



**Contract Year Ending 2019
Arizona Long Term Care System
Department of Economic
Security/Division of Developmental
Disabilities Capitation Rate Certification**

July 1, 2018 through June 30, 2019

**Prepared for:
The Centers for Medicare & Medicaid
Services**

**Prepared by:
AHCCCS Division of Health Care
Management**

May 15, 2018



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Introduction and Limitations

The purpose of this rate certification is to provide documentation, including the data, assumptions, and methodologies, used in the development of the actuarially sound capitation rates for Contract Year Ending 2019 (CYE 19) effective July 1, 2018 through June 30, 2019, for the Arizona Long Term Care System (ALTCS) Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Program for compliance with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 (published May 6, 2016 and effective July 5, 2016). All comparisons to prior rates in this certification refer to the previously submitted actuarial memorandum for capitation rates as signed by Matthew C. Varitek dated January 1, 2018. This rate certification will also provide documentation of the data, assumptions, and methodologies used to update the capitation rate effective July 1, 2018 through June 30, 2019 for compliance with the above mentioned regulation. This rate certification was prepared for the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review and approval of the actuarially sound certified capitation rates contained herein. This rate certification may not be appropriate for any other purpose. The actuarially sound capitation rates represent projections of future events. Actual results may vary from the projections. It is noted here for informational purposes that changes to the services covered by ALTCS DES/DDD will take effect on October 1, 2018. Rate development for those and other program and reimbursement changes will be completed and a new actuarial certification submitted for the time frame of October 1, 2018 to June 30, 2019.

This rate certification may also be made available publicly on the Arizona Health Care Cost Containment System (AHCCCS) website or distributed to other parties. If this rate certification is made available to third parties, then this rate certification should be provided in its entirety. Any third party reviewing this rate certification should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 of 81 FR 27497 applicable to this rate certification, the 2019 Medicaid Managed Care Rate Development Guide (2019 Guide), Actuarial Standards of Practice, and generally accepted actuarial principles and practices.

The 2019 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. This rate certification has been organized to follow the 2019 Guide to help facilitate the review of this rate certification by CMS. Sections of the 2019 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate certification as requested by CMS.

Section I Medicaid Managed Care Rates

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4 at 81 FR 27858:

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
 - § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
 - § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
 - § 438.4(b)(3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
 - § 438.4(b)(4) Be specific to payments for each rate cell under the contract.
 - § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
 - § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
 - § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.
 - § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, “Medicaid Managed Care Capitation Rate Development and Certification,” as:

“Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to,

expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

As stated on page 2 of the 2019 Guide, CMS will also use these three principles in applying the regulation standards:

- the capitation rates are reasonable and comply with all applicable laws (statutes and regulations) for Medicaid managed care;
- the rate development process complies with all applicable laws (statutes and regulations) for the Medicaid program, including but not limited to eligibility, benefits, financing, any applicable waiver or demonstration requirements, and program integrity; and
- the documentation is sufficient to demonstrate that the rate development process meets the requirements of 42 CFR Part 438 and generally accepted actuarial principles and practices.

1. General Information

This section provides documentation for the General Information section of the 2019 Guide.

A. Rate Development Standards

i. Rating Period

The CYE 19 capitation rates for the ALTCS DES/DDD Program are effective for the twelve month time period from July 1, 2018 through June 30, 2019.

ii. Required Elements

(a) Letter from Certifying Actuary

The actuarial certification letter for the CYE 19 capitation rates for the ALTCS DES/DDD Program, signed by Matthew C. Varitek, FSA, MAAA, is in Appendix 1. Mr. Varitek meets the requirements for the definition of an Actuary described at 42 CFR § 438.2 at 81 FR 27854 provided below for reference.

Actuary means an individual who meets the qualification standards established by the American Academy of Actuaries for an actuary and follows the practice standards established by the Actuarial Standards Board. In this part, Actuary refers to an individual who is acting on behalf of the State when used in reference to the development and certification of capitation rates.

Mr. Varitek certifies that the CYE 19 capitation rates for the ALTCS DES/DDD Program contained in this rate certification are actuarially sound and meet the standards within the applicable provisions of 42 CFR Part 438 of 81 FR 27497.

(b) Final and Certified Capitation Rates

The final and certified capitation rates by rate cell are located in Appendix 2. Additionally, the ALTCS DES/DDD Program contract includes the final and certified capitation rates by rate cell in accordance with 42 CFR § 438.3(c)(1)(i) at 81 FR 27856. The ALTCS DES/DDD contract uses the term risk group instead of rate cell. This rate certification will use the term rate cell to be consistent with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 and the 2019 Guide.

(c) Program Information

(i) Summary of Program

(A) Type and Number of Managed Care Plans

ALTCS DES/DDD is the only managed care plan for this program. They subcontract a portion of their responsibilities (acute care services) to other managed care organizations (MCOs), and thus, the acute component of the capitation rate is set on a different time basis since

ALTCS DES/DDD runs on a state fiscal year basis, but their acute subcontractors run on a federal fiscal year (FFY) basis.

(B) General Description of Benefits

The following is a general description of services covered under the ALTCS DES/DDD Program. Additional information regarding covered services can be found in the Scope of Services section of the ALTCS DES/DDD contract.

Services covered by ALTCS DES/DDD include long-term care services, physical health services (excluding specialty care for children who have a Children’s Rehabilitative Services (CRS) qualifying condition as those services are provided by the CRS Contractor); limited behavioral health services (i.e. treatment for ADHD, anxiety and depression when provided by the member’s primary care physician); and Targeted Case Management (TCM) for those members who do not meet the functional requirements for ALTCS services.

ALTCS DES/DDD members receive behavioral health services through a Regional Behavioral Health Authority (RBHA), or for American Indians, through a Tribal Regional Behavioral Health Authority (TRBHA) or an Indian Health Services (IHS) provider, or a 638 Tribal Facility. Expenses for behavioral health services are included in the capitation rates for the RBHA Program or CRS Program and paid fee-for-service for TRBHAs, IHS providers, and 638 Tribal Facilities. Therefore, most behavioral health services are excluded from ALTCS DES/DDD. Additional information regarding the excluded behavioral health services, along with the coordination of behavioral health services for ALTCS DES/DDD enrolled members, can be found in the Behavioral Health Services section of the ALTCS DES/DDD contract.

(C) Area of State Covered and Lifetime of Program

ALTCS DES/DDD operates on a statewide basis and has been the health plan for individuals with developmental disabilities (DD) since the late 1980s.

