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Mr. Daniel Cocran  
Chief Financial Officer  
Louisiana Department of Health  
Bureau of Health Services Financing  
628 North 4th Street  
Baton Rouge, LA 70821

July 21, 2021

Subject: Healthy Louisiana Program – Managed Care Organization Rate Development COVID-19 Pandemic and Related Adjustments for the Period January 1, 2021 through December 31, 2021

Dear Mr. Cocran:

In response to the current health care crisis created by the Coronavirus Disease 2019 (COVID-19) pandemic, the Louisiana Health Department (LDH) asked Mercer, as part of Mercer Health & Benefits LLC, to estimate the financial impact of providing additional COVID-19 tests at increased unit costs to Medicaid managed care members under the COVID-19 Testing, Treatment, and Deferred Care rate adjustment. This letter documents the assumptions and methodology Mercer used to develop the requested rating year (RY) 2021 capitation rate adjustments.

## Background

Within the original certification for the RY21 Healthy Louisiana Medicaid managed care rates, Mercer incorporated an adjustment to the rates related to COVID-19 Testing, Treatment, and Deferred Care.

As a result of the COVID-19 pandemic and ongoing monitoring by LDH and Mercer, LDH is modifying adjustments to reflect a higher volume of tests, as well as an increased cost per test than originally projected in the RY21 capitation rates and certification. The change in the testing fee schedule for the State was approved subsequent to the original certification. Specifically, LDH is making the following changes:

- Increase the number of tests assumed within the RY21 contract period
- Increase the assumed cost per test based on changes to LDH's COVID-19 testing fee schedule

## Development of Managed Care Capitation Rate Impact

### Mercer's Assumptions

To estimate the rate impact, Mercer analyzed Louisiana's COVID-19 fee schedule unit costs and the number of additional tests expected during the RY21 contract period. Based on LDH's data and utilization reports analyzed, the following observations were made:

- Across all managed care organizations and rate cells, it is expected there will be approximately 24,000 more COVID-19 tests than originally projected in the RY21 capitation rates.

- LDH assumes 40.0% of tests are standard COVID-19 tests, with 60.0% of tests being high throughput. Of the high throughput tests, it is anticipated approximately 90.0% will receive the \$25 enhancement fee.

Using these assumptions, the estimated per member per month impact of the adjusted COVID-19 testing benefit is shown in Appendix A of this letter.

The impacts to medical expense across all rate cells on a statewide basis are shown in Table 1.

**Table 1**

<b>Percentage Impact to Projected Medical Expense</b>	<b>Gulf</b>	<b>Capital</b>	<b>South Central</b>	<b>North</b>	<b>Statewide</b>
Testing Cost	0.5%	0.5%	0.5%	0.5%	0.5%
Antibody Cost	0.0%	0.0%	0.0%	0.0%	0.0%
Treatment Cost	0.4%	0.4%	0.4%	0.4%	0.4%
Net Deferred Care	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
<b>Total Impact</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>

Since the rate change is less than 1.5% for all region and rate cell combinations, LDH has the flexibility consistent with 42 CFR §438.7(c)(3)<sup>1</sup> to adjust the capitation rates through a managed care contract amendment without the need to submit a formal rate certification to the Centers for Medicare & Medicaid Services (CMS). As a result, this letter is not intended to be a formal actuarial rate certification, but instead a documentation of how the rate adjustments were determined. If CMS does ask the State to provide additional information in support of the contract rate adjustments, LDH is welcome to provide this letter in full to CMS.

## Disclosures

In preparing the capitation rate adjustments for RY21 as detailed in this letter, Mercer has used and relied upon enrollment, encounter data, reimbursement level, benefit design, and other information supplied by LDH and its fiscal agent. LDH, its fiscal agent, and the Healthy Louisiana managed care organizations (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 or inaccurate, the values shown in this letter may differ significantly from values that would be obtained with accurate and complete information; this may require a later revision to this letter.

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

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<sup>1</sup> The State may increase or decrease the capitation rate per rate cell, as required in paragraph (c) of this section and § 438.4(b)(4), up to 1.5% without submitting a revised rate certification, as required under paragraph (a) of this section. Such changes of the capitation rate within the permissible 1.5% range must be consistent with a modification of the contract as required in § 438.3(c).

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 that the adjustments described herein 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 actuary is a member of the American Academy of Actuaries and meets its US Qualification Standards for issuing statements of actuarial opinion herein.

Capitation rates 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 adjustments on behalf of LDH to demonstrate compliance with the CMS requirements under 42 CFR §438.7(c)(3) and accordance with applicable law and regulations. Use of this information for any purpose beyond that stated may not be appropriate.

