



**Office of State Procurement
PROACT Contract Certification of Approval**

**This certificate serves as confirmation that the Office of State Procurement
has reviewed and approved the contract referenced below.**

Reference Number: 2000100373 (18)

Vendor: Community Care Health Plan of Louisiana, Inc. DBA Healthy Blue

Description: Amd 18 rate cert, Hep C; no change to time or money.

Approved By: Pamela Rice

Approval Date: 10/08/2019

The above referenced number has been assigned by this office and will be used as identification for the approved contract. Please use this number when referring to the contract in any future correspondence or amendment(s).

The Internal Revenue Service (IRS) may find that this contract creates an employment relationship between your agency and the contractor. You should be advised that your agency is responsible for all taxes and penalties if such a finding is forthcoming. It is incumbent upon your agency to determine if an employee/employer relationship exists. Your agency must make the appropriate withholdings in accordance with law and IRS regulations, if applicable.

AMENDMENT TO
AGREEMENT BETWEEN STATE OF LOUISIANA
LOUISIANA DEPARTMENT OF HEALTH

Amendment #: 18
LAGOV#: 2000100373
LDH #: 060467

| | | | | |
|----------------------------------|--|--|------------------------------|------------------|
| (Regional/ Program/ Facility) | Medical Vendor Administration | | Original Contract Amount | 1,964,731,789 |
| | Bureau of Health Services Financing | | Original Contract Begin Date | 02-01-2015 |
| | AND | | Original Contract End Date | 01-31-2018 |
| | Community Care Health Plan of Louisiana DBA Healthy Blue | | RFP Number: | 305PUR-DHHRFP-BH |
| | Contractor Name | | | |

AMENDMENT PROVISIONS

| | | | |
|---|---|------------------------|-----------------|
| Change Contract From: | From Maximum Amount: \$5,341,420,196.00 | Current Contract Term: | 2/1/15-12/31/19 |
| See Attachment A18, Attachment D1, Attachment D2. | | | |

| | | |
|---|--------------------|------------------------|
| Change Contract To: | To Maximum Amount: | Changed Contract Term: |
| See Attachment A18, Attachment D1, Attachment D2. | | |

Justifications for amendment:

Revisions are required for implementation of Hepatitis-C requirements, the federal Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) Act, and rate certifications to implement these provisions. Revisions contained in this amendment are within scope and comply with the terms and conditions as set forth in the RFP.

This Amendment Becomes Effective: 07-01-2019

This amendment contains or has attached hereto all revised terms and conditions agreed upon by contracting parties.

IN WITNESS THEREOF, this amendment is signed and entered into on the date indicated below.

| | | | |
|--|-----------------|---|-------------------------------------|
| CONTRACTOR | | STATE OF LOUISIANA LOUISIANA DEPARTMENT OF HEALTH | |
| Community Care Health Plan of Louisiana DBA Healthy Blue | | Secretary, Louisiana Department of Health or Designee | |
| CONTRACTOR SIGNATURE | 8-28-19 DATE | SIGNATURE | 9/15/19 DATE |
| PRINT NAME | Aaron Lambert | NAME | Jen Steele |
| CONTRACTOR TITLE | CEO | TITLE | Medicaid Director |
| | | OFFICE | Bureau of Health Services Financing |
| | | PROGRAM SIGNATURE | DATE |
| | | NAME | |

Contract Amendment #18
Attachment A-18

| Item Number | Exhibit/ Attachment/ Document | Change From: | Change To: | Justification |
|-------------|--|---|--|--|
| 1 | Attachment D Rate Certification | Mercer rate certifications; Attachments D1, D2 in amendment 17. | Replaced with updated rate certifications, Attachments D1, D2. | <p>Updated expansion and non-expansion rate certifications, effective July 1, 2019 through December 31, 2019.</p> <p>This certification provides support for the following changes:</p> <ul style="list-style-type: none"> • Urine Drug Testing • Inpatient Fee Schedule Changes • FQHC/RHC Fee Schedule Changes • Single Preferred Drug List • Streamlined Hepatitis C Screening and Treatment Algorithm • Non-Medical Expense Load • Risk Corridor • Home-and Community-Based Services (HCBS) Fee Schedule Changes |
| 2 | Exhibit 3 305PUR-DHHRFP-BH-MCO-2014-MVA | Add new section. | <p>5.6.3. Effective July 1, 2019, LDH will implement a risk corridor for Hepatitis C-related pharmacy, physician, and laboratory costs. The parameters of this risk corridor and process for reconciliation and payments will be specified in the Financial Reporting Guide.</p> <p>5.6.3.1. MCOs will be fully at risk for gains or losses less than or equal to 1% of the aggregate Hepatitis C-related medical component of the risk-adjusted capitation payment.</p> | Due to the increased uncertainty around Hepatitis C-related costs in the July 1, 2019 through December 31, 2019 period, LDH will implement a risk corridor for Hepatitis C-related pharmacy, physician, and laboratory costs. |

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| | | | 5.6.3.2. MCOs and LDH will share risk for gains and losses greater than 1% of the aggregate Hepatitis C-related medical component of the risk-adjusted capitation payment. 5.6.3.2.1. The MCO share of risk will be 1%. 5.6.3.2.2. The LDH share of risk will be 99%. | |
| 3 | Exhibit 3 305PUR- DHHRFP-BH- MCO-2014- MVA | Add new section | 6.3.3.10 Hepatitis C Project: The MCOs will follow the Single PDL preferred/non-preferred status and criteria. The MCO PBM shall program denials of 340B claims for all Hepatitis C direct acting anti-viral (DAA) agents. The denials should be based on the 340B pharmacy list provided by LDH quarterly. | This section provides clarification due to the new Hepatitis C requirements. |

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| Item Number | Exhibit/ Attachment/ Document | Change From: | Change To: | Justification |
|-------------|--|--|---|--|
| 4 | Exhibit 3 305PUR-DHHRFP-BH-MCO-2014-MVA | <p>6.3.7. Drug Utilization Review (DUR) Program</p> <p>The MCO shall maintain a DUR program to assure that outpatient drugs are appropriate, medically necessary, and are not likely to result in adverse medical results in accordance with Section 1927(g) of SSA. DUR (prospective, retrospective and educational) standards established by the MCO shall be consistent with those same standards established by LDH.</p> <p>6.3.7.1. The MCO shall include review of Mental Health drugs in its prospective, retrospective and educational DUR program.</p> <p>6.3.7.2. DUR standards shall encourage proper drug utilization by ensuring maximum compliance, minimizing potential fraud and abuse, and take into consideration both the quality and cost of the pharmacy benefit.</p> <p>6.3.7.3. The MCO shall provide for a DUR program that contains the following components:</p> <ul style="list-style-type: none"> • Prospective DUR program • Retrospective DUR program • Educational DUR program <p>6.3.7.3.1. Prospective DUR Program</p> | <p>6.3.7. Drug Utilization Review (DUR) Program</p> <p>The MCO shall maintain a DUR program to assure that outpatient drugs are appropriate, medically necessary, and are not likely to result in adverse medical results in accordance with Section 1927(g) of SSA. DUR (prospective, retrospective and educational) standards established by the MCO shall be consistent with those same standards established by LDH.</p> <p><u>The MCO shall follow the safety edits and claims review requirements as specified by the state to comply with the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities (SUPPORT) Act. The MCOs shall follow the states specifications for permitted exclusions from all of the opioid review activities.</u></p> <p>6.3.7.1. The MCO shall include review of Mental Health drugs in its prospective, retrospective and educational DUR program.</p> <p>6.3.7.2. DUR standards shall encourage proper drug utilization by ensuring maximum compliance, minimizing potential fraud and abuse, and take into consideration both the quality and cost of the pharmacy benefit.</p> <p>6.3.7.3. The MCO shall provide for a DUR program that contains the following components:</p> | CMS is requiring an MCO contract amendment to comply with the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) Act. |

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| Item Number | Exhibit/ Attachment/ Document | Change From: | Change To: | Justification |
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| | | <p>6.3.7.3.1.1. The MCO shall provide for a review of drug therapy at Point of Sale (POS) before each prescription is given to the recipient. Screening should be performed for potential drug problems due to therapeutic duplication, drug-disease contraindications, drug-drug interactions, duration of therapy, and clinical misuse. The following parameters should be screened at POS. Inappropriate therapy should trigger edits and each edit should have its own separate denial code and description including, but not limited to: early refill, duration of therapy, therapeutic duplication, pregnancy precaution, quantity limit (excluding opioids), quantity limit for long-acting opioids, quantity limit for short-acting opioids, diagnosis code required on selected agents, drug interactions, age limit, and dose limits. Reporting capabilities shall exist for these denial codes. The MCOs will need to report data on edits to the Department on a semi-annual basis prior to the submission date requirement of the DUR Annual Report.</p> <p>6.3.7.3.1.2. Pharmacy claims processing shall be capable of capturing diagnosis codes at the POS and utilizing codes in the adjudication process at POS. Denial of pharmacy claims could be triggered by an inappropriate diagnosis code or the absence of a diagnosis code.</p> <p>6.3.7.3.1.3. The MCO should assure the pharmacist offers to counsel the patient or caregiver. A log of receipt of</p> | <ul style="list-style-type: none"> • Prospective DUR program • Retrospective DUR program • Educational DUR program <p>6.3.7.3.1. Prospective DUR Program</p> <p>6.3.7.3.1.1. The MCO shall provide for a review of drug therapy at Point of Sale (POS) before each prescription is given to the recipient. Screening should be performed for potential drug problems due to therapeutic duplication, drug-disease contraindications, drug-drug interactions, duration of therapy, and clinical misuse. The following parameters should be screened at POS. Inappropriate therapy should trigger edits and each edit should have its own separate denial code and description including, but not limited to: early refill, duration of therapy, therapeutic duplication, pregnancy precaution, quantity limit (excluding opioids), quantity limit for long-acting opioids, quantity limit for short-acting opioids, diagnosis code required on selected agents, drug interactions, age limit, and dose limits. Reporting capabilities shall exist for these denial codes. The MCOs will need to report data on edits to the Department on a semi-annual basis prior to the submission date requirement of the DUR Annual Report.</p> <p>6.3.7.3.1.2. Pharmacy claims processing shall be capable of capturing diagnosis codes at the POS and utilizing codes in</p> | |

