Department of HUMAN SERVICES

Managed Care Organization (MCO) Contract Changes

SFY 22 Rates (Revised Rates with Appropriations Added)

Executive Summary

The Department recently executed two contract amendments with Amerigroup Iowa (AGP) and Iowa Total Care (ITC) to administer the IA Health Link Program. These amendments were executed to include changes to rates based on the final appropriations bill and update contract language based on Iowa Legislation.

This document provides brief descriptions of these changes and the attached document (IA HL – SFY22 Rate Summary with Legislative Changes) illustrates the breakout for these changes. These contract amendments are still pending approval by the Centers for Medicare and Medicaid Services (CMS) and may be subject to change.

Rate Changes

The Department will implement the following rate changes through MED-16-018-Amendment 17 (Amerigroup) and MED-20-001 Amendment 8 (Iowa Total Care):

Fiscal Impact: The estimated fiscal impact of the SFY22 MCO capitation rates is an increase in $103,076,321 ($61,790 462 increase for AGP; and $41,285,860 increase for ITC. The impact split between MCOs is aligned with the overall enrollment distribution between MCO.)

Please note these amounts are increases to the SFY22 MCO capitation rates developed in May 2021 except for nominal annual rate increase for nursing homes.

Appropriations: The following changes were made to the rates based on the final state appropriations bill. *Note all state appropriation values are based on non-public health emergency (PHE) FMAP, except HCBS and Home-Based Habilitation.

- Psychiatric Medical Health Institution for Children (PMIC) will see a 52% rate increase ($3.9M appropriation).
- Nursing Facilities to receive a 7.587% increase ($19M appropriation). This includes the 1.4% included in the original SFY22 capitation rates.
- HCBS including non-Home Based Habilitation codes receive a 3.55% increase ($8.3M appropriation).
- Home-Based Habilitation – revised payment rates for tiers 1 through 6 and a new seventh payment tier (most intensive) was developed including an updated assessment tool using Level of Care Utilization System (LOCUS) ($9.8M appropriation).
- Pharmacy Dispensing Fee was changed from $10.07 to $10.35 ($600,000 appropriation).
- Air Ambulance fee was increased from $250.35 to $550 ($100,000 appropriation).
- Home Health Agency Low-Utilization Payment Adjustment (LUPA): Updated fee schedule varied by revenue code and county ($2.0M appropriation).

Contract changes

The Department has made the following revisions to the MCO contracts through MED-16-018-Amendment 17 (Amerigroup) and MED-20-001 Amendment 8 (Iowa Total Care):

1. Updated language for court-ordered mental health services as mandated by the Iowa legislature (HF 891).
2. Replaced the MCO rate table with an updated rate table for SFY 2022 rates; appropriation changes made rate changes necessary.

Revised SFY22 Rate Increase* = **3.0%**

$153.1M Total ($51.2M State Share***)**

Legislated Changes = 2.18% ($112.6M Total, $37.7M State Share)

Air Ambulance = 0.01%

Dispensing Fee = 0.04%

Home-Based Habilitation = 0.58%

HCBS = 0.43%

Home Health LUPA = 0.11%

Nursing Facility = 0.84%

Psychiatric Medical Institutions for Children = 0.19%

Base Fee Schedule Change Adjustments = 0.12% ($6.0M Total, $2.0M State Share)

Federally Qualified Health Center and Rural Health Clinic = 0.01%

Intermediate Care Facility for Intellectual Disabilities Rebase = 0.04%

State Resource Center = 0.03%

Nursing Facility = 0.04%

Program/Policy Changes & COVID Adjustment Updates = -0.68% (-$35.3M Total, -$11.8M State Share)

Hepatitis C Adjustment Update = -0.35%

COVID-19 Testing Adjustment Update = -0.23%

Acuity Adjustment Update = -0.1%

Other Rate Changes = 1.35% ($69.8M Total, $23.3M State Share)

