is no longer possible to directly estimate the savings from including these members in MississippiCAN, as recent FFS experience for these individuals or comparable populations is no longer available. As such, we continued to use the savings estimates previously developed for these populations for non-inpatient services, documented in the following savings letters:

- ***Adult, Newborn, and Pregnant Women Populations*** – "Crump12 - MississippiCAN Estimated Program Savings", dated December 18, 2012
- ***MA Children and Quasi-CHIP Populations*** – "Clark03 - SFY2018 MississippiCAN Estimated Program Savings.pdf", dated January 24, 2018

Savings estimates for inpatient services, which were rolled into MississippiCAN effective December 2015, are also documented in our January 24, 2018 letter.

As previously noted, the SED Children population joined the MississippiCAN program on October 1, 2018 which is too recent to estimate program savings based on actual experience. In this letter, we assume no savings on medical costs for the SED population, consistent with capitation rate development for SFY 2020. This results in an overall increase in costs (negative savings) for the SED Children rate cell through administrative costs and margin.

Consistent with the savings analysis for SFY 2019 capitation rates, we made an incremental increase to the previously assumed savings for non-inpatient services to reflect the application of the 5% assessment on applicable providers. Previous analyses of savings included the effective increase in provider reimbursement when the CCOs did not apply the assessment to the applicable providers. The incremental savings assumed for the 5% assessment changes were developed as part of the savings analysis for SFY 2019 capitation rates. We use the same incremental savings assumption for the current analysis. This adjustment does not apply to the SED Children population, as the 5% assessment was applied consistently to the SED Children population before and after joining the MississippiCAN program.

For SFY 2020, the margin included in the capitation rates decreased from 2.0% to 1.8%. When the medical cost savings were original developed, a 2.0% margin was included in the capitation rates. Therefore, we included an additional increase to savings for SFY 2020 to reflect the reduction in margin to the CCOs, as shown in Table 2.

For SFY 2020 HIF costs are included as an additional expense for only half of the capitation rate period, due to the moratorium on HIF payments to be made in CY 2019.

Opt-Out Population Comparison

Effective December 1, 2012 all MississippiCAN populations were mandatorily enrolled except SSI children, disabled children at home, Foster Care children, and members of the Mississippi Band of Choctaw Indians. As a validation analysis, we compared costs for SSI / Disabled children that were enrolled in MississippiCAN vs. SSI / Disabled children that opted out of the program, as this is the only credible population where a "like" population is still enrolled both in FFS and MississippiCAN. This analysis compared CY 2017 claims for SSI / Disabled children on a risk adjusted basis to account for the estimated acuity differences between MississippiCAN enrolled members and those children opting out.

SSI / Disabled children that were enrolled in MississippiCAN had risk-adjusted costs that were approximately 32% lower than the costs for opt-out children, prior to accounting for the impact of non-benefit expenses paid to the CCOs, the 3.0% state premium tax, and HIF payments. The differences in costs between the children in MississippiCAN and the opt-out children indicate significant savings are still being achieved on this population over five years into their enrollment in the program.

Although the SSI / Disabled children population is a good candidate for this analysis because they have a credible number of members opting out, it is unlikely that this level of savings is representative of the achieved savings for the adult, disabled, and newborn population as a whole. Therefore, we used this additional analysis to validate that savings continue to be achieved for the program, but used our prior estimates of 6.4% for non-inpatient and 17.7% for inpatient services to represent the SSI / Disabled, Foster Care, and Breast & Cervical Cancer populations.

In addition, we reviewed service utilization per 1,000 member months to help illustrate some key differences between the population enrolled in managed care and the population in FFS. Please note, part of these utilization differences is likely due to acuity differences between the populations, such as the number of prescriptions a SSI / Disabled child utilizes. However, there are some patterns observed that help to illustrate that the CCOs have taken measures to help drive down the cost of care for these children including; inpatient admissions are lower, emergency room visits are similar, and the number of exam / screenings are higher (increased preventative care).