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|-------------|-------------------------------------|---|--|---------------|
| | | <p>prescription and the offer to counsel by the pharmacist shall be incorporated into MCO policy.</p> <p>6.3.7.3.2. Retrospective DUR Program</p> <p>6.3.7.3.2.1. The MCO shall provide for the ongoing periodic examination of claims data to identify patterns of gross overuse, abuse, potential fraud, and inappropriate or medically unnecessary care among prescribers, pharmacists, or recipients.</p> <p>6.3.7.3.2.2. Claims review must be assessed against predetermined standards while monitoring for therapeutic appropriateness. Prescribers and pharmacists should be contacted via an electronic portal or other electronic means if possible. Facsimile and mail will suffice in some instances. At a minimum, the MCO shall incorporate all of LDH's DUR retrospective initiatives. Retrospective DUR initiatives shall be implemented monthly as directed by LDH pharmacy.</p> | <p>the adjudication process at POS. Denial of pharmacy claims could be triggered by an inappropriate diagnosis code or the absence of a diagnosis code.</p> <p>6.3.7.3.1.3. The MCO should assure the pharmacist offers to counsel the patient or caregiver. A log of receipt of prescription and the offer to counsel by the pharmacist shall be incorporated into MCO policy.</p> <p><u>6.3.7.3.1.4. The MCOs shall follow prospective safety edits for opioids including early, duplicate and quantity limits, as specified by the state, to comply with the SUPPORT Act.</u></p> <p><u>6.3.7.3.1.5. The MCOs shall follow maximum daily morphine milligram equivalents (MME) prospective safety edits, as specified by the state, to comply with the SUPPORT Act.</u></p> <p><u>6.3.7.3.1.6. The MCOs shall follow the state's clinical authorization criteria for monitoring and managing the appropriate use of antipsychotic medications by children enrolled under the State plan, in order to comply with the SUPPORT Act.</u></p> <p><u>6.3.7.3.1.7. Early refill edit on controlled drugs shall be set at 90% used.</u></p> | |

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|-------------|-------------------------------------|--------------|--|---------------|
| | | | <p>6.3.7.3.2. Retrospective DUR Program</p> <p>6.3.7.3.2.1. The MCO shall provide for the ongoing periodic examination of claims data to identify patterns of gross overuse, abuse, potential fraud, and inappropriate or medically unnecessary care among prescribers, pharmacists, or recipients.</p> <p>6.3.7.3.2.2. Claims review must be assessed against predetermined standards while monitoring for therapeutic appropriateness. Prescribers and pharmacists should be contacted via an electronic portal or other electronic means if possible. Facsimile and mail will suffice in some instances. At a minimum, the MCO shall incorporate all of LDH's DUR retrospective initiatives. Retrospective DUR initiatives shall be implemented monthly as directed by LDH pharmacy.</p> <p><u>6.3.7.3.2.3. The MCOs shall follow retrospective automated claim reviews of opioid and benzodiazepines concurrent fill reviews and opioid and antipsychotic concurrent fill reviews on an annual basis, in order to comply with the SUPPORT Act.</u></p> | |



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Ms. Pam Diez
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Louisiana Department of Health
Bureau of Health Services Financing
628 North 4th Street
Baton Rouge, LA 70821

August 5, 2019

Subject: Healthy Louisiana Program – Full Risk-Bearing Managed Care Organization (MCO) Rate Development and Actuarial Certification for the Period Effective July 1, 2019 through December 31, 2019

Dear Ms. Diez:

The Louisiana Department of Health (LDH) has contracted with Mercer Government Human Services Consulting (Mercer) to develop actuarially sound¹ capitation rate ranges for the State of Louisiana's (State) Healthy Louisiana program for the period of January 1, 2019 through December 31, 2019. This certification amends the previous certification issued May 22, 2019 and applies to the period of July 1, 2019 through December 31, 2019. The amendments include updates for new programmatic changes implemented by LDH after the prior certification was issued.

This letter presents an overview of the analyses and methodology used to support the programmatic changes, and the resulting capitation rate ranges effective July 1, 2019 through December 31, 2019 for the purpose of satisfying the requirements of the Centers for Medicare & Medicaid Services (CMS). This rate development process used Medicaid fee-for-service (FFS) medical and pharmacy claims, Healthy Louisiana Shared Savings claims experience, Healthy Louisiana Prepaid encounter data, and Louisiana Behavioral Health Partnership claims experience. It resulted in the development of a range of actuarially sound rates for each rate cell. The final capitation rates and rate ranges are summarized in Appendix A and represent payment in full for the covered services.

¹ Actuarially Sound/Actuarial Soundness — 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.



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BASE PROGRAM CHANGE ADJUSTMENTS

Program change adjustments recognize the impact of benefit or eligibility changes occurring during and after the base data period. CMS requires the rate setting methodology used to determine actuarially sound rates incorporate the results of any program changes that have taken place, or are anticipated to take place, between the start of the base data and the conclusion of the contract period.

Urine Drug Testing

Effective July 1, 2019, LDH adopted the following changes to the coverage of Urine Drug Testing:

- Presumptive drug testing is limited to 24 total tests per member per calendar year.
- Definitive drug testing is limited to 18 total tests per member per calendar year. CPT Codes 80320-80377 for individual substance(s) or metabolites will no longer be covered. Providers are required to use HCPCS codes G0480, G0481, or their successors. Testing more than 14 definitive drug classes per day is not reimbursable.
- No more than one presumptive and one definitive test will be reimbursed per day per recipient, from the same or different provider.

Additional details can be found in [HPA 19-10](#) published on LDH's website. The table below summarizes the impact of the changes to the coverage of Urine Drug Testing on projected costs on each rate cell.

| COA | RATE CELL | URINE DRUG TESTING ADJUSTMENT |
|----------------------|------------------------|-------------------------------|
| SSI | 0 - 2 Months | 0.00% |
| SSI | 3 - 11 Months | 0.00% |
| SSI | Child 1 - 20 Years | -0.04% |
| SSI | Adult 21+ Years | -0.07% |
| Family & Children | 0 - 2 Months | 0.00% |
| Family & Children | 3 - 11 Months | 0.00% |
| Family & Children | Child 1 - 20 Years | -0.03% |
| Family & Children | Adult 21+ Years | -0.25% |
| Foster Care Children | All Ages Male & Female | -0.13% |



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| COA | RATE CELL | URINE DRUG TESTING ADJUSTMENT |
|------------------------|--|-------------------------------|
| BCC | BCC, All Ages | -0.01% |
| LAP | LAP, All Ages | -0.01% |
| HCBS | Child 1 - 20 Years | 0.00% |
| HCBS | Adult 21+ Years | -0.04% |
| CCM | CCM, All Ages | -0.03% |
| SBH - CCM | SBH - CCM, All Ages | 0.00% |
| SBH - Duals & LaHIPP | SBH - Dual Eligible & LaHIPP, All Ages | 0.00% |
| SBH - HCBS | Child 1 - 20 Years | 0.00% |
| SBH - HCBS | Adult 21+ Years | 0.00% |
| SBH - Other | SBH - All Ages | 0.00% |
| Maternity Kick Payment | Maternity Kick Payment | 0.00% |
| EED Kick Payment | EED Kick Payment | 0.00% |

PROSPECTIVE RATING ADJUSTMENTS

Program change adjustments that occurred after the base data period, but before the conclusion of the rating period are referred to as Prospective Rating Adjustments.

Inpatient Fee Schedule Changes

Effective July 1, 2019, LDH released an updated Inpatient fee schedule which can be located on the LDH's website.² The revised fee schedule adjustments, as a percent of projected medical expenses, are summarized in the subsequent table. Please refer to Appendix C for a summary of the incremental impact of this program change.

² https://www.lamedicaid.com/provweb1/fee_schedules/feeschedulesindex.htm



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| COA | RATE CELL | FEE ADJUSTMENT EFFECTIVE 7/1/2019 |
|------------------------|---|--------------------------------------|
| SSI | 0 - 2 Months | 3.70% |
| SSI | 3 - 11 Months | 3.22% |
| SSI | Child 1 - 20 Years | 3.38% |
| SSI | Adult 21+ Years | 4.48% |
| Family & Children | 0 - 2 Months | 3.45% |
| Family & Children | 3 - 11 Months | 4.20% |
| Family & Children | Child 1 - 20 Years | 4.33% |
| Family & Children | Adult 21+ Years | 5.31% |
| Foster Care Children | All Ages Male & Female | 4.50% |
| BCC | BCC, All Ages | 2.22% |
| LAP | LAP, All Ages | 4.82% |
| HCBS | Child 1 - 20 Years | 3.97% |
| HCBS | Adult 21+ Years | 3.92% |
| CCM | CCM, All Ages | 4.83% |
| SBH - CCM | SBH - CCM, All Ages | 3.36% |
| SBH - Duals & LaHIPP | SBH - Dual Eligible & LaHIPP, All Ages | 1.43% |
| SBH - HCBS | Child 1 - 20 Years | 3.24% |
| SBH - HCBS | Adult 21+ Years | 5.74% |
| SBH - Other | SBH - All Ages | 11.58% |
| Maternity Kick Payment | Maternity Kick Payment | 8.45% |
| EED Kick Payment | EED Kick Payment | 0.00% |



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FQHC/RHC Fee Schedule Changes