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 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.

Sincerely,

  
Adam Sery, FSA, MAAA  
Principal

Copy:  
Roger Figueroa, ASA, MAAA  
Han Lu, ASA, MAAA  
Ron Ogborne, FSA, CERA, MAAA

Region	Category of Aid	Rate Cell	Original RY21 Lower Bound Limited Rate	Revised RY21 Lower Bound Limited Rate	PMPM Change	Percent Change
Gulf	SSI	0-2 Months	\$ 19,687.46	\$ 19,687.55	\$ 0.09	0.0%
Gulf	SSI	3-11 Months	\$ 4,927.46	\$ 4,927.55	\$ 0.09	0.0%
Gulf	SSI	Child 1-20 Years	\$ 705.79	\$ 705.96	\$ 0.17	0.0%
Gulf	SSI	Adult 21+ Years	\$ 1,489.91	\$ 1,490.91	\$ 1.00	0.1%
Gulf	Family & Children	0-2 Months	\$ 2,210.14	\$ 2,210.23	\$ 0.09	0.0%
Gulf	Family & Children	3-11 Months	\$ 284.82	\$ 284.91	\$ 0.09	0.0%
Gulf	Family & Children	Child 1-20 Years	\$ 155.90	\$ 156.06	\$ 0.16	0.1%
Gulf	Family & Children	Adult 21+ Years	\$ 367.15	\$ 368.13	\$ 0.98	0.3%
Gulf	Foster Care Children	All Ages Male & Female	\$ 407.52	\$ 407.73	\$ 0.21	0.1%
Gulf	BCC	BCC, All Ages	\$ 2,622.58	\$ 2,622.81	\$ 0.23	0.0%
Gulf	LAP	LAP, All Ages	\$ 199.44	\$ 199.66	\$ 0.22	0.1%
Gulf	HCBS	Child 1-20 Years	\$ 2,460.54	\$ 2,460.70	\$ 0.16	0.0%
Gulf	HCBS	Adult 21+ Years	\$ 1,597.68	\$ 1,598.66	\$ 0.98	0.1%
Gulf	CCM	CCM, All Ages	\$ 1,291.89	\$ 1,292.11	\$ 0.22	0.0%
Gulf	SBH - CCM	SBH - CCM, All Ages	\$ 144.68	\$ 144.68	\$ -	0.0%
Gulf	SBH - Duals	SBH - Dual Eligible, All Ages	\$ 29.65	\$ 29.65	\$ -	0.0%
Gulf	SBH - LaHIPP	SBH - LaHIPP, All Ages	\$ 29.65	\$ 29.65	\$ -	0.0%
Gulf	SBH - HCBS	Child 1-20 Years	\$ 122.57	\$ 122.57	\$ -	0.0%
Gulf	SBH - HCBS	Adult 21+ Years	\$ 57.29	\$ 57.29	\$ -	0.0%
Gulf	SBH - Other	SBH - All Ages	\$ 150.39	\$ 150.39	\$ -	0.0%
Gulf	Non-Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 11,620.04	\$ 11,620.25	\$ 0.21	0.0%
Gulf	Non-Expansion - EED Kick Payment	EED Kick Payment	\$ 3,379.40	\$ 3,379.46	\$ 0.06	0.0%
Gulf	Medicaid Expansion	Age 19-64	\$ 508.18	\$ 509.08	\$ 0.90	0.2%
Gulf	Medicaid Expansion	SBH - Dual Eligible, All Ages	\$ 29.65	\$ 29.65	\$ -	0.0%
Gulf	Medicaid Expansion	SBH - LaHIPP, All Ages	\$ 29.65	\$ 29.65	\$ -	0.0%
Gulf	Medicaid Expansion	SBH - Other	\$ 150.39	\$ 150.39	\$ -	0.0%
Gulf	Medicaid Expansion	SBH - CCM, All Ages	\$ 144.68	\$ 144.68	\$ -	0.0%
Gulf	Medicaid Expansion	High Needs	\$ 1,491.14	\$ 1,492.05	\$ 0.91	0.1%
Gulf	Medicaid Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 10,560.34	\$ 10,560.55	\$ 0.21	0.0%