(ii) Rating Period Covered

The CYE 19 capitation rates for ALTCS DES/DDD are effective for the twelve month time period from July 1, 2018 through June 30, 2019.

(iii) Covered Populations

The populations covered under ALTCS DES/DDD are individuals with a qualifying developmental disability.

ALTCS DES/DDD capitation rates are developed for two distinct rate cells. The ALTCS DES/DDD contract uses the term risk group instead of rate cell. This rate certification will use the term rate cell to be consistent with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 and the 2019 Guide.

The first rate cell (regular DDD capitation rate) includes the costs of providing long-term care and Acute covered services for DD members. The Acute rate component (including the Acute reinsurance offset and administrative expenses for the Acute sub-contractors) of the regular DDD capitation rate will not be rebased or updated for this certification. These rates will be reviewed for an October 1, 2018 effective date and updated as appropriate.

The second rate cell is for Targeted Case Management (TCM) and includes the costs of providing case management services for members who have a DD diagnosis and meet the financial eligibility of Title XIX or Title XXI programs, but do not meet the functional requirements of ALTCS.

Additional information regarding covered populations can be found in the Enrollment and Disenrollment section of the ALTCS DES/DDD contract.

(iv) Eligibility or Enrollment Criteria Impacts

ALTCS DES/DDD determines eligibility for ALTCS/DD services through four diagnoses: cerebral palsy, epilepsy, autism, or a cognitive disability.

There are 3 types of DDD eligibility.

Members who are DDD State Only receive Support Coordination and direct services based on assessed need and availability of state funds. These members are not eligible for Targeted Case Management or ALTCS, and are not considered in this rate certification.

Members who are Targeted Case Management are eligible for Title XIX or Title XXI acute care services including Early Periodic Screening Diagnosis and Treatment (EPSDT), but do not meet the functional requirements of ALTCS. Members in this category receive Support Coordination.

Members who are ALTCS eligible receive Support Coordination and direct services based on assessed need including medical necessity and cost effectiveness, and acute services including EPSDT. Members eligible for ALTCS have choice with regards to which ALTCS DES/DDD sub-contracted Acute health plan they wish to enroll in.

(v) Summary of Special Contract Provisions Related to Payment

This rate certification includes special contract provisions related to payment as defined in 42 CFR § 438.6 at 81 FR 27859. The special contract provisions related to payment included in the CYE 19 capitation rates are:

- Reinsurance Arrangement (42 CFR § 438.6(b)(1) at 81 FR 27859)
- AHCCCS Differential Adjusted Payments (DAP) (42 CFR § 438.6(c)(1)(iii)(B) at 81 FR 27860)

Documentation on these special contract provisions related to payment can be found in Section I.4 of this rate certification.

(vi) Retroactive Capitation Rate Adjustments

Not Applicable. This rate certification does not cover retroactive adjustments for previous capitation rates.

iii. Rate Development Standards and Federal Financial Participation

Proposed differences among the CYE 19 capitation rates for the ALTCS DES/DDD Program are based on valid rate development standards and are not based on the rate of Federal Financial Participation for the populations covered under the ALTCS DES/DDD Program.

iv. Rate Cell Cross-subsidization

The capitation rates were developed at the rate cell level. Payments from rate cells do not cross-subsidize payments of other rate cells.

v. Effective Dates of Changes

The effective dates of changes to the ALTCS DES/DDD Program are consistent with the assumptions used to develop the CYE 19 capitation rates for the ALTCS DES/DDD Program.

vi. Generally Accepted Actuarial Principles and Practices

(a) Reasonable, Appropriate, and Attainable Costs

In the actuary's judgment, all adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate and attainable costs. To the actuary's knowledge, all reasonable, appropriate and attainable costs have been included in the rate certification.

(b) Rate Setting Process

Adjustments to the rates or rate ranges that are performed outside of the rate setting process described in the rate certification are not considered actuarially sound under 42 CFR §438.4. There are no adjustments to the rates performed outside the rate setting process.

(c) Contracted Rates

Consistent with 42 CFR §438.7(c), the final contracted rates in each cell must either match the capitation rates or be within the rate ranges in the rate certification. This is required in total and for each and every rate cell. The CYE 19 capitation rates certified in this report represent the contracted rates by rate cell.

vii. Rates from Previous Rating Periods

Not Applicable. Capitation rates from previous rating periods are not used in the development of the CYE 19 capitation rates for the ALTCS DES/DDD Program.

viii. Rate Certification Procedures

(a) CMS Rate Certification Requirement for Rate Change

This rate certification documents that the ALTCS DES/DDD Program capitation rates will be changing effective July 1, 2018.

(b) CMS Rate Certification Requirement for No Rate Change

Not Applicable. This rate certification will prospectively change the ALTCS DES/DDD Program capitation rates effective July 1, 2018.

(c) CMS Rate Certification Circumstances

This section of the 2019 Guide provides information on when CMS would not require a new rate certification, and is not applicable to this certification.

(d) CMS Contract Amendment Requirement

A contract amendment will be submitted to CMS to reflect the ALTCS DES/DDD Program capitation rates changing effective July 1, 2018.

B. Appropriate Documentation

i. Elements

This rate certification documents all the elements (data, assumptions, and methodologies) used to develop the CYE 19 capitation rates for the ALTCS DES/DDD Program.

ii. Rate Certification Index

The table of contents that follows the cover page within this rate certification serves as the index. The table of contents includes the relevant section numbers from the 2019 Guide. Sections of the 2019 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate certification as requested by CMS.

iii. Differences in Federal Medical Assistance Percentage

The covered populations under the ALTCS DES/DDD Program receive the regular FMAP. ALTCS DES/DDD Program receives some Children’s Health Insurance Program (CHIP) funding for TCM for those acute enrolled members who are TXXI.

iv. Comparison of Rates

(a) Comparison to Previous Rate Certification

The most recently submitted ALTCS DES/DDD Program capitation rates effective January 1, 2018, and the proposed capitation rates effective July 1, 2018, are available in Appendix 2 for comparative purposes.

(b) Material Changes to Capitation Rate Development

Not applicable. The CYE 19 capitation rates were developed as a rebase, following a methodology similar to that used in developing the CYE 18 capitation rates effective July 1, 2017.

2. Data

This section provides documentation for the Data section of the 2019 Guide.

A. Rate Development Standards

i. Compliance with 42 CFR § 438.5(c)

AHCCCS has provided validated encounter data and audited financial reports demonstrating experience for the populations to be served by the health plan(s) to the actuary developing the capitation rates, for at least the three most recent and complete years prior to the rating period. The actuary is using the most appropriate base data, which is derived from the Medicaid population and this specific program to develop the capitation rates. No exception request is required as the data being used to develop rates is no older than the three most recent and complete years prior to the rating period.