Effective July 1, 2019, LDH released updated Federally Qualified Health Center (FQHC) and Rural Health Center (RHC) fee schedules which can be located on the LDH's website.³ The updates are sourced from the annual refresh due to any changes to the Medicare Economic Index, which increased 1.5% for all FQHCs and RHCs (except those that receive a rate based on the alternative payment methodology). The revised fee schedule adjustments, as a percent of projected medical expenses, are summarized in the table below.

| COA | RATE CELL | FEE ADJUSTMENT EFFECTIVE 7/1/2019 |
|----------------------|------------------------|--------------------------------------|
| SSI | 0 - 2 Months | 0.00% |
| SSI | 3 - 11 Months | 0.00% |
| SSI | Child 1 - 20 Years | 0.02% |
| SSI | Adult 21+ Years | 0.02% |
| Family & Children | 0 - 2 Months | 0.01% |
| Family & Children | 3 - 11 Months | 0.08% |
| Family & Children | Child 1 - 20 Years | 0.07% |
| Family & Children | Adult 21+ Years | 0.05% |
| Foster Care Children | All Ages Male & Female | 0.03% |
| BCC | BCC, All Ages | 0.01% |
| LAP | LAP, All Ages | 0.05% |
| HCBS | Child 1 - 20 Years | 0.01% |
| HCBS | Adult 21+ Years | 0.03% |
| CCM | CCM, All Ages | 0.02% |
| SBH - CCM | SBH - CCM, All Ages | 0.02% |

³ https://www.lamedicaid.com/provweb1/fee_schedules/feescheduleindex.htm



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| COA | RATE CELL | FEE ADJUSTMENT EFFECTIVE 7/1/2019 |
|------------------------|---|--------------------------------------|
| SBH - Duals & LaHIPP | SBH - Dual Eligible & LaHIPP, All Ages | 0.00% |
| SBH - HCBS | Child 1 - 20 Years | 0.04% |
| SBH - HCBS | Adult 21+ Years | 0.05% |
| SBH - Other | SBH - All Ages | 0.00% |
| Maternity Kick Payment | Maternity Kick Payment | 0.02% |
| EED Kick Payment | EED Kick Payment | 0.00% |

Home and Community Based Services Fee Schedule Changes

Effective July 1, 2019, LDH released an updated home- and community-based services (HCBS) fee schedule which can be located on the LDH's website.⁴ The revised fee schedule adjustments, as a percent of projected medical expenses, are summarized in the table below.

| COA | RATE CELL | FEE ADJUSTMENT EFFECTIVE 7/1/2019 |
|-------------------|--------------------|--------------------------------------|
| SSI | 0 - 2 Months | 0.00% |
| SSI | 3 - 11 Months | 0.01% |
| SSI | Child 1 - 20 Years | 0.15% |
| SSI | Adult 21+ Years | 0.00% |
| Family & Children | 0 - 2 Months | 0.00% |
| Family & Children | 3 - 11 Months | 0.00% |
| Family & Children | Child 1 - 20 Years | 0.00% |
| Family & Children | Adult 21+ Years | 0.00% |

⁴ https://www.lamedicaid.com/provweb1/fee_schedules/feescheduleindex.htm



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| COA | RATE CELL | FEE ADJUSTMENT EFFECTIVE 7/1/2019 |
|------------------------|---|--------------------------------------|
| Foster Care Children | All Ages Male & Female | 0.01% |
| BCC | BCC, All Ages | 0.00% |
| LAP | LAP, All Ages | 0.00% |
| HCBS | Child 1 - 20 Years | 2.83% |
| HCBS | Adult 21+ Years | 0.00% |
| CCM | CCM, All Ages | 1.79% |
| SBH - CCM | SBH - CCM, All Ages | 0.00% |
| SBH - Duals & LaHIPP | SBH - Dual Eligible & LaHIPP, All Ages | 0.00% |
| SBH - HCBS | Child 1 - 20 Years | 0.00% |
| SBH - HCBS | Adult 21+ Years | 0.00% |
| SBH - Other | SBH - All Ages | 0.00% |
| Maternity Kick Payment | Maternity Kick Payment | 0.00% |
| EED Kick Payment | EED Kick Payment | 0.00% |

Single Preferred Drug List Updates

Effective May 1, 2019, LDH implemented a Single Preferred Drug List (PDL) for selected therapeutic classes. Effective July 1, 2019, LDH replaced Mavyret™, Epclusa®, and Vosevi® with the authorized generic of Epclusa as the preferred Direct Acting Antiviral (DAA) for Hepatitis C on the PDL. Concurrently, LDH also removed all prior authorization restrictions on its criteria for the use of the preferred Hepatitis C DAA.

To estimate the impact of these changes on the pharmacy utilization and cost, Mercer's actuaries and pharmacists reviewed the historical utilization of Hepatitis C DAAs, publically available research on the interaction between prior authorization criteria and Hepatitis C DAA utilization, known and estimated prevalence of Hepatitis C in the Louisiana Medicaid population, and the State's projections of Hepatitis C DAA use between July 1, 2019 and December 31, 2019. As a result of this analysis, Mercer revised its pharmacy trends; a summary of the revised annual pharmacy trend factors by rate cell are summarized in the subsequent table.



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| COA | RATE CELL | PHARMACY TREND |
|----------------------|------------------------|----------------|
| SSI | 0 - 2 Months | 1.14% |
| SSI | 3 - 11 Months | 3.19% |
| SSI | Child 1 - 20 Years | 7.75% |
| SSI | Adult 21+ Years | 7.17% |
| Family & Children | 0 - 2 Months | 2.22% |
| Family & Children | 3 - 11 Months | 3.26% |
| Family & Children | Child 1 - 20 Years | 3.35% |
| Family & Children | Adult 21+ Years | 6.92% |
| Foster Care Children | All Ages Male & Female | 5.28% |
| BCC | BCC, All Ages | 13.98% |
| LAP | LAP, All Ages | 2.29% |
| HCBS | Child 1 - 20 Years | 5.74% |
| HCBS | Adult 21+ Years | 5.74% |
| CCM | CCM, All Ages | 6.84% |

Note: pharmacy is not a covered benefit in the SBH and Maternity rate cells.

Streamlined Hepatitis C Screening and Treatment Algorithm

Effective July 15, 2019, LDH implemented its Hepatitis C “Subscription Model” agreement with Aseguia Therapeutics LLC. As a part of this agreement, LDH also adopted a streamlined protocol for Hepatitis C screening and monitoring. As compared to the protocols in place prior to the implementation of this agreement, the streamlined protocol will eliminate or reduce the utilization of the many services for individuals associated with the testing and subsequent treatment of Hepatitis C; examples include:

- Genotype testing
- Fibrosure testing
- RNA testing



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In order to evaluate the impact of these changes, Mercer estimated the impact of eliminating or reducing the services that are no longer expected to be a part of the new treatment protocol on a per individual basis. LDH's FFS fee schedule was used to price the services in question. The FFS prices were also benchmarked against MCO-reported unit costs. The overall change in screen and treatment costs were also adjusted to account for the dramatic increase in the number of Medicaid enrollees expected to be treated for Hepatitis C between July 1, 2019 and December 31, 2019. A summary of the estimated impact of these changes by rate cell are summarized in the table below. Please refer to Appendix B for additional detail regarding this adjustment.

| COA | RATE CELL | ADJUSTMENT |
|----------------------|--|------------|
| SSI | 0 - 2 Months | 0.00% |
| SSI | 3 - 11 Months | 0.00% |
| SSI | Child 1 - 20 Years | 0.00% |
| SSI | Adult 21+ Years | 0.03% |
| Family & Children | 0 - 2 Months | 0.00% |
| Family & Children | 3 - 11 Months | 0.00% |
| Family & Children | Child 1 - 20 Years | 0.00% |
| Family & Children | Adult 21+ Years | 0.01% |
| Foster Care Children | All Ages Male & Female | 0.00% |
| BCC | BCC, All Ages | 0.01% |
| LAP | LAP, All Ages | 0.00% |
| HCBS | Child 1 - 20 Years | 0.00% |
| HCBS | Adult 21+ Years | 0.01% |
| CCM | CCM, All Ages | 0.00% |
| SBH - CCM | SBH - CCM, All Ages | 0.00% |
| SBH - Duals & LaHIPP | SBH - Dual Eligible & LaHIPP, All Ages | 0.00% |
| SBH - HCBS | Child 1 - 20 Years | 0.00% |
| SBH - HCBS | Adult 21+ Years | 0.00% |



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| COA | RATE CELL | ADJUSTMENT |
|------------------------|------------------------|------------|
| SBH - Other | SBH - All Ages | 0.00% |
| Maternity Kick Payment | Maternity Kick Payment | 0.00% |
| EED Kick Payment | EED Kick Payment | 0.00% |

NON-MEDICAL EXPENSE LOAD

Administrative Expense Load

The actuarially sound capitation rates developed include a provision for MCO administration and other non-medical expenses. Due to the anticipated increase in the number of Medicaid enrollees expected to be treated for Hepatitis C between July 1, 2019 and December 31, 2019, Mercer determined it was necessary to increase the administrative expense load to account for additional Hepatitis C-related case management costs.