Base Data Update = -0.19%

Program Integrity Update = 0.11%

Additional Trend at 50th Percentile = 1.24%

Non-Medical Load = 0.24%

LTSS Blend = -0.05%

	Total	State Share
Total Rate Increase	$153.1M	**$51.2M**
Legislated Changes (appropriated)	$112.6M	**$37.7M**
Additional Increases		**$13.5M**

* Based on comparison of SFY22 rates with legislative appropriations and SFY21b rates.
** Total funds based on the CY19 base data membership mix. Actual funds will vary based on enrollment within the SFY22 contract period.
*** State Share = 34.86% in aggregate for traditional Medicaid populations (includes PHE enhancement, but no inclusion for HCBS FMAP increase), 33.4% blended across all populations (regular and enhanced FMAP populations).

July 13, 2021

Ms. Elizabeth Matney
Medicaid Director
Iowa Medicaid Enterprise
611 5th Ave.
Des Moines, IA 50309

Subject: July 2021 – June 2022 (SFY22) IA Health Link Managed Care Rate Addendum

Dear Ms. Matney:

Thank you for the opportunity to assist the Department of Human Services (DHS) and Iowa Medicaid Enterprise (IME) with the development of the IA Health Link SFY22 capitation rates. It was a pleasure to work with the DHS/IME team throughout this project. The following report describes the SFY22 Iowa legislative appropriations, which are effective July 1, 2021. Each policy change that received additional legislative appropriations for the SFY22 contract period is described along with the associated impact on the IA Health Link managed care capitation rates. These revised rates are effective July 1, 2021 through June 30, 2022 and we have provided our actuarial certification for these updated rates, compliant with CMS guidelines and requirements. Please send me an e-mail at barry.jordan@optumas.com or call me at 480.588.2492, or e-mail Elrycc at elrycc.berkman@optumas.com or call at 480.247.2890 if you have any questions.

Sincerely,

Barry Jordan, FSA, MAAA
Consulting Actuary, **Optumas**

Elrycc Berkman, ASA, MAAA
Consulting Actuary, **Optumas**

Iowa Medicaid Enterprise

IA Health Link Actuarial Certification Addendum

July 1, 2021 – June 30, 2022 Capitation Rates

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1. Rate Update

The purpose of this report is to provide documentation and amended actuarial certification for the IA Health Link Managed Care Program. **Optumas** is amending the July 1, 2021 – June 30, 2022 (SFY22) actuarial certification to include additional policy changes as a result of Iowa legislative appropriations for the SFY22 contract period. Within the original SFY22 certification letter, dated April 29, 2021, there were no adjustments for the SFY22 legislative appropriations because the services and policy changes affected by the appropriations were unknown at that time.

This addendum to the original actuarial certification dated April 29, 2021, is effective for the period July 1, 2021 – June 30, 2022.

This report describes each of the approved SFY22 legislative policy changes and includes the impact to the revised SFY22 IA Health Link managed care rates. Each of the items impacting the Health Link program because of the legislative appropriations are described below and the impact to the capitation rates are included within the accompanying Excel appendices. This addendum includes the new policy changes associated with the legislative appropriations and all other rating adjustments and assumptions described within the original rate certification have remained unchanged with the exception of the non-medical load assumption, which is described later in this report. Each of the SFY22 legislative policies described below have been included within the rate development after trending to the SFY22 contract period and were applied prior to the application of the acuity adjustment, risk adjustment, non-medical load, and LTSS rate blend assumptions.

As the consulting actuaries to IME/DHS, **Optumas** ensured that the methodology used to develop the appropriations rating adjustments complied with the Centers for Medicare & Medicaid Services (CMS) guidance for the development of actuarially sound rates. The methodology and assumptions utilized when updating the rates are consistent with the documentation included in the original certification.

Optumas worked with IME/DHS to identify the rate development components for the rating period, accounting for the covered services as described in the IA Health Link contracts. The final rates were developed according to all applicable actuarially sound principles and CMS guidance.