B. Appropriate Documentation

i. Data Request

Since AHCCCS employs their own actuaries, a formal data request was not needed between the AHCCCS Division of Health Care Management (DHCM) Actuarial Team and the State. The AHCCCS DHCM Actuarial Team worked with the appropriate teams at AHCCCS and ALTCS DES/DDD to obtain the primary sources of data in accordance with 42 CFR § 438.5(c) at 81 FR 27858.

ii. Data Used for Rate Development

(a) Description of Data

(i) Types of Data Used

The types of data that AHCCCS relied upon for developing the CYE 18 capitation rates for the ALTCS DES/DDD program were:

- Adjudicated and approved encounter data submitted by ALTCS DES/DDD;
- Historical and projected enrollment data for ALTCS DES/DDD members and TCM members;
- Supplemental nursing facility (NF) and home and community based services (HCBS) expenses provided by the ALTCS DES/DDD program;
- Quarterly and annual financial statements submitted by ALTCS DES/DDD;
- Historical targeted case management expenses provided by ALTCS DES/DDD; and
- Historical and projected administrative and case management expenses from ALTCS DES/DDD.

(ii) Age of Data

The encounter data serving as the base experience in the capitation rate development process was incurred during calendar year 2017 (January 1, 2017

to December 31, 2017) and paid through March 2018. For the purposes of trend development and analyzing historical experience, AHCCCS also reviewed encounter data from calendar year 2015 (January 1, 2015 through December 31, 2015) and 2016 (January 1, 2016 through December 31, 2016).

The historical enrollment data for ALTCS DES/DDD and TCM members aligned with the encounter data time periods of calendar years 2015, 2016, and 2017. The projected enrollment data for CYE 19 was provided by the AHCCCS Division of Business and Finance (DBF).

The supplemental NF and HCBS expense data provided were for actual expenses from January 1, 2015 through December 31, 2017. The data serving as the base experience in the capitation rate development was for calendar year 2017. Calendar years 2015 and 2016 were used for trend development.

The financial statement data reviewed as part of the rate development process included financial statements for calendar years 2015, 2016, and 2017. The historical TCM expenses were from January 1, 2015 through December 31, 2017.

The historical administration and case management expense data were from calendar years 2015, 2016, and 2017, and the projected expenses for administration and case management were for SFY 18 and SFY 19.

(iii) Sources of Data

The enrollment and encounter data were provided from the AHCCCS PMMIS mainframe. The financial statement data were provided by the AHCCCS finance team. The supplemental NF and HCBS expense data, TCM data, administration and case management data was provided by ALTCS DES/DDD.

(iv) Sub-capitated Arrangements

For the LTC services (NF/HCBS), ALTCS DES/DDD does not use sub-capitated arrangements. The program utilizes staff models for the Arizona Training Program Coolidge (ATPC), Institutional Care Facility/Individuals with Intellectual Disabilities (ICF/IID), and State Operated Group Homes (SOGH) which account for approximately 2.4% of the LTC services and those services are reflected in the supplemental expense information from ALTCS DES/DDD. ALTCS DES/DDD Acute sub-contractors do have sub-capitated/block purchasing arrangements. The acute component of the DDD capitation rate is set on a 10/1 basis to correspond with the ALTCS DES/DDD contract with their sub-contractors and is not being updated for this certification.

(b) Availability and Quality of the Data

(i) Data Validation Steps

Guidelines and formats for submitting individual encounters generally follow health insurance industry standards used by commercial insurance companies and Medicare; however some requirements are specific to the AHCCCS program. All encounter submissions are subject to translation and validation using standards and custom business rules (guidelines). Once translation has occurred and the encounters pass validation, they are passed to the AHCCCS PMMIS mainframe and are subject to approximately 500 claims type edits resulting in the approval, denial or pend of each encounter.

The AHCCCS Actuarial Team regularly reviews monthly adjudicated and approved encounters by form type on a cost basis and a PMPM basis looking for anomalous patterns in encounter, unit, or cost totals, such as incurred months where totals are unusually low or high. If any anomalies are found, the AHCCCS Actuarial Team reports the findings to the AHCCCS Data Analysis & Research (DAR) Team, which then works with ALTCS DES/DDD to determine causal factors. In addition, the AHCCCS DAR Team performs their own checks and validations on the encounters and monitors the number of encounters that are adjudicated and approved each month.

ALTCS DES/DDD knows encounters are used for capitation rate setting, reconciliations (risk corridors), and reinsurance payments, and thus are cognizant of the importance of timely and accurate encounter submissions. AHCCCS provides ALTCS DES/DDD with the “Encounter Monthly Data File” (aka the “magic” file) which contains the previous 36 months of encounter data. Data fields contained in this file include, but are not limited to, adjudication status, AHCCCS ID, Claim Reference Number (CRN), Provider ID and various cost amounts. The adjudication status has five types: adjudicated/approved, adjudicated/plan denied, adjudicated/AHCCCS denied, pended and adjudicated/void. Generally, the capitation rate setting process only uses the adjudicated/approved encounters, but providing this file to ALTCS DES/DDD allows them to compare to their claim payments to identify discrepancies and evaluate the need for new or revised submissions.

All of these processes create confidence in the quality of the encounter data.

(A) Completeness of the Data

The AHCCCS DHCM DAR Team performs encounter data validation studies to evaluate the completeness, accuracy, and timeliness of the collected encounter data.

(B) Accuracy of the Data

AHCCCS has an additional encounter process which ensures that each adjudicated and approved encounter contains a valid AHCCCS member ID for an individual who was enrolled on the date that the service was provided. The process also checks to ensure that each adjudicated and approved encounter is for a covered service under the state plan and contains the codes necessary to map it into one of the categories of service used in the rate development process.

Through the DHCM Actuarial team review of the encounter data provided from the AHCCCS PMMIS mainframe, we ensured that only encounter data with valid AHCCCS member IDs was used in developing the CYE 19 capitation rates for the ACC program. Additionally, we ensured that only services covered under the state plan were included.

(C) Consistency of the Data

The AHCCCS DHCM Actuarial Team reviewed the encounter data for consistency by viewing month over month, year over year as well as encounter data versus financial statements. For calendar year 2017, the total expenses reported in financial statements differed from the total expenses from completed encounter data by 0.04%. As such, the encounter data was deemed to be consistent for capitation rate setting.