Mercer estimated historical Hepatitis C-related case management costs based on the MCO financial reports and developed an add-on commensurate with the expected increase in the number of Medicaid enrollees who will be treated for Hepatitis C between July 1, 2019 and December 31, 2019. A summary of the estimated impact of these changes by rate cell are summarized in the table below.

| COA | Rate Cell | Fixed Admin PMPM Add-on | | | |
|-------------------|--------------------|-------------------------|---------|---------------|--------|
| | | Gulf | Capital | South Central | North |
| SSI | Adult 21+ Years | \$0.68 | \$0.51 | \$0.28 | \$0.30 |
| Family & Children | Child 1 - 20 Years | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Family & Children | Adult 21+ Years | \$0.04 | \$0.03 | \$0.02 | \$0.02 |
| BCC | BCC, All Ages | \$0.42 | \$0.67 | \$0.00 | \$0.00 |
| HCBS | Adult 21+ Years | \$0.12 | \$0.32 | \$0.00 | \$0.15 |

RISK CORRIDOR

Due to the increased uncertainty around Hepatitis C-related costs in the July 1, 2019 through December 31, 2019 period, LDH will implement a risk corridor for Hepatitis C-related pharmacy, physician, and laboratory costs. LDH is working with the MCOs to finalize the details of the risk corridor, but the parameters are anticipated to follow:



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| Gain or Loss | Share of Contractor Loss/Gain | |
|---|-------------------------------|--------|
| | Contractor | LDH |
| Less than or equal to 1.0% of the aggregate Hepatitis C-related medical component of the risk adjusted capitation payment | 100.00% | 0.00% |
| Greater than 1.0% of the aggregate Hepatitis C-related medical component of the risk adjusted capitation payment | 1.00% | 99.00% |

CERTIFICATION OF FINAL RATE RANGES

This certification assumes items in the Medicaid State Plan or Waiver, as well as the Healthy Louisiana MCO contract, have been approved by CMS.

In preparing the rate ranges shown in Appendix A, Mercer has used and relied upon enrollment, FFS claims, encounter data, reimbursement level, benefit design and other information supplied by LDH and its fiscal agent. LDH, its fiscal agent and the Healthy Louisiana MCOs are responsible for the validity and completeness of the data supplied. We have reviewed the data and information for internal consistency and reasonableness, but we did not audit them. In our opinion they are appropriate for the intended purposes. However, if the data and information are incomplete/inaccurate, the values shown in this report may differ significantly from values that would be obtained with accurate and complete information; this may require a later revision to this report.

Because modeling all aspects of a situation or scenario is not possible or practical, Mercer may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. Mercer may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness, appropriateness, or attainability of the results for the Medicaid program. Actuarial assumptions may also be changed from one certification period to the next because of changes in mandated requirements, program experience, changes in expectations about the future, and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable, inappropriate, or unattainable when they were made.

Mercer certifies the rate ranges in Appendix A, including any risk-sharing mechanisms, were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the Healthy Louisiana MCO contract. The undersigned actuaries are members of the American Academy of Actuaries and meet its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.



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Rates and ranges developed by Mercer are actuarial projections of future contingent events. All estimates are based upon the information and data available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely, and potentially wide, range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use. Actual Healthy Louisiana MCO costs will differ from these projections. Mercer has developed these rates on behalf of LDH to demonstrate compliance with the CMS requirements under 42 CFR 438.4 and accordance with applicable law and regulations. Use of these rate ranges for any purpose beyond that stated may not be appropriate.

Healthy Louisiana MCOs are advised that the use of these rate ranges may not be appropriate for their particular circumstance and Mercer disclaims any responsibility for the use of these rate ranges by Healthy Louisiana MCOs for any purpose. Mercer recommends that any MCO considering contracting with LDH should analyze its own projected medical expense, administrative expense, and any other premium needs for comparison to these rate ranges before deciding whether to contract with LDH.

LDH understands that Mercer is not engaged in the practice of law, or in providing advice on taxation matters. This report, which may include commenting on legal or taxation issues or regulations, does not constitute and is not a substitute for legal or taxation advice. Accordingly, Mercer recommends that LDH secure the advice of competent legal and taxation counsel with respect to any legal or taxation matters related to this report or otherwise.

This certification letter assumes the reader is familiar with the Healthy Louisiana Program, Medicaid eligibility rules, and actuarial rate-setting techniques. It has been prepared exclusively for LDH and CMS, and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results. Mercer is not responsible for, and expressly disclaims liability for, any reliance on this report by third parties.

LDH agrees to notify Mercer within 30 days of receipt of this report if it disagrees with anything contained in this report or is aware of any information or data that would affect the results of this report that has not been communicated or provided to Mercer or incorporated herein. The report will be deemed final and acceptable to LDH if nothing is received by Mercer within such 30-day period.



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Louisiana Department of Health

If you have any questions on any of the above, please feel free to contact Ron Ogborne at +1 602 522 6595 or Erik Axelsen at +1 404 442 3517 at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "F. Ronald Ogborne III", written over a horizontal line.

F. Ronald Ogborne III, FSA, MAAA, CERA
Partner

A handwritten signature in blue ink, appearing to read "Erik Axelsen", written over a horizontal line.

Erik Axelsen, ASA, MAAA
Senior Associate

Copy:
Amanda Joyner, Deputy Assistant Secretary – OBH/LDH
Marisa Naquin, Managed Care Finance – LDH
Jen Steele, Medicaid Director – LDH
Karen Stubbs, Deputy Assistant Secretary – OBH/LDH