The sections below describe each of the adjustments and the resulting impact within the SFY22 rate development. The impact of each program change associated with this amendment is itemized in columns AN-BA of Appendix I.B.1 and I.B.2.

1.01 Air Ambulance Appropriation

Effective July 1, 2021, the base reimbursement per trip for air ambulance procedure codes A0430 and A0431 is increasing from $250.35 to $550.00. **Optumas** estimated the impact of this reimbursement change by identifying the CY19 base data encounters billed under the applicable procedure codes and repricing to the new rate of $550. The repricing results in an increase of $0.3M to the capitation rates using the CY19 enrollment mix underlying the base data.

1.02 Dispensing Fee Increase

Effective July 1, 2021, IME is increasing the pharmacy dispensing fee for all pharmacy providers, both local and national chains, from $10.07 to $10.38 per script, or approximately 3.1%. **Optumas** developed the rating adjustment associated with the dispensing fee increase by identifying all retail pharmaceuticals within the CY19 encounters and applying the dispensing fee increase accordingly. This results in a $2.1M increase to the capitation rates based on CY19 enrollment.

1.03 Home-Based Habilitation Appropriation

Effective July 1, 2021, new Home-Based Habilitation (HBH) rates will be paid to providers for Medicaid beneficiaries receiving services such as medical management, budgeting, grocery shopping, personal hygiene skills, etc., within the home and community. The current 6-tier reimbursement structure of the HBH program will have a 7th tier added (procedure code H2016 with modifier U7) for members who require the most intensive residential care needs with 24 hours of direct care received per day.

Members will be classified into the 7 HBH tiers using a new Level of Care Utilization System (LOCUS) assessment to match the client's clinical needs with the tiered reimbursement structure. Each tier varies based on the amount of care that the member requires per day, with tier 1 being the least intensive (0.25 – 2 hours per day) and tier 7 being the most intensive (24 hours per day). IME has indicated that the tier reevaluations will occur throughout the SFY22 contract period as each member's prior annual assessment expires so there will be a staggered impact of utilization shifts associated with members being reevaluated and assigned to one of the 7 tiers under the new LOCUS assessment. IME requested the MCOs evaluate the shift of membership distribution within the HBH tiers under the new LOCUS assessment by sampling a subset of members and providing results on the shift in utilization that will likely result by implementing the new scoring criteria. The survey results detailing the expected shifts in utilization were provided to **Optumas** to use when developing the HBH appropriation rating adjustment.

Optumas estimated the impact of the new HBH reimbursement structure by first identifying all HBH services within the CY19 base data then applying both the estimated changes in utilization across the tiers and the individual tiers rate changes. An estimate was included for the new tier 7 expected utilization and associated rate that will be reimbursed for this service effective July 1, 2021. The resulting shift in reimbursement and utilization for the HBH program structure during the SFY22 contract period resulted in a $29.8M increase to the capitation rates based on CY19 enrollment.

The impact of the HBH rate change varies by rate cell based on the distribution of members across the tiers within the base data and the estimated utilization shifts associated with the implementation of the new LOCUS assessments used to identify which tier corresponds to a member's service needs. Table 1 below shows the current and new rates for each of the HBH tiers.

Table 1: Home-Based Habilitation Rate Change

Tier	Proc Code & Modifier	Current Rate	Proposed Rate	Rate Change
1 - High Recovery	H2016-UA	$51.00	$54.09	6.1%
2 - Recovery Transitional	H2016-UB	$110.90	$116.72	5.2%

Tier	Proc Code & Modifier	Current Rate	Proposed Rate	Rate Change
3 - Medium Need	H2016-UC	$123.40	$135.28	9.6%
4 - Intensive I	H2016-UD	$157.50	$218.38	38.7%
5 - Intensive II	H2016-U8	$210.00	$221.40	5.4%
6 - Intensive III	H2016-U9	$315.00	$388.73	23.4%
7 - Intensive IV	H2016-U7	N/A	$536.50	