(ii) Actuary's Assessment of the Data

As required by ASOP No. 23, AHCCCS discloses that the rate development process has relied upon encounter data submitted by ALTCS DES/DDD and provided from the AHCCCS PMMIS mainframe. Additionally, the rate development process has relied upon the audited annual and unaudited quarterly financial statement data submitted by ALTCS DES/DDD and reviewed by the AHCCCS Rates & Reimbursement Team. The AHCCCS DHCM Actuarial Team did not audit the data or financial statements and the rate development is dependent upon this reliance. The actuary notes additional reliance on data provided by the AHCCCS Rates & Reimbursement Team with regards to DAP, and on data provided by the AHCCCS DBF Budget Team with regards to projected enrollment.

AHCCCS has determined the calendar year 2017 encounter data to be appropriate for the purposes of developing the CYE 19 capitation rates for the ACC program. Additionally, the calendar year 2015 and 2016 encounter data was deemed appropriate for use in trends.

(iii) Data Concerns

There are no concerns with the data used.

(c) Appropriate Data for Rate Development

The calendar year 2017 encounter data was appropriate to use as the base data for developing the CYE 19 capitation rates for the ALTCS DES/DDD program.

(i) Appropriateness of Encounter Data

As described above in Section I.2.B.ii.(c), managed care encounters served as the primary data source for the development of the CYE 19 capitation rates for the ALTCS DES/DDD program.

(ii) Not using Managed Care Encounter Data

Not applicable. As described above in Section I.2.B.ii.(c), managed care encounters served as the primary data source for the development of the CYE 19 capitation rates for the ALTCS DES/DDD program.

(d) Use of a Data Book

Not applicable. The AHCCCS DHCM Actuarial Team did not rely on a data book to develop the CYE 19 capitation rates.

iii. Adjustments to the Data

Adjustments were made to the data to estimate completion and to normalize historical encounters to current provider reimbursement levels.

(a) Credibility of the Data

No credibility adjustment was necessary.

(b) Completion Factors

An adjustment was made to the encounter data to reflect the level of completion. AHCCCS calculated completion factors using the development method with monthly encounter data from January 1, 2015 through December 31, 2017, paid through March 2018. The monthly completion factors were applied to the encounter data on a monthly basis. The aggregated calendar year 2017 completion factors applied to each COS are shown in Appendix 4.

(c) Errors Found in the Data

No errors were found in the data. Thus, no data adjustments were made for errors.

(d) Changes in the Program

All historical changes applied to the calendar year 2015, 2016, and 2017 encounter data for use in base and trend development are provided in Appendix 4.

(e) Exclusions of Payments or Services

The AHCCCS DHCM Actuarial Team ensured that all non-covered services were excluded from the encounter data used for developing the CYE 19 capitation rates.

3. Projected Benefit Costs and Trends

This section provides documentation for the Projected Benefit Costs and Trends section of the 2019 Guide.

A. Rate Development Standards

i. Compliance with 42 CFR § 438.3(c)(1)(ii) and § 438.3(e)

The final capitation rates are based only upon services allowed under 42 CFR § 438.3(c)(1)(ii) at 81 FR 27856 and 42 CFR § 438.3(e) at 81 FR 27861.

ii. Variations in Assumptions

Any variation in assumptions for covered populations is based upon valid rate development standards and is not based upon the rate of federal financial participation associated with the covered populations.

iii. Projected Benefit Cost Trend Assumptions

Projected benefit cost trend assumptions are developed in accordance with generally accepted actuarial principles and practices. The actual experience of the covered populations was the primary data source used to develop the projected benefit cost trend assumptions.

iv. In-Lieu-Of Services

This is not applicable because in-lieu-of services, as defined in 42 CFR § 438.3(e)(2) at 81 FR 27856, were not used in developing the CYE 19 capitation rates for ALTCS DES/DDD Program. The ALTCS DES/DDD Program does not have in-lieu-of services. All services provided are covered under the 1115 Waiver, and thus are considered State Plan Services.

v. Institution for Mental Disease

Institution for mental disease (IMD) payments in accordance with 42 CFR § 438.6(e) at 81 FR 27861 are for enrollees aged 21 to 64. This is not applicable to the ALTCS DES/DDD Program, since there was no utilization of IMDs for enrollees aged 21 to 64 in the encounter data used for the development of the capitation rate.

vi. Section 12002 of the 21st Century Cures Act (P.L. 114-255)

This is not applicable to the ALTCS DES/DDD Program, since there was no utilization of IMDs for enrollees aged 21 to 64 in the encounter data used for the development of the capitation rate.

B. Appropriate Documentation

i. Projected Benefit Costs

See Appendix 4 for final projected benefit costs.

ii. Projected Benefit Cost Development

This section provides information on the projected benefit costs included in the CYE 19 capitation rates for the ALTCS DES/DDD Program.

(a) Description of the Data, Assumptions, and Methodologies

The data described in Section I.2.B.ii.(a) was adjusted to reflect assumed completion, benefits, program requirements, and provider reimbursement levels as described in Section I.2.B.iii. The per-member-per-month (PMPM) expenditures for each COS in the base year were trended forward to the midpoint of the effective period of the capitation rates by applying assumed annual utilization and unit cost trends for each COS, using the methodology described below in I.3.B.iii.(a).

Provider Fee Schedule Changes

AHCCCS typically makes annual updates to provider fee schedules that are used for AHCCCS fee-for-service programs. The AHCCCS DHCM Rates & Reimbursement Team and the AHCCCS DHCM Actuarial Team have typically determined impacts that the change in fees would have on the managed care programs and have applied these impacts to the managed care capitation rates. Although it is not mandated through the health plan contracts, the health plans typically update their provider fee schedules to reflect changes in the AHCCCS provider fee schedules because the health plans tend to benchmark against the AHCCCS provider fee schedules. This information is known through health plan surveys conducted by the AHCCCS DHCM Finance & Reinsurance Team regarding their fee schedules.

Effective October 1, 2018, AHCCCS will be updating provider fee schedules for certain providers based either on access to care needs, Medicare/ADHS fee schedule rate changes, and/or legislative mandates. The CYE 19 capitation rate will be adjusted effective as of that date to reflect these fee schedule changes when they are known.

(b) Material Changes to the Data, Assumptions, and Methodologies

Not applicable. No material changes have been made to the data, assumptions, and methodologies in development of the CYE 19 capitation rates for the ALTCS DES/DDD program.

iii. Projected Benefit Cost Trends

In accordance with 42 CFR § 438.7(b)(2) at 81 FR 27861, this section provides documentation on the projected benefit cost trends.