Christina Coleman, Associate – Mercer
Adam Sery, FSA, MAAA, Principal – Mercer

APPENDIX A: HEALTHY LOUISIANA CAPITATION RATE RANGE

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|--------|----------------------|------------------------|---|--|---|
| Gulf | SSI | 0 - 2 Months | \$29,394.76 | \$29,421.76 | \$31,210.57 |
| Gulf | SSI | 3 - 11 Months | \$5,734.05 | \$5,739.54 | \$6,099.13 |
| Gulf | SSI | Child 1 - 20 Years | \$796.81 | \$797.69 | \$850.92 |
| Gulf | SSI | Adult 21+ Years | \$1,566.69 | \$1,568.26 | \$1,667.77 |
| Gulf | Family & Children | 0 - 2 Months | \$3,240.62 | \$3,243.19 | \$3,419.41 |
| Gulf | Family & Children | 3 - 11 Months | \$313.75 | \$314.06 | \$332.33 |
| Gulf | Family & Children | Child 1 - 20 Years | \$189.00 | \$189.21 | \$202.05 |
| Gulf | Family & Children | Adult 21+ Years | \$404.23 | \$404.65 | \$431.13 |
| Gulf | Foster Care Children | All Ages Male & Female | \$537.84 | \$538.47 | \$579.59 |
| Gulf | BCC | BCC, All Ages | \$2,315.58 | \$2,318.01 | \$2,457.32 |
| Gulf | LAP | LAP, All Ages | \$226.94 | \$227.19 | \$241.95 |
| Gulf | HCBS | Child 1 - 20 Years | \$1,876.97 | \$1,879.01 | \$2,002.44 |
| Gulf | HCBS | Adult 21+ Years | \$1,518.99 | \$1,520.65 | \$1,627.10 |
| Gulf | CCM | CCM, All Ages | \$1,523.80 | \$1,525.55 | \$1,606.87 |
| Gulf | SBH - CCM | SBH - CCM, All Ages | \$340.80 | \$340.80 | \$356.56 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|--------|---------------------------|----------------------------------|---|--|---|
| Gulf | SBH - Duals | SBH - Dual Eligible, All Ages | \$40.22 | \$40.22 | \$43.86 |
| Gulf | SBH - LaHIPP | SBH - LaHIPP, All Ages | \$40.22 | \$40.22 | \$43.86 |
| Gulf | SBH - HCBS | Child 1 - 20 Years | \$223.58 | \$223.58 | \$229.56 |
| Gulf | SBH - HCBS | Adult 21+ Years | \$68.76 | \$68.76 | \$74.47 |
| Gulf | SBH - Other | SBH - All Ages | \$177.47 | \$177.47 | \$189.37 |
| Gulf | Maternity Kick Payment | Maternity Kick Payment | \$15,127.22 | \$15,127.22 | \$15,770.15 |
| Gulf | EED Kick Payment | EED Kick Payment | \$7,622.91 | \$7,622.91 | \$7,749.46 |
| Gulf | Medicaid Expansion | SBH - Dual Eligible, All Ages | \$40.22 | \$40.22 | \$43.86 |
| Gulf | Medicaid Expansion | SBH - LaHIPP, All Ages | \$40.22 | \$40.22 | \$43.86 |
| Gulf | Medicaid Expansion | SBH - Other | \$177.47 | \$177.47 | \$189.37 |
| Gulf | Medicaid Expansion | SBH - CCM, All Ages | \$340.80 | \$340.80 | \$356.56 |
| Gulf | Medicaid Expansion | Maternity Kick Payment | \$15,127.22 | \$15,127.22 | \$15,770.15 |
| Gulf | Medicaid Expansion | EED Kick Payment | \$7,622.91 | \$7,622.91 | \$7,749.46 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|---------|----------------------|------------------------|---|--|---|
| Capital | SSI | 0 - 2 Months | \$29,844.11 | \$29,871.67 | \$31,702.66 |
| Capital | SSI | 3 - 11 Months | \$5,709.47 | \$5,714.92 | \$6,072.22 |
| Capital | SSI | Child 1 - 20 Years | \$841.01 | \$841.98 | \$900.38 |
| Capital | SSI | Adult 21+ Years | \$1,524.22 | \$1,525.85 | \$1,629.19 |
| Capital | Family & Children | 0 - 2 Months | \$2,866.33 | \$2,869.04 | \$3,057.35 |
| Capital | Family & Children | 3 - 11 Months | \$288.55 | \$288.85 | \$306.85 |
| Capital | Family & Children | Child 1 - 20 Years | \$192.32 | \$192.53 | \$205.96 |
| Capital | Family & Children | Adult 21+ Years | \$433.24 | \$433.70 | \$462.72 |
| Capital | Foster Care Children | All Ages Male & Female | \$540.71 | \$541.34 | \$582.77 |
| Capital | BCC | BCC, All Ages | \$2,316.47 | \$2,318.90 | \$2,458.07 |
| Capital | LAP | LAP, All Ages | \$221.54 | \$221.78 | \$236.48 |
| Capital | HCBS | Child 1 - 20 Years | \$1,981.22 | \$1,983.39 | \$2,111.53 |
| Capital | HCBS | Adult 21+ Years | \$1,525.12 | \$1,526.78 | \$1,633.82 |
| Capital | CCM | CCM, All Ages | \$1,410.33 | \$1,411.94 | \$1,493.33 |
| Capital | SBH - CCM | SBH - CCM, All Ages | \$266.52 | \$266.52 | \$281.37 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|---------|---------------------------|----------------------------------|---|--|---|
| Capital | SBH - Duals | SBH - Dual Eligible, All Ages | \$26.92 | \$26.92 | \$29.27 |
| Capital | SBH - LaHIPP | SBH - LaHIPP, All Ages | \$26.92 | \$26.92 | \$29.27 |
| Capital | SBH - HCBS | Child 1 - 20 Years | \$163.39 | \$163.39 | \$168.69 |
| Capital | SBH - HCBS | Adult 21+ Years | \$68.58 | \$68.58 | \$74.31 |
| Capital | SBH - Other | SBH - All Ages | \$175.32 | \$175.32 | \$187.04 |
| Capital | Maternity Kick Payment | Maternity Kick Payment | \$11,223.90 | \$11,223.90 | \$11,783.14 |
| Capital | EED Kick Payment | EED Kick Payment | \$4,696.28 | \$4,696.28 | \$4,806.36 |
| Capital | Medicaid Expansion | SBH - Dual Eligible, All Ages | \$26.92 | \$26.92 | \$29.27 |
| Capital | Medicaid Expansion | SBH - LaHIPP, All Ages | \$26.92 | \$26.92 | \$29.27 |
| Capital | Medicaid Expansion | SBH - Other | \$175.32 | \$175.32 | \$187.04 |
| Capital | Medicaid Expansion | SBH - CCM, All Ages | \$266.52 | \$266.52 | \$281.37 |
| Capital | Medicaid Expansion | Maternity Kick Payment | \$11,223.90 | \$11,223.90 | \$11,783.14 |
| Capital | Medicaid Expansion | EED Kick Payment | \$4,696.28 | \$4,696.28 | \$4,806.36 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|---------------|----------------------|------------------------|---|--|---|
| South Central | SSI | 0 - 2 Months | \$29,367.78 | \$29,394.75 | \$31,180.99 |
| South Central | SSI | 3 - 11 Months | \$5,721.48 | \$5,726.95 | \$6,085.36 |
| South Central | SSI | Child 1 - 20 Years | \$750.54 | \$751.40 | \$802.31 |
| South Central | SSI | Adult 21+ Years | \$1,369.15 | \$1,370.60 | \$1,462.19 |
| South Central | Family & Children | 0 - 2 Months | \$3,094.85 | \$3,097.76 | \$3,299.69 |
| South Central | Family & Children | 3 - 11 Months | \$296.64 | \$296.95 | \$315.97 |
| South Central | Family & Children | Child 1 - 20 Years | \$187.24 | \$187.45 | \$200.72 |
| South Central | Family & Children | Adult 21+ Years | \$395.15 | \$395.57 | \$422.03 |
| South Central | Foster Care Children | All Ages Male & Female | \$539.50 | \$540.13 | \$581.08 |
| South Central | BCC | BCC, All Ages | \$2,309.19 | \$2,311.61 | \$2,450.38 |
| South Central | LAP | LAP, All Ages | \$231.32 | \$231.57 | \$246.25 |
| South Central | HCBS | Child 1 - 20 Years | \$1,880.22 | \$1,882.26 | \$2,005.06 |
| South Central | HCBS | Adult 21+ Years | \$1,513.34 | \$1,514.99 | \$1,620.68 |
| South Central | CCM | CCM, All Ages | \$1,370.91 | \$1,372.47 | \$1,453.47 |
| South Central | SBH - CCM | SBH - CCM, All Ages | \$280.65 | \$280.65 | \$295.98 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|---------------|---------------------------|----------------------------------|---|--|---|
| South Central | SBH - Duals | SBH - Dual Eligible, All Ages | \$26.53 | \$26.53 | \$28.86 |
| South Central | SBH - LaHIPP | SBH - LaHIPP, All Ages | \$26.53 | \$26.53 | \$28.86 |
| South Central | SBH - HCBS | Child 1 - 20 Years | \$66.96 | \$66.96 | \$71.36 |
| South Central | SBH - HCBS | Adult 21+ Years | \$68.58 | \$68.58 | \$74.30 |
| South Central | SBH - Other | SBH - All Ages | \$177.15 | \$177.15 | \$189.02 |
| South Central | Maternity Kick Payment | Maternity Kick Payment | \$10,318.01 | \$10,318.01 | \$10,863.37 |
| South Central | EED Kick Payment | EED Kick Payment | \$3,952.00 | \$3,952.00 | \$4,059.34 |
| South Central | Medicaid Expansion | SBH - Dual Eligible, All Ages | \$26.53 | \$26.53 | \$28.86 |
| South Central | Medicaid Expansion | SBH - LaHIPP, All Ages | \$26.53 | \$26.53 | \$28.86 |
| South Central | Medicaid Expansion | SBH - Other | \$177.15 | \$177.15 | \$189.02 |
| South Central | Medicaid Expansion | SBH - CCM, All Ages | \$280.65 | \$280.65 | \$295.98 |
| South Central | Medicaid Expansion | Maternity Kick Payment | \$10,318.01 | \$10,318.01 | \$10,863.37 |
| South Central | Medicaid Expansion | EED Kick Payment | \$3,952.00 | \$3,952.00 | \$4,059.34 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|--------|----------------------|------------------------|---|--|---|
| North | SSI | 0 - 2 Months | \$29,188.75 | \$29,215.49 | \$30,984.97 |
| North | SSI | 3 - 11 Months | \$5,640.74 | \$5,646.11 | \$5,996.94 |
| North | SSI | Child 1 - 20 Years | \$808.23 | \$809.16 | \$863.74 |
| North | SSI | Adult 21+ Years | \$1,261.26 | \$1,262.61 | \$1,348.26 |
| North | Family & Children | 0 - 2 Months | \$2,746.73 | \$2,749.21 | \$2,919.11 |
| North | Family & Children | 3 - 11 Months | \$280.87 | \$281.16 | \$298.49 |
| North | Family & Children | Child 1 - 20 Years | \$207.21 | \$207.45 | \$222.61 |
| North | Family & Children | Adult 21+ Years | \$375.70 | \$376.11 | \$402.25 |
| North | Foster Care Children | All Ages Male & Female | \$566.69 | \$567.35 | \$609.65 |
| North | BCC | BCC, All Ages | \$2,303.22 | \$2,305.63 | \$2,443.83 |
| North | LAP | LAP, All Ages | \$219.23 | \$219.47 | \$234.09 |
| North | HCBS | Child 1 - 20 Years | \$1,926.32 | \$1,928.42 | \$2,051.39 |
| North | HCBS | Adult 21+ Years | \$1,529.18 | \$1,530.85 | \$1,638.24 |
| North | CCM | CCM, All Ages | \$1,397.71 | \$1,399.31 | \$1,481.17 |
| North | SBH - CCM | SBH - CCM, All Ages | \$281.51 | \$281.51 | \$297.30 |

| REGION | COA | RATE CELL | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|--------|---------------------------|----------------------------------|---|--|---|
| North | SBH - Duals | SBH - Dual Eligible, All Ages | \$33.54 | \$33.54 | \$36.52 |
| North | SBH - LaHIPP | SBH - LaHIPP, All Ages | \$33.54 | \$33.54 | \$36.52 |
| North | SBH - HCBS | Child 1 - 20 Years | \$123.79 | \$123.79 | \$128.88 |
| North | SBH - HCBS | Adult 21+ Years | \$69.79 | \$69.79 | \$75.62 |
| North | SBH - Other | SBH - All Ages | \$176.35 | \$176.35 | \$187.94 |
| North | Maternity Kick Payment | Maternity Kick Payment | \$11,566.24 | \$11,566.24 | \$12,118.98 |
| North | EED Kick Payment | EED Kick Payment | \$5,115.99 | \$5,115.99 | \$5,224.79 |
| North | Medicaid Expansion | SBH - Dual Eligible, All Ages | \$33.54 | \$33.54 | \$36.52 |
| North | Medicaid Expansion | SBH - LaHIPP, All Ages | \$33.54 | \$33.54 | \$36.52 |
| North | Medicaid Expansion | SBH - Other | \$176.35 | \$176.35 | \$187.94 |
| North | Medicaid Expansion | SBH - CCM, All Ages | \$281.51 | \$281.51 | \$297.30 |
| North | Medicaid Expansion | Maternity Kick Payment | \$11,566.24 | \$11,566.24 | \$12,118.98 |
| North | Medicaid Expansion | EED Kick Payment | \$5,115.99 | \$5,115.99 | \$5,224.79 |

APPENDIX B: NON-RX HEPATITIS C EXPENSE ADJUSTMENT

| Service Type | FFS Unit Cost | Hepatitis C Treatment Protocol Change | |
|------------------------|---------------|---------------------------------------|----------------------|
| | | Current Practice | Streamlined Practice |
| Antibody | \$15.62 | 1 | 1 |
| RNAs | \$46.85 | 6 | 2 |
| Genotype | \$281.55 | 1 | 0 |
| CMP | \$9.25 | 2 | 1 |
| CBC | \$7.73 | 1 | 1 |
| INR | \$3.92 | 1 | 1 |
| Liver tests | \$8.93 | 2 | 1 |
| Fibrosure | \$51.14 | 1 | 0 |
| HbsAg | \$11.29 | 1 | 1 |
| anti-HBs | \$11.75 | 1 | 1 |
| anti-HBc | \$13.18 | 1 | 1 |
| Office visit (level 3) | \$41.53 | 7 | 5 |
| Total | | 25 | 15 |

| Impact Calculation | |
|---|------------|
| Current Practice Cost Per User | \$1,004.35 |
| Streamlined Practice Cost Per User | \$383.02 |
| Discount | -61.9% |
| Hepatitis C Recipients 2019 Q1 & Q2 | 497 |
| Hepatitis C Recipients 2019 Q3 & Q4 (Estimate) | 1,503 |
| Adherence to Streamlined Practice Rate | 60% |
| FFS Pricing | |
| 2019 Q1 & Q2 - Est. Cost Under Current Practice | \$499,162 |
| 2019 Q3 & Q4 - Est. Cost Under Streamlined Practice | \$949,223 |
| Change in Cost for 2019 Q3 & Q4 | \$450,061 |
| Percentage Change in Cost | 90% |