Appendix I.B contains the HBH appropriation rating adjustment for each of the IA Health Link rate cells. The impact varies by rate cell based due to differences in membership mix among the HBH tiers. In particular, the Residential Care Facility and Dual Eligible 0-64 M&F rate cells have significant rate increases associated with this adjustment, at 18.4% and 7.9%, respectively. These significant increases due to the HBH appropriation is expected since the majority of the members in these cohorts that utilize HBH services are in tiers 4 and 6, which have the largest rate increases effective July 1, 2021.

1.04 HCBS Appropriation

Effective July 1, 2021, all Home and Community Based Services (HCBS), excluding Home-Based Habilitation services, will receive a 3.55% increase in reimbursement. IME provided **Optumas** the list of all applicable procedure codes and modifiers that will receive the reimbursement increase for each Waiver population. **Optumas** identified each of these populations and services within the CY19 base data encounters and applied the increase in reimbursement to these services. The resulting impact to the capitation rates is a $22.0M increase in expenditures based on CY19 enrollment.

1.05 Home Health LUPA Appropriation

Effective July 1, 2021, services impacted by the Home Health Low Utilization Payment Adjustment (HH LUPA) are receiving a rate increase as a result of the legislative appropriations. IME provided **Optumas** with the new HH LUPA rates that go into effect July 1, 2021 by provider and revenue code. **Optumas** identified the applicable services within the CY19 base data and estimated the increase in reimbursement that will occur during the SFY22 contract period as a result of the new rates. The resulting impact is a $5.4M increase to the capitation rates based on CY19 enrollment.

1.06 Nursing Facility Appropriation

Effective July 1, 2021, nursing facility providers will receive a reimbursement increase for services rendered to the IA Medicaid population as a result of the legislative appropriations. IME provided **Optumas** with the updated provider-specific rates that will be in effect during the SFY22 contract period. While the increase for individual providers varies, the average nursing facility provider received an increase of approximately 7.0%. Using the CY19 base data, **Optumas** estimated the impact of the new provider fees. Within the original SFY22 rate development and certification, **Optumas** included a 1.4% increase to account for the expected rate increase that would be occurring on July 1, 2021. Since 1.4% of the nursing facility rate increase was already accounted for within the original rate development, **Optumas** has applied only the incremental increase to avoid double counting additional expenditures

associated with the rate increase. The resulting increase in capitation rates due to the nursing facility appropriation is an additional increase of $34.6M to the IA Health Link capitation rates based on CY19 enrollment.

1.07 PMIC Appropriation

Effective July 1, 2021, the reimbursement for Psychiatric Medical Institutions for Children (PMICs) is increasing by 52%. IME provided **Optumas** with the list of providers who will receive the rate increase associated with the appropriation to identify the applicable providers within the CY19 base data used for rate setting. **Optumas** applied the rate increase to all room and board revenue codes rendered by the PMIC providers for eligible Medicaid beneficiaries to estimate the impact to the capitation rates. Repricing the PMIC services to reflect the 52% rate increase results in an additional $9.6M added to the capitation rates based on CY19 enrollment. The PMIC rate cell is primarily impacted by this rating adjustment and the significant increase in PMIC provider rates results in a 35.1% increase to the PMIC rate cell (see Appendix I.B), prior to the LTSS rate blend, since the majority of service costs for this population occurs at PMIC facilities.