(a) Requirements

(i) Projected Benefit Cost Trends Data

Please see Section I.2.B.ii.(a) for the types of data that AHCCCS relied upon for developing the projected benefit cost trends for the CYE 19 capitation rates for the ALTCS DES/DDD Program.

All data used was specific to the ALTCS DES/DDD population.

(ii) Projected Benefit Cost Trends Methodologies

Annualized growth rates in utilization and unit costs by COS, observed over the three year data period, were the basis for trend assumptions by COS, with consideration for actuarial judgment in regards to current program conditions. Some COS observed negative trends in utilization and/or unit cost during that time frame. AHCCCS judged that those negative trends were not likely to continue, and applied a 0% floor to the utilization and unit cost trend assumption for each COS. An upper limit (set at 10%) was also applied to the PMPM trend to smooth out unreasonable trends. For this rate setting period, no COS hit that upper limit. The assumed trends in part ii and Table 1 below reflect the application of those limits to the historical trends.

(iii) Projected Benefit Cost Trends Comparisons

All revised PMPM trend assumptions for the affected COS were compared to similar assumptions made in CYE 18 for ALTCS DES/DDD capitation rates and judged reasonable to assume for projection to CYE 19.

(b) Projected Benefit Cost Trends by Component

(i) Changes in Price and Utilization

The trend assumptions were developed by unit cost and utilization. Table 1 contains the components of the projected benefit cost trend by COS for Institutional and HCBS services.

Table 1: Assumed Trends by COS

Detail COS	Data Source	Annual Utilization Trend Rate	Annual Unit Cost Trend Rate	Annual PMPM Trend Rate
Institutional	Encounters	0.0%	4.1%	4.1%
ATPC, ICF/IID	DDD Supplemental Information	0.0%	1.0%	1.0%
Attendant Care	Encounters	4.5%	1.9%	6.4%
Respite	Encounters	0.0%	0.3%	0.3%
Hab Res Per Diem	Encounters	0.0%	2.3%	2.3%
Hab Res Per 15 mins	Encounters	0.0%	0.0%	0.0%
Day Treatment	Encounters	0.0%	2.7%	2.7%
Self Care Home	Encounters	0.0%	0.0%	0.0%
Therapy and Evals	Encounters	3.5%	0.5%	4.0%
Transportation	Encounters	0.8%	0.3%	1.1%
Nursing	Encounters	2.9%	1.4%	4.3%
Employment	Encounters	0.0%	2.5%	2.5%
Misc	Encounters	0.0%	6.8%	6.8%
SOGH	DDD Supplemental Information	0.1%	0.1%	0.2%

(ii) Alternative Methods

Not applicable.

(iii) Other Components

No other components were used in the development of the annualized trend assumptions provided in the table in I.3.B.iii.(b).(i).

(c) Variation in Trend

Projected benefit cost trends do not vary except by category of service.

(d) Any Other Material Adjustments

No other material adjustments were made to the trend assumptions.

(e) Any Other Adjustments

No other adjustments were made to the trend assumptions.

iv. Mental Health Parity and Addiction Equity Act Compliance

The AHCCCS DHCM Medical Management Team, the AHCCCS Office of Administrative Legal Services (OALS) Legal Counsel Team, and the AHCCCS Office of the Director, have completed a Mental Health Parity and Addiction Equity Act (MHPAEA) analysis to determine if additional services are necessary to comply with parity standards. No additional services have been identified as necessary services to comply with MHPAEA.

v. In-Lieu-Of Services

This is not applicable because in-lieu-of services, as defined in 42 CFR § 438.3(e)(2) of 81 FR 27497, were not used in developing the CYE 19 capitation rates for the ALTCS DES/DDD program.

vi. Retrospective Eligibility Periods

(a) Managed Care Plan Responsibility

AHCCCS provides prior period coverage for the period of time prior to the member's enrollment during which the member is eligible for covered services. Prior period coverage refers to the time frame from the effective date of eligibility (usually the first day of the month of application) until the date the member is enrolled with ALTCS DES/DDD. ALTCS DES/DDD receives notification from AHCCCS of the member's enrollment. ALTCS DES/DDD is responsible for payment of all claims for medically necessary services covered by ALTCS DES/DDD and provided to members during prior period coverage.

(b) Claims Data Included in Base Data

Encounters delivered during the prior period coverage (PPC) timeframe for each member are included in the base encounter data used for setting capitation rates.

(c) Enrollment Data Included in Base Data

Member months during the PPC timeframe are included in the base enrollment data used for setting capitation rates.

(d) Adjustments, Assumptions, and Methodology

Due to limited number of members in the PPC time frame, a separate PPC capitation rate was not developed and all covered expenses and member months are included in the regular DDD capitation rate cell.

vii. Impact of All Material Changes

This section of the 2019 Guide provides information on what must be documented for all material changes to covered benefits or services since the last rate certification.

(a) Covered Benefits

There were no material changes since the last rate certification related to changes in covered benefits.

(b) Recoveries of Overpayments

No adjustments were made to reflect recoveries of overpayments made to providers by health plans in accordance with 42 CFR §438.608(d) at 81 FR 27892. The AHCCCS DHCM Actuarial Team will be working with the AHCCCS Office of Inspector General (OIG) Team to collect historical and current recoveries of overpayments to determine if adjustments will need to be included in future rate development processes.

(c) Provider Payment Requirements

Adjustments related to provider reimbursement changes are discussed in Section I.3.B.ii.(a).

(d) Applicable Waivers

There were no material changes since the last rate certification related to waiver requirements or conditions.

(e) Applicable Litigation

There were no material changes since the last rate certification related to litigation.

viii. Impact of All Material and Non-Material Changes

Documentation regarding all changes for this rate revision, whether material and non-material, has been provided above in Section I.3.B.ii.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

This is not applicable because incentive arrangements, as defined in 42 CFR § 438.6(b) of 81 FR 27497, were not developed for the CYE 19 capitation rates for ALTCS DES/DDD.

B. Withhold Arrangements

This is not applicable because withhold arrangements, as defined in 42 CFR § 438.6(a) of 81 FR 27497, were not developed for the CYE 19 capitation rates for ALTCS DES/DDD.

C. Risk-Sharing Mechanisms

i. Rate Development Standards

This section of the 2019 Guide provides information on the requirements for risk-sharing mechanisms.

ii. Appropriate Documentation

(a) Description of Risk-Sharing Mechanisms

See section on reinsurance I.4.C.ii.(c) below. No other risk sharing arrangements exist for ALTCS DES/DDD.