* The \$450,061 impact includes both the Expansion and Non-Expansion populations.

| COA | RATE CELL | PROJ MMs ¹ | Apr 2019 - Jun 2019 Rates | | | | | | G+E+F FULL RATE PMPM |
|------------------------|-------------------------------|-----------------------|---------------------------|-------------|-------------|-----------|-----------------------------------|-------------|----------------------------|
| | | | A | B | C | D | E+A+B+C+D LIMITED RATE PMPM | F | |
| SSI | 0 - 2 Months | 678 | \$ 18,962.52 | \$ 1,199.85 | \$ 1,192.40 | \$ 325.20 | \$ 21,679.96 | \$ 7,787.83 | \$ 29,467.79 |
| SSI | 3 - 11 Months | 6,101 | \$ 3,809.77 | \$ 237.50 | \$ 239.35 | \$ 65.28 | \$ 4,351.90 | \$ 1,347.13 | \$ 5,699.03 |
| SSI | Child 1 - 20 Years | 424,104 | \$ 630.57 | \$ 44.31 | \$ 39.91 | \$ 10.89 | \$ 725.68 | \$ 71.89 | \$ 797.57 |
| SSI | Adult 21+ Years | 882,601 | \$ 1,025.44 | \$ 61.05 | \$ 64.25 | \$ 17.52 | \$ 1,168.27 | \$ 236.13 | \$ 1,404.39 |
| Family & Children | 0 - 2 Months | 123,687 | \$ 1,857.56 | \$ 134.72 | \$ 117.82 | \$ 32.13 | \$ 2,142.24 | \$ 868.55 | \$ 3,010.79 |
| Family & Children | 3 - 11 Months | 416,371 | \$ 199.69 | \$ 25.63 | \$ 13.33 | \$ 3.63 | \$ 242.29 | \$ 53.87 | \$ 296.16 |
| Family & Children | Child 1 - 20 Years | 7,881,855 | \$ 140.22 | \$ 20.94 | \$ 9.53 | \$ 2.60 | \$ 173.29 | \$ 19.72 | \$ 193.02 |
| Family & Children | Adult 21+ Years | 1,265,269 | \$ 285.71 | \$ 27.48 | \$ 18.52 | \$ 5.05 | \$ 336.77 | \$ 64.05 | \$ 400.82 |
| Foster Care Children | All Ages Male & Female | 155,493 | \$ 439.64 | \$ 35.10 | \$ 28.08 | \$ 7.66 | \$ 510.47 | \$ 35.88 | \$ 546.35 |
| BCC | LAP, All Ages | 5,736 | \$ 1,695.77 | \$ 92.19 | \$ 105.74 | \$ 28.84 | \$ 1,922.54 | \$ 377.57 | \$ 2,300.10 |
| LAP | Child 1 - 20 Years | 40,385 | \$ 162.10 | \$ 21.29 | \$ 10.85 | \$ 2.96 | \$ 197.20 | \$ 27.75 | \$ 224.95 |
| HCBS | Adult 21+ Years | 17,413 | \$ 1,423.52 | \$ 89.67 | \$ 89.49 | \$ 24.41 | \$ 1,627.08 | \$ 244.21 | \$ 1,871.29 |
| CCM | SBH - CCM, All Ages | 34,227 | \$ 1,169.59 | \$ 63.49 | \$ 72.92 | \$ 19.89 | \$ 1,325.89 | \$ 195.33 | \$ 1,521.21 |
| SBH - Duals | SBH - Dual Eligible, All Ages | 1,236,752 | \$ 258.30 | \$ 12.74 | \$ 16.03 | \$ 4.37 | \$ 291.44 | \$ 0.98 | \$ 292.43 |
| SBH - HCBS | Child 1 - 20 Years | 19,659 | \$ 129.64 | \$ 4.65 | \$ 1.75 | \$ 0.48 | \$ 31.78 | \$ 0.16 | \$ 31.94 |
| SBH - HCBS | Adult 21+ Years | 41,285 | \$ 54.55 | \$ 6.99 | \$ 3.64 | \$ 0.99 | \$ 66.17 | \$ 2.75 | \$ 68.92 |
| SBH - Other | Maternity Kick Payment | 38,339 | \$ 130.91 | \$ 13.99 | \$ 8.57 | \$ 2.34 | \$ 155.81 | \$ 20.59 | \$ 176.40 |
| Maternity Kick Payment | | 25,424 | \$ 7,485.17 | \$ 315.46 | \$ 461.33 | \$ 125.82 | \$ 8,387.77 | \$ 3,766.44 | \$ 12,154.21 |
| Aggregate | | 12,637,500 | \$ 267.58 | \$ 25.98 | \$ 17.36 | \$ 4.73 | \$ 315.66 | \$ 58.03 | \$ 373.69 |

| COA | RATE CELL | PROJ MMs ¹ | Jul 2019 - Dec 2019 Rates | | | | | | | | | | |
|------------------------|-------------------------------|-----------------------|---------------------------|----------|---------|-----------|---------|-----------|--------------|-------------|-------------|-----------------------------------|---------------------------|
| | | | H | I | J | K | L | M | O | P | Q | R=N+O+P+Q LIMITED RATE PMPM | T=RS FULL RATE PMPM |
| SSI | 0 - 2 Months | 678 | \$ - | \$ - | \$ 0.09 | \$ (5.47) | \$ - | \$ (0.00) | \$ 18,957.14 | \$ 1,199.85 | \$ 1,192.08 | \$ 325.11 | \$ 21,674.17 |
| SSI | 3 - 11 Months | 6,101 | \$ - | \$ 0.48 | \$ 0.16 | \$ 1.28 | \$ - | \$ 0.00 | \$ 3,811.69 | \$ 237.50 | \$ 239.47 | \$ 65.31 | \$ 4,353.97 |
| SSI | Child 1 - 20 Years | 424,104 | \$ (0.22) | \$ 0.93 | \$ 0.14 | \$ (0.18) | \$ - | \$ (0.01) | \$ 631.23 | \$ 44.31 | \$ 39.95 | \$ 10.90 | \$ 726.39 |
| Family & Children | 0 - 2 Months | 882,601 | \$ (0.67) | \$ - | \$ 0.25 | \$ 0.34 | \$ 0.35 | \$ 28.37 | \$ 1,054.07 | \$ 61.48 | \$ 65.97 | \$ 17.99 | \$ 1,199.52 |
| Family & Children | 3 - 11 Months | 416,371 | \$ (0.00) | \$ - | \$ 0.23 | \$ 0.89 | \$ - | \$ (0.00) | \$ 1,858.68 | \$ 134.72 | \$ 117.89 | \$ 32.15 | \$ 2,143.45 |
| Family & Children | Child 1 - 20 Years | 7,881,855 | \$ (0.04) | \$ 0.01 | \$ 0.15 | \$ 0.10 | \$ 0.00 | \$ (0.00) | \$ 199.94 | \$ 25.63 | \$ 13.34 | \$ 3.64 | \$ 242.56 |
| Family & Children | Adult 21+ Years | 1,265,269 | \$ (0.60) | \$ - | \$ 0.16 | \$ (0.12) | \$ 0.02 | \$ (0.00) | \$ 140.26 | \$ 20.94 | \$ 9.53 | \$ 2.60 | \$ 173.33 |
| Foster Care Children | All Ages Male & Female | 155,493 | \$ (0.16) | \$ 0.04 | \$ 0.22 | \$ (0.52) | \$ - | \$ (0.02) | \$ 438.84 | \$ 35.10 | \$ 28.03 | \$ 7.64 | \$ 509.61 |
| BCC | LAP, All Ages | 5,736 | \$ (0.16) | \$ - | \$ 0.15 | \$ 1.08 | \$ 0.23 | \$ 92.49 | \$ 1,708.14 | \$ 92.49 | \$ 106.49 | \$ 29.04 | \$ 1,936.16 |
| LAP | Child 1 - 20 Years | 40,385 | \$ (0.02) | \$ - | \$ 0.08 | \$ 0.02 | \$ - | \$ (0.00) | \$ 162.18 | \$ 21.29 | \$ 10.85 | \$ 2.96 | \$ 197.28 |
| HCBS | Adult 21+ Years | 17,413 | \$ (0.02) | \$ 39.42 | \$ 0.12 | \$ (0.10) | \$ - | \$ 0.26 | \$ 1,463.19 | \$ 89.67 | \$ 91.84 | \$ 25.05 | \$ 1,669.74 |
| CCM | SBH - CCM, All Ages | 34,227 | \$ (0.43) | \$ - | \$ 0.32 | \$ 0.90 | \$ 0.11 | \$ 0.44 | \$ 1,170.92 | \$ 63.62 | \$ 73.01 | \$ 19.91 | \$ 1,327.46 |
| SBH - Duals | SBH - Dual Eligible, All Ages | 1,236,752 | \$ - | \$ - | \$ 0.17 | \$ (1.54) | \$ - | \$ (0.01) | \$ 1,141.57 | \$ 74.33 | \$ 71.91 | \$ 19.61 | \$ 1,307.41 |
| SBH - HCBS | Child 1 - 20 Years | 19,659 | \$ (0.00) | \$ - | \$ 0.00 | \$ (0.00) | \$ - | \$ (0.00) | \$ 258.14 | \$ 12.74 | \$ 16.02 | \$ 4.37 | \$ 291.27 |
| SBH - HCBS | Adult 21+ Years | 41,285 | \$ - | \$ - | \$ 0.03 | \$ (0.14) | \$ - | \$ (0.00) | \$ 129.52 | \$ 4.65 | \$ 1.75 | \$ 0.48 | \$ 31.78 |
| SBH - Other | Maternity Kick Payment | 38,339 | \$ - | \$ - | \$ 0.00 | \$ (0.15) | \$ - | \$ (0.00) | \$ 54.43 | \$ 6.99 | \$ 3.63 | \$ 0.99 | \$ 66.04 |
| Maternity Kick Payment | | 25,424 | \$ - | \$ - | \$ 1.82 | \$ 8.33 | \$ - | \$ 0.05 | \$ 129.88 | \$ 13.99 | \$ 8.51 | \$ 2.32 | \$ 154.70 |
| Aggregate | | 12,637,500 | \$ (0.14) | \$ 0.10 | \$ 0.11 | \$ 0.03 | \$ 0.03 | \$ 2.30 | \$ 270.00 | \$ 26.01 | \$ 17.51 | \$ 4.77 | \$ 318.29 |
| | | | Difference | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | | | 0.15 | 0.04 | 0.04 | (0.21) |
| | | | | | | | | | | | | | 2.42 |

Notes:
1. Using latest projected enrollment figures from LDH for the period of January 1, 2019 through December 31, 2019.
2. Non-Expansion Base Data represents experience having occurred from October 1, 2015 to September 30, 2017.