1.08 Non-Medical Load

The original SFY22 rate submission included a total non-medical load of 7.8% in aggregate (the amount varies by rate cell). The 7.8% aggregate non-medical load is comprised of an administrative component (6.05%) and a profit, risk, and contingency component (1.75%). For the revised SFY22 rates, the administrative portion of the total non-medical load for each rate cell remains unchanged on a PMPM basis for each MCO, such that the PMPM by rate cell remains the same as the PMPM within the original SFY22 rates. The profit, risk, and contingency load has remained at 1.75% of premium for each rate cell. Since each of the appropriations results in an increase to the overall capitation rates, the fixed administrative PMPM approach results in a SFY22 revised non-medical load of 7.7% on a program-wide basis based on the CY19 statewide membership. Further details regarding the revised SFY22 non-medical load by rate cell can be found in Appendix I.B.

1.09 Rate Change Summary and Known Amendments

The combined impact of each of these policy changes associated with the legislative appropriations is an aggregate increase of approximately 2.0% to the previously certified SFY22 capitation rates. Please see Appendix I.D for a comparison of the original SFY22 rates described in the certification letter and the revised SFY22 rates after adjusting for the SFY22 appropriations. No adjustments have been made to the other rating adjustments previously described within the original certification letter, dated April 29, 2021. Additional details for each of these appropriations adjustments can be found at the rate cell level within Appendix I.B. An updated comparison of the revised SFY22 capitation rates, to the SFY21b rates is shown within Appendix II.A. All other appendices that accompanied the original certification letter have been included for completeness and have been updated to reflect the revised rates associated with the legislative appropriation adjustments described within this document.

In addition to the program changes identified above, legislative appropriations were set aside for the expansion of the Children's Mental Health (CMH) HCBS waiver. IME is in the process of implementing the opening of additional waiver slots for the CMH waiver, including the development of a process for

enrolling additional beneficiaries. Based upon completion of this process plan and the expected ramp-in of the additional enrollment, an amendment may be submitted to CMS at the mid-year of SFY22 depending upon the projected materiality of this change on the capitation rates.

2. Actuarial Certification

We, Barry Jordan, Consulting Actuary at **Optumas** and Member of the American Academy of Actuaries (MAAA) and a Fellow of the Society of Actuaries (FSA), and Elrycc Berkman, Consulting Actuary at **Optumas** and Member of the American Academy of Actuaries (MAAA) and an Associate of the Society of Actuaries (ASA), are certifying the calculation of the capitation rates that were described and documented in the original SFY22 certification letter titled "IA Health Link SFY22 Rate Certification 2021.04.29" and amended to incorporate the SFY22 legislative appropriations described in this addendum. We meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time to time by the Actuarial Standards Board.

The capitation rates provided with this certification are considered actuarially sound for purposes of the 42 CFR 438.4, according to the following criteria:

- The capitation rates have been developed in accordance with generally accepted actuarial principles and practices;
- The capitation rates are appropriate for the populations to be covered, and the services to be furnished under the contract; and
- The capitation rates meet the requirements of 42 CFR 438.4.

The actuarially sound rates that are associated with this certification are effective July 1, 2021 through June 30, 2022 for the IA Health Link Managed Care program.

The actuarially sound capitation rates are based on a projection of future events. Actual experience may vary from the experience assumed within their rate projection. The capitation rates offered may not be appropriate for any specific Managed Care Organization (MCO). An individual MCO should review the rates in relation to the benefits that it is obligated to provide to the covered population and to its specific business model. The MCO should evaluate the rates in the context of its own experience, expenses, capital, surplus, and profit requirements prior to agreeing to contract with IME. As a result of this evaluation, the MCO may require rates above or below the actuarially sound rates associated with this certification.

Please feel free to contact Barry at 480.588.2492 or Elrycc at 480.247.2890 for any additional information.

Sincerely,

Barry Jordan, FSA, MAAA
Consulting Actuary, **Optumas**

Elrycc Berkman, ASA, MAAA
Consulting Actuary, **Optumas**

3. Appendices

The appendix referenced in this letter is contained in the following accompanying Excel workbooks:

- IA Health Link SFY22 Rate Certification Addendum Appendix I 2021.07.13.xlsx
- IA Health Link SFY22 Rate Certification Addendum Appendix II 2021.07.13.xlsx