(b) Description of Medical Loss Ratio

The contract does not include a remittance/payment requirement for being above/below a specified medical loss ratio (MLR). This section is not applicable.

(c) Description of Reinsurance Requirements

(i) Reinsurance Requirements

AHCCCS provides a reinsurance program to ALTCS DES/DDD for the partial reimbursement of covered medical services incurred during the contract year.

This reinsurance program is similar to what is seen in commercial reinsurance

programs with a few differences. The deductible is lower than a standard commercial reinsurance program. AHCCCS has different reinsurance case types - with the majority of the reinsurance cases falling into the regular reinsurance case type. Regular reinsurance cases cover partial reimbursement of inpatient facility medical services. Most of the other reinsurance cases fall under catastrophic, including reinsurance for biotech drugs. Additionally, rather than ALTCS DES/DDD paying a premium, the capitation rates are instead adjusted by subtracting the reinsurance offset from the gross medical. One could view the reinsurance offset as a premium. Historical reinsurance experience is the basis of the reinsurance offset.

The AHCCCS reinsurance program has been in place for more than twenty years and is funded with General Fund for State Match and Federal Matching authority. AHCCCS is self-insured for the reinsurance program, which is characterized by an initial deductible level and a subsequent coinsurance percentage. The coinsurance percentage is the rate at which AHCCCS reimburses ALTCS DES/DDD for covered services incurred above the deductible. The deductible is the responsibility of ALTCS DES/DDD. There has been no change to the deductible or coinsurance factors since the last rate setting period.

The actual reinsurance case amounts are paid to ALTCS DES/DDD whether the actual amount is above or below the reinsurance offset in the capitation rates. This can result in a loss or gain by ALTCS DES/DDD based on actual reinsurance payments versus expected reinsurance payments.

This component of the rate cell will be updated with an effective date of October 1, 2018 since it is part of the Acute component as described in section I.A.ii.(c).

For additional information, including all deductibles and coinsurance amounts, on the reinsurance program refer to the Reinsurance section of the ALTCS DES/DDD Program contract.

(ii) Effect on Development of Capitation Rates

The reinsurance offset (expected PMPM of reinsurance payments for the rate setting period) is subtracted from the gross medical PMPM calculated for the rate setting period. It is a separate calculation, and does not affect the methodologies for development of the gross medical capitation PMPM rate.

(iii) Development in Accordance with Generally Accepted Actuarial Principles and Practices

Projected reinsurance offsets are developed in accordance with generally accepted actuarial principles and practices.

(iv) Data, Assumptions, Methodology to Develop the Reinsurance Offset

The capitation rates are adjusted by subtracting the reinsurance offset amounts from the gross medical expenses since ALTCS DES/DDD will receive payment from AHCCCS for reinsurance cases. The data used for the reinsurance offset amounts are actual RI paid data. This component of the rate cell will be updated with an effective date of October 1, 2018 since it is part of the Acute component as described in section I.D.iv.a.

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

This section of the 2019 Guide provides information on delivery system and provider payment initiatives.

ii. Appropriate Documentation

(a) Description of Delivery System and Provider Payment Initiatives

(i) Description

The Differential Adjusted Payment (DAP) initiative delivers a uniform percentage increase to registered providers who provide a particular service under the contract and who meet specific criteria established by AHCCCS. The purpose of the DAP is to distinguish providers which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The rate increase is intended to supplement, not supplant, payments to eligible providers. The rate increases range from 0.5% to 10%, depending on the provider type.

(ii) Amount

The total amount of DAP payments before premium tax, admin or underwriting gain included as an adjustment to the capitation rates is approximately \$57,000 per calendar quarter (\$227,000 annualized) or \$0.58 PMPM.

(iii) Providers Receiving Payment

The qualifying providers receiving the payments include hospitals subject to APR-DRG reimbursement (eligible for a 0.5% increase), other hospitals and inpatient facilities (eligible for a 0.5% increase), nursing facilities (eligible for up to 2% increase), integrated clinics (eligible for a 10% increase on a limited set of codes), physicians, physician assistants, and registered nurse practitioners (all eligible for a 1% increase). All providers were notified via a proposed and a final Public Notice of the criteria required to qualify for the DAP.

(iv) Effect on Capitation Rate Development

Funding for DAP is included in the certified capitation rates. The AHCCCS DHCM Rates & Reimbursement Team provided the AHCCCS DHCM Actuarial Team with data for the impact of DAP. The data used by the AHCCCS DHCM Rates & Reimbursement Team to develop the DAP was the FFY 16 encounter data across all programs for the providers who qualify for DAP. The AHCCCS DHCM Rates & Reimbursement Team applied the percentage increase earned under DAP to the AHCCCS provider payments resulting from the fee schedule changes, for all services subject to DAP, to determine what the impacts would be for the FFY 18 time period, part of which falls within CYE 19 for ALTCS DES/DDD rating purposes. The AHCCCS DHCM Actuarial Team then reviewed the results and applied the impacts by program. AHCCCS describes the methodology, data and assumptions related the DAP within the approved 438.6(c) pre-print.

(v) Inclusion of Payments in the Capitation Rates

The DAP amounts included in the CYE 19 rate are referenced in Section I.4.D.ii.(a).(ii) above. The amounts represent the projected payments by ALTCS DES/DDD to providers in each COS during FFY 18, as described in Section I.4.D.ii.(a).(iv), divided by the ALTCS DES/DDD member months projected for that time period.

E. Pass-Through Payments

Not applicable. There are no pass-through payments in the CYE 19 capitation rates for the ALTCS DES/DDD Program.

5. Projected Non-Benefit Costs

A. Rate Development Standards

This section of the 2019 Guide provides information on the non-benefit component of the capitation rates.

B. Appropriate Documentation

i. Description of the Development of Projected Non-Benefit Costs

(a) Data, Assumptions, Methodology

The administrative expenses are not developed using a ground up approach based upon fixed and variable cost allocations. Instead, ALTCS DES/DDD provides AHCCCS with a detailed administrative expense request for funding. The administrative expense request typically includes the two most recent contract years of administrative expense data and a projection of the administrative expenses for the upcoming rating period. These administrative expense requests are reviewed by AHCCCS for reasonableness by comparing against the financial statements submitted

by ALTCS DES/DDD and against previous administrative expense requests. Once the reports are determined to be reasonable by AHCCCS, an administrative expense PMPM is calculated using the appropriate projected member months for the contract year.