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Baton Rouge, LA 70821

August 5, 2019

Subject: Healthy Louisiana Expansion Program – Full Risk Bearing Managed Care Organization (MCO)
Rate Development and Actuarial Certification for the Period July 1, 2019 through December 31, 2019

Dear Ms. Diez:

The Louisiana Department of Health (LDH) has contracted with Mercer Government Human Services Consulting (Mercer) to develop actuarially sound¹ capitation rates for the State of Louisiana's (State) Healthy Louisiana Expansion program for the period of April 1, 2019 through December 31, 2019. This certification amends the previous certification issued May 24, 2019, and applies to the period of July 1, 2019 through December 31, 2019. The amendments include updates for new programmatic changes implemented by LDH after the prior certification was issued.

This letter presents an overview of the analyses and methodology used to support the programmatic changes, and the resulting capitation rate ranges effective July 1, 2019 through December 31, 2019 for the purpose of satisfying the requirements of the Centers for Medicare & Medicaid Services (CMS). This rate development process used Medicaid fee-for-service (FFS) medical and pharmacy claims, and Healthy Louisiana Prepaid encounter data. It resulted in the development of a range of actuarially sound rates for each rate cell. The final capitation rates and rate ranges are summarized in Appendix A and represent payment in full for the covered services.

¹ Actuarially Sound/Actuarial Soundness — 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.

Reference: http://www.actuarialstandardsboard.org/wp-content/uploads/2015/03/asop049_179.pdf

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BASE PROGRAM CHANGE ADJUSTMENTS

Program change adjustments recognize the impact of benefit or eligibility changes occurring during and after the base data period. CMS requires the rate setting methodology used to determine actuarially sound rates incorporate the results of any program changes that have taken place, or are anticipated to take place, between the start of the base data and the conclusion of the contract period.

Urine Drug Testing

Effective July 1, 2019, LDH adopted the following changes to the coverage of Urine Drug Testing:

- Presumptive drug testing is limited to 24 total tests per member per calendar year.
- Definitive drug testing is limited to 18 total tests per member per calendar year. CPT Codes 80320-80377 for individual substance(s) or metabolites will no longer be covered. Providers are required to use HCPCS codes G0480, G0481, or their successors. Testing more than 14 definitive drug classes per day is not reimbursable.
- No more than one presumptive and one definitive test will be reimbursed per day per recipient, from the same or different provider.

Additional details can be found in [HPA 19-10](#) published on LDH's website. The table below summarizes the impact of the changes to the coverage of Urine Drug Testing on projected costs on each rate cell.

| RATE CELL | URINE DRUG TESTING ADJUSTMENT |
|-----------------------|-------------------------------|
| Expansion Age 19 - 64 | -0.27% |
| Expansion High Needs | -0.28% |

PROSPECTIVE RATING ADJUSTMENTS

Program change adjustments that occurred after the base data period, but before the conclusion of the rating period are referred to as Prospective Rating Adjustments.

Inpatient Fee Schedule Changes

Effective July 1, 2019, LDH released an updated Inpatient fee schedule which can be located on the LDH's website.² The revised fee schedule adjustments, as a percent of projected medical expenses, are summarized in the table below. Please refer to Appendix C for a summary of the incremental impact of this program change.

² https://www.lamedicaid.com/provweb1/fee_schedules/feeschedulesindex.htm

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| RATE CELL | FEE ADJUSTMENT 7/1/19 |
|-----------------------|-----------------------|
| Expansion Age 19 - 64 | 4.73% |
| Expansion High Needs | 5.31% |

FQHC/RHC Fee Schedule Changes

Effective July 1, 2019, LDH released updated Federally Qualified Health Center (FQHC) and Rural Health Center (RHC) fee schedules which can be located on the LDH's website.³ The updates are sourced from the annual refresh due to any changes to the Medicare Economic Index, which increased 1.5% for all FQHCs and RHCs (except those that receive a rate based on the alternative payment methodology). The revised fee schedule adjustments, as a percent of projected medical expenses, are summarized in the table below.

| RATE CELL | FEE ADJUSTMENT 7/1/19 |
|-----------------------|-----------------------|
| Expansion Age 19 - 64 | 0.05% |
| Expansion High Needs | 0.03% |

Single Preferred Drug List

Effective May 1, 2019, LDH implemented a Single Preferred Drug List (PDL) for selected therapeutic classes. Effective July 1, 2019, LDH replaced Mavyret™, Epclusa®, and Vosevi® with the authorized generic of Epclusa as the preferred Direct Acting Antiviral (DAA) for Hepatitis C on the PDL. Concurrently, LDH also removed all prior authorization restrictions on its criteria for the use of the preferred Hepatitis C DAA.

To estimate the impact of these changes on the pharmacy utilization and cost, Mercer's actuaries and pharmacists reviewed the historical utilization of Hepatitis C DAAs, publically available research on the interaction between prior authorization criteria and Hepatitis C DAA utilization, known and estimated prevalence of Hepatitis C in the LA Medicaid population, and the State's projections of Hepatitis C DAA use between July 1, 2019 and December 31, 2019. As a result of this analysis, Mercer revised its pharmacy trends; a summary of the revised annual pharmacy trend factors by rate cell are summarized in the subsequent table.

| RATE CELL | PHARMACY TREND |
|-----------------------|----------------|
| Expansion Age 19 - 64 | 10.62% |
| Expansion High Needs | 10.62% |

³ https://www.lamedicaid.com/provweb1/fee_schedules/feeschedulesindex.htm

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Streamlined Hepatitis C Screening and Treatment Algorithm

Effective July 15, 2019, LDH implemented its Hepatitis C “Subscription Model” agreement with Asegua Therapeutics LLC. As a part of this agreement, LDH also adopted a streamlined protocol for Hepatitis C screening and monitoring. As compared to the protocols in place prior to the implementation of this agreement, the streamlined protocol will eliminate or reduce the utilization of the many services for individuals associated with the testing and subsequent treatment of Hepatitis C; examples include:

- Genotype testing
- Fibrosure testing
- RNA testing

In order to evaluate the impact of these changes, Mercer estimated the impact of eliminating or reducing the services that are no longer expected to be a part of the new treatment protocol on a per individual basis. LDH’s FFS fee schedule was used to price the services in question. The FFS prices were also benchmarked against MCO-reported unit costs. The overall change in screen and treatment costs were also adjusted to account for the increase in the number of Medicaid enrollees expected to be treated for Hepatitis C between July 1, 2019 and December 31, 2019. A summary of the estimated impact of these changes by rate cell are summarized in the table below. Please refer to Appendix B for additional detail regarding this adjustment.

| RATE CELL | ADJUSTMENT |
|-----------------------|------------|
| Expansion Age 19 - 64 | 0.03% |
| Expansion High Needs | 0.00% |

NON-MEDICAL EXPENSE LOAD

Administrative Expense Load

The actuarially sound capitation rates developed include a provision for MCO administration and other non-medical expenses. Due to the expected increase in the number of Medicaid enrollees expected to be treated for Hepatitis C between July 1, 2019 and December 31, 2019, Mercer determined it was necessary to increase the administrative expense load to account for additional Hepatitis C-related case management costs.

Mercer estimated historical Hepatitis C-related case management costs based on the MCO financial reports and developed an add-on commensurate with the expected increase in the number of Medicaid enrollees who will be treated for Hepatitis C between July 1, 2019 and December 31, 2019. A summary of the estimated impact of these changes by rate cell are summarized in the subsequent table.

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| Rate Cell | Fixed Admin PMPM Add-on | | | |
|-----------------------|-------------------------|---------|---------------|--------|
| | Gulf | Capital | South Central | North |
| Expansion Age 19 - 64 | \$0.18 | \$0.13 | \$0.09 | \$0.06 |

RISK CORRIDOR

Due to the increased uncertainty around Hepatitis C-related costs in the July 1, 2019 through December 31, 2019 period, LDH will implement a risk corridor for Hepatitis C-related pharmacy, physician, and laboratory costs. LDH is working with the MCOs to finalize the details of the risk corridor, but the parameters are anticipated to follow the below:

| Gain or Loss | Share of Contractor Loss/Gain | |
|---|-------------------------------|--------|
| | Contractor | LDH |
| Less than or equal to 1.0% of the aggregate Hepatitis C-related medical component of the risk adjusted capitation payment | 100.00% | 0.00% |
| Greater than 1.0% of the aggregate Hepatitis C-related medical component of the risk adjusted capitation payment | 1.00% | 99.00% |

CERTIFICATION OF FINAL RATES

This certification assumes items in the Medicaid State Plan or Waiver, as well as the Healthy Louisiana MCO contract, have been approved by CMS.