Gulf	Medicaid Expansion - EED Kick Payment	EED Kick Payment	\$ 4,129.01	\$ 4,129.10	\$ 0.09	0.0%
Capital	SSI	0-2 Months	\$ 20,506.67	\$ 20,506.77	\$ 0.10	0.0%
Capital	SSI	3-11 Months	\$ 4,845.64	\$ 4,845.74	\$ 0.10	0.0%
Capital	SSI	Child 1-20 Years	\$ 732.99	\$ 733.16	\$ 0.17	0.0%
Capital	SSI	Adult 21+ Years	\$ 1,629.25	\$ 1,630.24	\$ 0.99	0.1%
Capital	Family & Children	0-2 Months	\$ 2,511.58	\$ 2,511.68	\$ 0.10	0.0%
Capital	Family & Children	3-11 Months	\$ 269.96	\$ 270.05	\$ 0.09	0.0%
Capital	Family & Children	Child 1-20 Years	\$ 169.61	\$ 169.77	\$ 0.16	0.1%
Capital	Family & Children	Adult 21+ Years	\$ 418.30	\$ 419.27	\$ 0.97	0.2%
Capital	Foster Care Children	All Ages Male & Female	\$ 406.76	\$ 406.96	\$ 0.20	0.0%
Capital	BCC	BCC, All Ages	\$ 2,585.25	\$ 2,585.47	\$ 0.22	0.0%
Capital	LAP	LAP, All Ages	\$ 196.75	\$ 196.96	\$ 0.21	0.1%
Capital	HCBS	Child 1-20 Years	\$ 2,488.97	\$ 2,489.14	\$ 0.17	0.0%
Capital	HCBS	Adult 21+ Years	\$ 1,613.10	\$ 1,614.08	\$ 0.98	0.1%
Capital	CCM	CCM, All Ages	\$ 1,322.44	\$ 1,322.65	\$ 0.21	0.0%
Capital	SBH - CCM	SBH - CCM, All Ages	\$ 147.02	\$ 147.02	\$ -	0.0%
Capital	SBH - Duals	SBH - Dual Eligible, All Ages	\$ 25.75	\$ 25.75	\$ -	0.0%
Capital	SBH - LaHIPP	SBH - LaHIPP, All Ages	\$ 25.75	\$ 25.75	\$ -	0.0%
Capital	SBH - HCBS	Child 1-20 Years	\$ 128.91	\$ 128.91	\$ -	0.0%
Capital	SBH - HCBS	Adult 21+ Years	\$ 58.70	\$ 58.70	\$ -	0.0%
Capital	SBH - Other	SBH - All Ages	\$ 148.11	\$ 148.11	\$ -	0.0%
Capital	Non-Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 8,764.60	\$ 8,764.81	\$ 0.21	0.0%
Capital	Non-Expansion - EED Kick Payment	EED Kick Payment	\$ 2,548.97	\$ 2,549.03	\$ 0.06	0.0%
Capital	Medicaid Expansion	Age 19-64	\$ 572.42	\$ 573.31	\$ 0.89	0.2%
Capital	Medicaid Expansion	SBH - Dual Eligible, All Ages	\$ 25.75	\$ 25.75	\$ -	0.0%
Capital	Medicaid Expansion	SBH - LaHIPP, All Ages	\$ 25.75	\$ 25.75	\$ -	0.0%
Capital	Medicaid Expansion	SBH - Other	\$ 148.11	\$ 148.11	\$ -	0.0%
Capital	Medicaid Expansion	SBH - CCM, All Ages	\$ 147.02	\$ 147.02	\$ -	0.0%
Capital	Medicaid Expansion	High Needs	\$ 1,525.87	\$ 1,526.77	\$ 0.90	0.1%
Capital	Medicaid Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 10,321.05	\$ 10,321.25	\$ 0.20	0.0%
Capital	Medicaid Expansion - EED Kick Payment	EED Kick Payment	\$ 4,035.45	\$ 4,035.53	\$ 0.08	0.0%