The projected case management expenses are reviewed by AHCCCS for reasonableness by comparing against the financial statements submitted by ALTCS DES/DDD, against previous case management expense requests, and discussions with ALTCS DES/DDD. Once the projected case management expenses are determined to be reasonable by AHCCCS, a case management expense PMPM is calculated using the appropriate projected member months for the contract year.

The TCM expense PMPMs were developed by reviewing supplemental TCM cost information for the TCM population provided by ALTCS DES/DDD and projecting that forward per discussions with ALTCS DES/DDD.

(b) Changes from the Previous Rate Certification

The increase described above was not material, and there were no other material changes to data, assumption or methodologies for projected non-benefit costs since the last rate certification.

(c) Any Other Material Changes

There were no other adjustments (material or non-material) to the projected non-benefit expenses included in the capitation rate.

ii. Projected Non-Benefit Costs by Category

The projected non-benefit costs for each of the listed categories of costs in the 2019 Guide are shown in Appendix 4 for the CYE 19 capitation rates.

(a) Administrative Costs

ALTCS DES/DDD provides actual and projected administrative expenses in the categories described above in part B.i. of this section.

(b) Taxes and Other Fees

The CYE 19 capitation rates for the ALTCS DES/DDD Program include a provision for premium tax of 2.0% of capitation. The premium tax is applied to the total capitation. The Health Insurance Providers Fee (HIPF) is discussed below in I.5.B.iii. No other taxes, fees, or assessments are applicable for this filing.

(c) Contribution to Reserves, Risk Margin, and Cost of Capital

The CYE 19 capitation rate for the ALTCS DES/DDD Program includes a provision of 1% for risk margin (i.e. underwriting gain).

(d) Other Material Non-Benefit Costs

No other material or non-material non-benefit costs are reflected in the CYE 19 capitation rates for the ALTCS DES/DDD Program.

iii. Health Insurance Provider's Fee

AHCCCS will not be adjusting the capitation rates for the Health Insurance Providers Fee (HIPF) at this time. The HIPF is addressed by AHCCCS each year in a separate certification specific to the program and year.

6. Risk Adjustment and Acuity Adjustments

This section of the 2019 Guide is not applicable to the ALTCS DES/DDD Program. The ALTCS DES/DDD Program does not have risk adjustments or acuity adjustments. This is not anticipated to change.

Section II Medicaid Managed Care Rates with Long-Term Services and Supports

Section II of the 2019 Guide is applicable to the ALTCS DES/DDD Program because the CYE 19 capitation rates for ALTCS DES/DDD are subject to the applicable “actuarial soundness” provisions from 42 CFR § 438.4 at 81 FR 27858 and the ALTCS DES/DDD Program includes managed long-term services and supports (MLTSS).

1. Managed Long-Term Services and Supports

A. CMS Expectations

The rate development standards and appropriate documentation described in Section I of the 2019 Guide are applicable to the MLTSS rate development process.

B. Rate Development Standards

i. Rate Cell Structure

This section of the 2019 Guide provides the two most common approaches to structuring the rate cells.

(a) Blended Capitation Rate

The monthly capitation rate for each rate cell is developed as a blended rate payable for each enrolled member.

(b) Non-Blended Capitation Rate

This is not applicable because a member’s long-term care setting does not determine the capitation paid for that member.

C. Appropriate Documentation

i. Considerations

(a) Rate Cell Structure

The monthly capitation rate for each rate cell is developed as a blended rate payable for each enrolled member.

(b) Data, Assumptions, Methodologies

Data, assumptions and methodologies used for the development of projected gross medical expenses, administrative expenses, and case management expenses are described above in Sections I.3 and I.5.

(c) Other Payment Structures, Incentives, or Disincentives

There are no other payment structures, incentives or disincentives to pay ALTCS DES/DDD Contractors other than what has already been described above in Sections I.4.A and I.4.C.

(d) Effect of MLTSS on Utilization and Unit Cost

The ALTCS DES/DDD Program operates as managed care. No data is available that would quantify the impacts of care management on utilization or unit costs.

(e) Effect of MLTSS on Setting of Care

The ALTCS DES/DDD Program operates as managed care. No data is available that quantifies the effect that the management of this care is expected to have on the level of care within each care setting.

ii. Projected Non-benefit Costs

The development of projected non-benefit costs is described in Section I.5.B of this certification.

iii. Additional Information

No additional information beyond the types and sources of data described in Section I.2.B.ii of this certification was considered.

Section III New Adult Group Capitation Rates

Section III of the 2019 Guide is not applicable to the ALTCS DES/DDD Program.

Appendix 1: Actuarial Certification

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established by the Actuarial Standards Board.

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4 at 81 FR 27858:

- § 438.4 (a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4 (b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
 - § 438.4 (b) (1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
 - § 438.4 (b) (2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
 - § 438.4 (b) (3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
 - § 438.4 (b) (4) Be specific to payments for each rate cell under the contract.
 - § 438.4 (b) (5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
 - § 438.4 (b) (6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
 - § 438.4 (b) (7) Meet any applicable special contract provisions as specified in § 438.6.
 - § 438.4 (b) (8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, “Medicaid Managed Care Capitation Rate Development and Certification,” as:

“Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For

purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

The data, assumptions, and methodologies used to develop the CYE 19 capitation rates for the ALTCS DES/DDD Program have been documented according to the guidelines established by CMS in the 2019 Guide. The CYE 19 capitation rates for the ALTCS DES/DDD Program are effective for the twelve month time period from July 1, 2018 through June 30, 2019.

The actuarially sound capitation rates are based on projections of future events. Actual results may vary from the projections. In developing the actuarially sound capitation rates, I have relied upon data and information provided by AHCCCS and ALTCS DES/DDD. I have relied upon AHCCCS and the ALTCS DES/DDD Program for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness and consistency.

SIGNATURE ON FILE

May 15, 2018

Matthew C. Varitek

Date

Fellow, Society of Actuaries

Member, American Academy of Actuaries

Appendix 2: Certified Capitation Rates

Rate Cell	Projected CYE 19 Member Months	CYE 18 Capitation Rate ¹	CYE 19 Capitation Rate	Percentage Impact
Regular DDD	390,553	\$ 3,804.90	\$ 3,892.14	2.29%
Targeted Case Management	63,117	\$ 160.11	\$ 164.41	2.69%

1. The CYE 18 Capitation Rate represents the recently submitted CYE 18 capitation rate effective from January 1, 2018 through June 30, 2018.