Table 3
MississippiCAN Estimated Program Savings
SSI MississippiCAN Children vs SSI Opt-Out Children

Utilization per 1,000 Member Months

Metric	MississippiCAN	Opt-Out	Difference
IP Admissions	85	108	-22%
ER Visits	163	161	1%
Prescriptions	1,192	1,740	-32%
Exams / Screenings	193	171	13%

MHAP

Concurrent with the inclusion of inpatient hospital services in MississippiCAN capitation rates effective December 1, 2015, the Mississippi Hospital Access Program (MHAP) was established. This program helps to ensure sufficient access to inpatient hospital services for the Medicaid population by including enhanced hospital reimbursement in the capitation rates. In SFY 2020 these payments are a combination of a fee-schedule increase, a transitional payment pool, and a quality payment pool. The total amount paid under MHAP remains the same as prior years at $533.11 million. It is our understanding that MHAP payments are not subject to the HIF, so no additional HIF cost is incurred by DOM by including these payments in capitation rates. The premium tax implications of MHAP are discussed in a later section of this letter.

MAPS

Beginning in SFY 2020, the Mississippi Medicaid Access to Physician Services (MAPS) program will enhance payments to physicians and other eligible professional service practitioners who are employed by a qualifying hospital or who assigned Mississippi Medicaid payments to a qualifying hospital. The term "qualifying hospital" means a Mississippi state-owned academic health science center with a Level 1 trauma center, Level 4 neonatal intensive care nursery, an organ transplant program, and more than a four hundred (400) physician multispecialty practice group. DOM will require that CCOs provide the same supplemental percentage increase, equal to 58.8% of Medicare rates, to all qualifying providers. Payments in SFY 2020 are expected to be $36.2 million.

Similar to MHAP, it is our understanding that MAPS payments are not subject to the HIF, so no additional HIF cost is incurred by DOM by including these payments in capitation rates. The premium tax implications of MAPS are discussed in the next section of this letter.

PREMIUM TAX SAVINGS

Table 4 displays the estimated net financial impact to the State of Mississippi from the payment and collection of capitation premium taxes. Capitation rates include a 3.0% allowance for the state premium tax CCOs must pay to the Mississippi Department of Insurance (DOI). Since the capitation rates are funded by federal and state money based upon the Federal Medical Assistance Percentage (FMAP), the federal government pays an equivalent of 2.3% (assuming the FMAPs and e-FMAPs shown in Table 5 below) and the state government (DOM) pays 0.7%. Therefore, the State realizes net proceeds from the MississippiCAN premium tax (DOI collections less DOM costs) equivalent to the 2.3% federal contribution.

Including MHAP and MAPS amounts in the capitation rates also subjects the amounts to state premium tax. We have split the impact of premium tax savings into premium tax on capitation rates for each component in Table 4.

Table 4
MississippiCAN Estimated Program Savings
SFY 2020
Premium Tax Impact

	Projected SFY 2020 Enrollment	Capitation Rate* (PMPM)	Premium Tax Collected ($M)	MS Share of Premium Tax ($M)	Net Impact To MS ($M)
Total Capitation Payments	5,308,821	$450.93	$71.8	$16.2	$55.6
MHAP Payments	5,308,821	$103.53	$16.5	$3.7	$12.8
MAPS Payments	5,308,821	$6.81	$1.1	$0.2	$0.9
Total Premium Tax Impact	**5,308,821**	**$561.26**	**$89.4**	**$20.2**	**$69.3**

** Includes an estimate of Health Insurer Fee payments.*

All information, assumptions, and methodology supporting our estimates are consistent with the capitation rate development documented in the SFY 2020 capitation rate report referenced at the beginning of this letter. The FMAP used to calculate the net impact of the premium tax to Mississippi for SFY 2020 is a blend of the FMAPs and e-FMAPs for the Quasi-CHIP population shown in Table 5.

Table 5
MississippiCAN Estimated Program Savings
SFY 2020
Federal Match Percentages

Federal Fiscal Year	FMAP	e-FMAP
2019	76.39%	100.00%
2020	76.98%	95.39%
Blended*	**76.83%**	**96.54%**

** Blended to reflect 3 months of FFY 2019 and 9 months of FFY 2020.*

CAVEATS AND LIMITATIONS

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

This letter is designed to help estimate savings related to the MississippiCAN program. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with our SFY 2020 capitation rate reports documenting the development of SFY 2020 capitation rates for various MississippiCAN populations.

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

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

We, Jill Bruckert and Katarina Lorenz, 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, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The terms of Milliman's contract with DOM effective June 1, 2015 applies to this letter and its use.

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Please call us at 262 784 2250 if you have questions.

Sincerely,

Jill Bruckert, FSA, MAAA
Consulting Actuary

Katarina N. Lorenz, FSA, MAAA
Actuary

JAB/KNL/dlk