



May 7, 2020

Angela Weaver
Director of Regulatory Services
The Ohio Association of Health Plans
230 E. Town Street
Columbus, Ohio 43215

Re: Calendar Year (CY) 2020 Medicaid Capitation Rate Detailed Breakdown

Dear Angela:

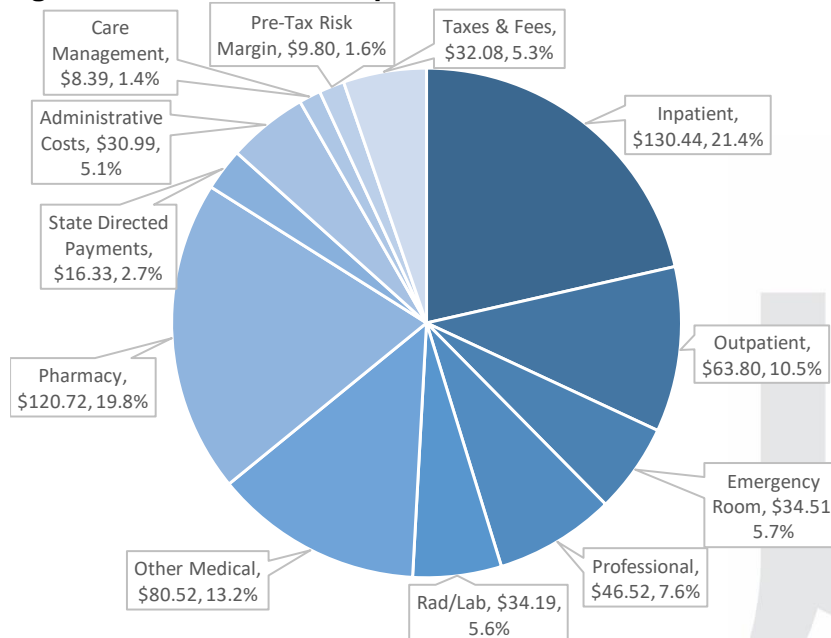
Wakely was retained by the Ohio Association of Health Plans (OAHP) to provide actuarial support to OAHP and the Managed Care Plans (MCPs) related to the Ohio Medicaid Managed Care (MMC) program, which is administered by the Ohio Department of Medicaid (ODM). ODM has contracted with Milliman to develop and certify the CY 2020 MMC capitation rates.

This letter documents the methodology and results from Wakely’s estimated detailed breakdown of the CY 2020 MMC capitation rates. Wakely does not intend to create a reliance to third parties and these materials may not be released to third parties without Wakely’s prior written consent, and when consent is granted, the materials should be provided in their entirety. We relied on information provided by ODM and Milliman in developing this letter.

EXECUTIVE SUMMARY

Through OAHP, the MCPs requested Wakely perform an analysis of the CY 2020 MMC capitation rates to estimate the detailed breakdown of the composite MMC capitation rate by component. The summary of our composite analysis across all MMC populations (CFC, ABD, and Extension) is shown in Figure 1.

Figure 1: CY 2020 MMC Capitation Rate Detailed Breakdown



The tabular results from Figure 1 have been provided in Appendix A.

METHODOLOGY

CY 2020 MMC Capitation Rate Breakdown

Wakely relied on the values summarized in Appendix 4 of Milliman's final CY 2020 MMC rate development certification to estimate the breakdown of the composite CY 2020 MMC capitation rate into benefit, state directed payments, administrative, care management, pre-tax risk margin, and taxes and fees expense components.

The benefit expense component was then further broken down into categories of service (COS) using the information provided by COS, rate cell, and region in Milliman's Appendix 3.¹ The COS include: Inpatient (IP), Outpatient (OP), Emergency Room, Professional, Radiology / Laboratory, Other Medical, and Pharmacy. The calculations and results in Milliman's Appendices 3 and 4 were reviewed for reasonability and accuracy, and no concerns were identified.

The CY 2020 MMC capitation rates include four types of state directed payments: MCP / Hospital Incentive, Enhanced Maternal, Care Innovation and Community Improvement Program (CICIP), and Supplemental Dispensing Fee. These funding amounts are determined by the state, and support access and quality improvement initiatives for MMC enrollees. The MCPs are not at-risk for the state directed payments, and these payments are not included in the calculation of the administrative costs and pre-tax risk margin components paid to the MCPs. The tabular results in Appendix A include a breakdown of the composite MMC state directed payments. The Taxes and Fees component includes both the Health Insuring Corporation (HIC) Franchise Fee and HIC tax amounts from Milliman's Appendix 4.

LIMITATIONS

We relied on information contained in Milliman's final CY 2020 MMC capitation rate certification, and on discussions with the Medicaid MCPs in developing the items included in this letter.

Taylor Pruisner and Ryan Link are responsible for this communication. We are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to issue this report. We completed the analysis using sound actuarial practice. To the best of our knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice with no known deviations.

Outside parties receiving this work should retain their own experts and form their own opinions. Wakely does not intend to create a reliance to these outside parties and these materials may not be released to third parties without Wakely's prior written consent, and when consent is granted, the materials should be provided in their entirety.

¹ Milliman's Appendix 3 did not include sufficient detail to breakdown the Respite service expense amounts. However, Respite services expenses represent only 0.01% of the total amount included in the CY 2020 MMC capitation rates. Respite service expenses were assumed to have the same COS service breakdown as all other benefit expenses in total.

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Wakely and the undersigned actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent to OAHHP.

Please do not hesitate to call if you have any questions or if we may be of additional assistance. Thank you for the opportunity to work on this important project.

Sincerely,

An electronic signature in black ink, appearing to read "Taylor Pruisner", with the word "Signature" printed in a light grey font below it.A handwritten signature in black ink, appearing to read "Ryan Link", written in a cursive style.

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Appendix A: CY 2020 MMC Capitation Rate Detailed Breakdown

Component	PMPM	Percent of Total
Benefit Expenses	\$510.69	84.0%
Inpatient	\$130.44	21.4%
Outpatient	\$63.80	10.5%
Emergency Room	\$34.51	5.7%
Professional	\$46.52	7.6%
Rad/Lab	\$34.19	5.6%
Other Medical	\$80.52	13.2%
Pharmacy	\$120.72	19.8%
State Directed Payments	\$16.33	2.7%
MCP/Hospital Incentive	\$5.88	1.0%
Enhanced Maternal	\$0.49	0.1%
CICIP	\$7.47	1.2%
Supplemental Dispensing Fee	\$2.49	0.4%
Administrative Costs	\$30.99	5.1%
Care Management	\$8.39	1.4%
Pre-Tax Risk Margin	\$9.80	1.6%
Taxes & Fees	\$32.08	5.3%
Total	\$608.28	100.0%