Appendix 3: Fiscal Impact Summary

Rate Cell	Projected CYE 19 Member Months	CYE 18 Capitation Rate ¹	CYE 19 Capitation Rate	PMPM Change
Regular DDD	390,553	\$ 3,804.90	\$ 3,892.14	\$ 87.25
Targeted Case Management	63,117	\$ 160.11	\$ 164.41	\$ 4.30

Rate Cell	CYE 18 Projected Expenditures	CYE 19 Projected Expenditures	Dollar Impact	Percentage Impact
Regular DDD	\$1,486,013,198	\$1,520,087,105	\$34,073,907	2.29%
Targeted Case Management	\$10,105,977	\$10,377,452	\$271,475	2.69%
Total	\$1,496,119,174	\$1,530,464,557	\$34,345,382	2.30%

1. The CYE 18 Capitation Rate represents the recently submitted CYE 18 capitation rate effective from January 1, 2018 through June 30, 2018.

Appendix 4: Base Data, Adjustments, and Projected Benefit Costs

Detail COS	Data Source	CalYr 17 Unadjusted Base Data	Adjustments to Unadjusted Base Data to Bring to Current			
			CFs	Reimbursement Changes incl Prop 206/DAP	Program Changes	Adjusted Base Data
Institutional	Encounters	\$ 54.54	97.8%	0.6%	0.0%	\$ 56.09
ATPC, ICF/IID	DDD Supplemental Information	\$ 57.43	100.0%	1.1%	0.0%	\$ 58.08
Total Institutional		\$ 111.98				\$ 114.17

Attendant Care	Encounters	\$ 284.11	99.3%	2.0%	0.0%	\$ 291.74
Respite	Encounters	\$ 279.33	99.4%	2.2%	0.0%	\$ 287.29
Hab Res Per Diem	Encounters	\$ 1,010.35	99.4%	1.9%	0.0%	\$ 1,036.13
Hab Res Per 15 mins	Encounters	\$ 315.87	99.4%	3.4%	0.0%	\$ 328.83
Day Treatment	Encounters	\$ 333.33	99.4%	1.2%	0.0%	\$ 339.56
Self Care Home	Encounters	\$ 5.75	99.3%	2.1%	0.0%	\$ 5.91
Therapy and Evals	Encounters	\$ 137.85	99.4%	1.3%	0.0%	\$ 140.53
Transportation	Encounters	\$ 50.47	99.4%	2.1%	0.0%	\$ 51.83
Nursing	Encounters	\$ 138.25	99.4%	1.3%	0.0%	\$ 140.97
Employment	Encounters	\$ 84.88	99.4%	1.3%	0.0%	\$ 86.54
Misc	Encounters	\$ 15.44	99.5%	0.1%	0.0%	\$ 15.54
SOGH	DDD Supplemental Information	\$ 13.15	100.0%	0.0%	0.0%	\$ 13.15
Total HCBS		\$ 2,668.80				\$ 2,738.01

Detail COS	Data Source	Adjusted Base Data to bring to Current	PMPM Trends	Prospective Changes		CYE 19 Projected Benefit Costs
				Reimbursement/Program Changes	DAP Payments PMPM	
Institutional	Encounters	\$ 56.09	4.1%	0.0%	\$ 0.19	\$ 59.80
ATPC, ICF/IID	DDD Supplemental Information	\$ 58.08	1.0%	0.0%	\$ -	\$ 58.95
Total Institutional		\$ 114.17			\$ 0.19	\$ 118.75

Attendant Care	Encounters	\$ 291.74	6.4%	0.0%	\$ -	\$ 320.37
Respite	Encounters	\$ 287.29	0.3%	0.0%	\$ -	\$ 288.49
Hab Res Per Diem	Encounters	\$ 1,036.13	2.3%	0.0%	\$ -	\$ 1,071.67
Hab Res Per 15 mins	Encounters	\$ 328.83	0.0%	0.0%	\$ -	\$ 328.83
Day Treatment	Encounters	\$ 339.56	2.7%	0.0%	\$ -	\$ 353.26
Self Care Home	Encounters	\$ 5.91	0.0%	0.0%	\$ -	\$ 5.91
Therapy and Evals	Encounters	\$ 140.53	4.0%	0.0%	\$ -	\$ 149.07
Transportation	Encounters	\$ 51.83	1.1%	0.0%	\$ -	\$ 52.70
Nursing	Encounters	\$ 140.97	4.3%	0.0%	\$ -	\$ 150.26
Employment	Encounters	\$ 86.54	2.5%	0.0%	\$ -	\$ 89.75
Misc	Encounters	\$ 15.54	6.8%	0.0%	\$ -	\$ 17.14
SOGH	DDD Supplemental Information	\$ 13.15	0.2%	0.0%	\$ -	\$ 13.20
Total HCBS		\$ 2,738.01			\$ -	\$ 2,840.66

Appendix 5: Capitation Rate Development

ALTCS DES/DDD Capitation Rate	CYE18 Capitation Rate PMPM ¹	CYE19 Capitation Rate PMPM	Percentage Impact
Claim Costs			
Institutional Services	\$ 113.78	\$ 118.75	4.36%
Home and Community Based Services	\$ 2,789.36	\$ 2,840.66	1.84%
Acute Services	\$ 447.05	\$ 447.05	0.00%
Total Claim Costs	\$ 3,350.19	\$ 3,406.46	1.68%
Share of Cost	\$ (4.70)	\$ (4.70)	0.00%
Acute Services Reinsurance	\$ (26.60)	\$ (26.60)	0.00%
Total Net Claim Costs	\$ 3,318.90	\$ 3,375.16	1.70%
Non-Benefit Costs			
Case Management	\$ 170.74	\$ 176.01	3.08%
Administration	\$ 203.95	\$ 227.31	11.45%
Underwriting Gain	\$ 35.21	\$ 35.82	1.75%
Premium Tax	\$ 76.10	\$ 77.84	2.29%
Total Non-Benefit Costs	\$ 486.00	\$ 516.98	6.38%
ALTCS DES/DDD Capitation Rate	\$ 3,804.90	\$ 3,892.14	2.29%

Targeted Case Management (TCM)	CYE18 Capitation Rate PMPM ¹	CYE19 Capitation Rate PMPM	Percentage Impact
Non-Benefit Costs			
Case Management	\$ 156.91	\$ 161.13	2.69%
Premium Tax	\$ 3.20	\$ 3.29	2.69%
Targeted Case Management Rate	\$ 160.11	\$ 164.41	2.69%

1. The CYE 18 Capitation Rate represents the recently submitted CYE 18 capitation rate effective from January 1, 2018 through June 30, 2018.