In preparing the rates shown in Appendix A, Mercer has used and relied upon enrollment, FFS claims, encounter data, reimbursement level, benefit design, and other information supplied by LDH and its fiscal agent. LDH, its fiscal agent, and the Healthy Louisiana MCOs are responsible for the validity and completeness of the data supplied. We have reviewed the data and information for internal consistency and reasonableness, but we did not audit them. In our opinion they are appropriate for the intended purposes. However, if the data and information are incomplete/inaccurate, the values shown in this report may differ significantly from values that would be obtained with accurate and complete information; this may require a later revision to this report.

Because modeling all aspects of a situation or scenario is not possible or practical, Mercer may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. Mercer may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness, appropriateness, or attainability of the results for the Medicaid program. Actuarial assumptions may also be

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changed from one certification period to the next because of changes in mandated requirements, program experience, changes in expectations about the future, and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable, inappropriate, or unattainable when they were made.

Mercer certifies the rates in Appendix A, including any risk-sharing mechanisms, were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the Healthy Louisiana MCO contract. The undersigned actuaries are members of the American Academy of Actuaries and meet its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.

Rates and ranges developed by Mercer are actuarial projections of future contingent events. All estimates are based upon the information and data available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely, and potentially wide, range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use. Actual Healthy Louisiana MCO costs will differ from these projections. Mercer has developed these rates on behalf of LDH to demonstrate compliance with the CMS requirements under 42 CFR 438.4 and accordance with applicable law and regulations. Use of these rate ranges for any purpose beyond that stated may not be appropriate.

Healthy Louisiana MCOs are advised that the use of these rates may not be appropriate for their particular circumstance and Mercer disclaims any responsibility for the use of these rates by Healthy Louisiana MCOs for any purpose. Mercer recommends that any MCO considering contracting with LDH should analyze its own projected medical expense, administrative expense, and any other premium needs for comparison to these rate ranges before deciding whether to contract with LDH.

LDH understands that Mercer is not engaged in the practice of law, or in providing advice on taxation matters. This report, which may include commenting on legal or taxation issues or regulations, does not constitute and is not a substitute for legal or taxation advice. Accordingly, Mercer recommends that LDH secure the advice of competent legal and taxation counsel with respect to any legal or taxation matters related to this report or otherwise.

This certification letter assumes the reader is familiar with the Healthy Louisiana Program, Medicaid eligibility rules, and actuarial rate-setting techniques. It has been prepared exclusively for LDH and CMS, and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results. Mercer is not responsible for, and expressly disclaims liability for, any reliance on this report by third parties.

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LDH agrees to notify Mercer within 30 days of receipt of this report if it disagrees with anything contained in this report or is aware of any information or data that would affect the results of this report that has not been communicated or provided to Mercer or incorporated herein. The report will be deemed final and acceptable to LDH if nothing is received by Mercer within such 30-day period.

If you have any questions on any of the above, please feel free to contact Ron Ogborne at +1 602 522 6595 or Erik Axelsen at +1 404 442 3517 at your convenience.

Sincerely,



F. Ronald Ogborne III, FSA, CERA, MAAA
Partner



Erik Axelsen, ASA, MAAA
Senior Associate

Copy:
Amanda Joyner, Deputy Assistant Secretary – OBH/LDH
Marisa Naquin, Managed Care Finance – LDH
Jen Steele, Medicaid Director – LDH
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APPENDIX A: HEALTHY LOUISIANA CAPITATION RATE RANGES

| REGION | COA DESCRIPTION | RATE CELL DESCRIPTION | LOWER BOUND PMPM OR COST PER DELIVERY | REASONABLY ATTAINABLE PMPM OR COST PER DELIVERY | UPPER BOUND PMPM OR COST PER DELIVERY |
|---------------|--------------------|-----------------------|---------------------------------------|---|---------------------------------------|
| Gulf | Medicaid Expansion | Age 19 - 64 | \$565.01 | \$565.58 | \$602.24 |
| Gulf | Medicaid Expansion | High Needs | \$1,109.52 | \$1,109.52 | \$1,188.43 |
| Capital | Medicaid Expansion | Age 19 - 64 | \$644.11 | \$644.78 | \$687.68 |
| Capital | Medicaid Expansion | High Needs | \$1,548.84 | \$1,548.84 | \$1,652.64 |
| South Central | Medicaid Expansion | Age 19 - 64 | \$570.44 | \$571.02 | \$608.61 |
| South Central | Medicaid Expansion | High Needs | \$2,679.91 | \$2,679.91 | \$2,864.72 |
| North | Medicaid Expansion | Age 19 - 64 | \$515.48 | \$516.02 | \$551.00 |
| North | Medicaid Expansion | High Needs | \$1,416.81 | \$1,416.81 | \$1,518.94 |

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APPENDIX B: NON-RX HEPATITIS C EXPENSE ADJUSTMENT

| Service Type | FFS Unit Cost | Hepatitis C Treatment Protocol Change | |
|------------------------|---------------|---------------------------------------|----------------------|
| | | Current Practice | Streamlined Practice |
| Antibody | \$15.62 | 1 | 1 |
| RNAs | \$46.85 | 6 | 2 |
| Genotype | \$281.55 | 1 | 0 |
| CMP | \$9.25 | 2 | 1 |
| CBC | \$7.73 | 1 | 1 |
| INR | \$3.92 | 1 | 1 |
| Liver tests | \$8.93 | 2 | 1 |
| Fibrosure | \$51.14 | 1 | 0 |
| HbsAg | \$11.29 | 1 | 1 |
| anti-HBs | \$11.75 | 1 | 1 |
| anti-HBc | \$13.18 | 1 | 1 |
| Office visit (level 3) | \$41.53 | 7 | 5 |
| Total | | 25 | 15 |

| Impact Calculation | |
|---|--------------------|
| Current Practice Cost Per User | \$1,004.35 |
| Streamlined Practice Cost Per User | \$383.02 |
| Discount | -61.9% |
| Hepatitis C Recipients 2019 Q1 & Q2 | 497 |
| Hepatitis C Recipients 2019 Q3 & Q4 (Estimate) | 1,503 |
| Adherence to Streamlined Practice Rate | 60% |
| | FFS Pricing |
| 2019 Q1 & Q2 - Est. Cost Under Current Practice | \$499,162 |
| 2019 Q3 & Q4 - Est. Cost Under Streamlined Practice | \$949,223 |
| Change in Cost for 2019 Q3 & Q4 | \$450,061 |
| Percentage Change in Cost | 90% |

*The 450,061 impact is for both the Expansion and Non-Expansion populations.

| Apr 2019 - Jun 2019 Rates | | | | | | | | | | | |
|---------------------------|--------------|---------------|--------------|-------------------|----------|----------------|-----------|-------------|--|--|--|
| A | B | C | D | E=A+B+C+D | F | G=E+F | | | | | |
| CLAIMS PMPM | ADMIN PMPM | PREM TAX PMPM | UW GAIN PMPM | LIMITED RATE PMPM | FMP PMPM | FULL RATE PMPM | | | | | |
| Expansion, Age 19 - 64 | 6,687,382 \$ | 400.35 \$ | 34.17 \$ | 25.70 \$ | 7.01 \$ | 467.22 \$ | 104.19 \$ | 571.41 \$ | | | |
| Expansion, High Needs | 1,218 \$ | 1,198.99 \$ | 72.80 \$ | 75.21 \$ | 20.51 \$ | 1,367.51 \$ | 266.20 \$ | 1,633.71 \$ | | | |
| Aggregate | 6,688,599 \$ | 400.49 \$ | 34.17 \$ | 25.71 \$ | 7.01 \$ | 467.38 \$ | 104.22 \$ | 571.61 \$ | | | |

| Jul 2019 - Dec 2019 Rates | | | | | | | | | | | | | | | | |
|---------------------------|--------------|---------------|--------------|----------|-----------------|------------|---------------|--------------|-------------------|----------|----------------|-----------|-------------|---------|-----------|---------|
| H | I | J | K | L | M = A+H+I+J+K+L | N | O | P | Q=M+N+O+P | R | S=Q+R | | | | | |
| URINE TESTING | FQHC / RHC | IP/OP FEE ADJ | Non-Rx HEP C | Rx HEP C | CLAIMS PMPM | ADMIN PMPM | PREM TAX PMPM | UW GAIN PMPM | LIMITED RATE PMPM | FMP PMPM | FULL RATE PMPM | | | | | |
| Expansion, Age 19 - 64 | 6,687,382 \$ | (0.90) \$ | 0.21 \$ | 0.08 \$ | 0.10 \$ | 3.72 \$ | 403.56 \$ | 34.28 \$ | 25.89 \$ | 7.06 \$ | 470.80 \$ | 103.44 \$ | 574.24 \$ | | | |
| Expansion, High Needs | 1,218 \$ | (2.90) \$ | 0.36 \$ | 3.96 \$ | - | 12.76 \$ | 1,213.17 \$ | 72.80 \$ | 76.05 \$ | 20.74 \$ | 1,382.76 \$ | 251.23 \$ | 1,633.99 \$ | | | |
| Aggregate | 6,688,599 \$ | (0.90) \$ | 0.21 \$ | 0.08 \$ | 0.10 \$ | 3.72 \$ | 403.71 \$ | 34.29 \$ | 25.90 \$ | 7.06 \$ | 470.96 \$ | 103.47 \$ | 574.43 \$ | | | |
| Difference | | | | | | | | | | \$ | 3.21 \$ | 0.11 \$ | 0.20 \$ | 3.58 \$ | (0.75) \$ | 2.83 \$ |

Notes:
1. Using latest projected enrollment figures from LDH for the period of January 1, 2019 through December 31, 2019.
2. Expansion Base Data represents experience having occurred from April 1, 2017 to March 31, 2018.