Region	Category of Aid	Rate Cell	Original RY21 Lower Bound Limited Rate	Revised RY21 Lower Bound Limited Rate	PMPM Change	Percent Change
South Central	SSI	0-2 Months	\$ 19,812.44	\$ 19,812.53	\$ 0.09	0.0%
South Central	SSI	3-11 Months	\$ 4,893.12	\$ 4,893.22	\$ 0.10	0.0%
South Central	SSI	Child 1-20 Years	\$ 676.14	\$ 676.31	\$ 0.17	0.0%
South Central	SSI	Adult 21+ Years	\$ 1,365.07	\$ 1,366.06	\$ 0.99	0.1%
South Central	Family & Children	0-2 Months	\$ 2,669.13	\$ 2,669.23	\$ 0.10	0.0%
South Central	Family & Children	3-11 Months	\$ 294.91	\$ 295.00	\$ 0.09	0.0%
South Central	Family & Children	Child 1-20 Years	\$ 166.81	\$ 166.97	\$ 0.16	0.1%
South Central	Family & Children	Adult 21+ Years	\$ 370.55	\$ 371.52	\$ 0.97	0.3%
South Central	Foster Care Children	All Ages Male & Female	\$ 404.22	\$ 404.41	\$ 0.19	0.0%
South Central	BCC	BCC, All Ages	\$ 2,574.28	\$ 2,574.50	\$ 0.22	0.0%
South Central	LAP	LAP, All Ages	\$ 195.76	\$ 195.96	\$ 0.20	0.1%
South Central	HCBS	Child 1-20 Years	\$ 2,447.62	\$ 2,447.78	\$ 0.16	0.0%
South Central	HCBS	Adult 21+ Years	\$ 1,608.00	\$ 1,608.98	\$ 0.98	0.1%
South Central	CCM	CCM, All Ages	\$ 1,290.10	\$ 1,290.30	\$ 0.20	0.0%
South Central	SBH - CCM	SBH - CCM, All Ages	\$ 148.09	\$ 148.09	\$ -	0.0%
South Central	SBH - Duals	SBH - Dual Eligible, All Ages	\$ 28.32	\$ 28.32	\$ -	0.0%
South Central	SBH - LaHIPP	SBH - LaHIPP, All Ages	\$ 28.32	\$ 28.32	\$ -	0.0%
South Central	SBH - HCBS	Child 1-20 Years	\$ 119.21	\$ 119.21	\$ -	0.0%
South Central	SBH - HCBS	Adult 21+ Years	\$ 59.24	\$ 59.24	\$ -	0.0%
South Central	SBH - Other	SBH - All Ages	\$ 155.58	\$ 155.58	\$ -	0.0%
South Central	Non-Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 8,729.96	\$ 8,730.16	\$ 0.20	0.0%
South Central	Non-Expansion - EED Kick Payment	EED Kick Payment	\$ 2,538.90	\$ 2,538.95	\$ 0.05	0.0%
South Central	Medicaid Expansion	Age 19-64	\$ 503.69	\$ 504.69	\$ 0.90	0.2%
South Central	Medicaid Expansion	SBH - Dual Eligible, All Ages	\$ 28.32	\$ 28.32	\$ -	0.0%
South Central	Medicaid Expansion	SBH - LaHIPP, All Ages	\$ 28.32	\$ 28.32	\$ -	0.0%
South Central	Medicaid Expansion	SBH - Other	\$ 155.58	\$ 155.58	\$ -	0.0%
South Central	Medicaid Expansion	SBH - CCM, All Ages	\$ 148.09	\$ 148.09	\$ -	0.0%
South Central	Medicaid Expansion	High Needs	\$ 1,700.50	\$ 1,701.39	\$ 0.89	0.1%
South Central	Medicaid Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 10,128.12	\$ 10,128.31	\$ 0.19	0.0%
South Central	Medicaid Expansion - EED Kick Payment	EED Kick Payment	\$ 3,960.02	\$ 3,960.10	\$ 0.08	0.0%
North	SSI	0-2 Months	\$ 19,367.11	\$ 19,367.20	\$ 0.09	0.0%
North	SSI	3-11 Months	\$ 4,756.93	\$ 4,757.02	\$ 0.09	0.0%
North	SSI	Child 1-20 Years	\$ 641.34	\$ 641.50	\$ 0.16	0.0%
North	SSI	Adult 21+ Years	\$ 1,304.33	\$ 1,305.31	\$ 0.98	0.1%
North	Family & Children	0-2 Months	\$ 1,915.72	\$ 1,915.82	\$ 0.10	0.0%
North	Family & Children	3-11 Months	\$ 275.63	\$ 275.72	\$ 0.09	0.0%
North	Family & Children	Child 1-20 Years	\$ 171.11	\$ 171.27	\$ 0.16	0.1%
North	Family & Children	Adult 21+ Years	\$ 367.67	\$ 368.62	\$ 0.95	0.3%
North	Foster Care Children	All Ages Male & Female	\$ 412.25	\$ 412.44	\$ 0.19	0.0%
North	BCC	BCC, All Ages	\$ 2,541.98	\$ 2,542.19	\$ 0.21	0.0%
North	LAP	LAP, All Ages	\$ 196.63	\$ 196.83	\$ 0.20	0.1%
North	HCBS	Child 1-20 Years	\$ 2,469.58	\$ 2,469.75	\$ 0.17	0.0%
North	HCBS	Adult 21+ Years	\$ 1,608.58	\$ 1,609.54	\$ 0.96	0.1%
North	CCM	CCM, All Ages	\$ 1,305.05	\$ 1,305.25	\$ 0.20	0.0%
North	SBH - CCM	SBH - CCM, All Ages	\$ 149.50	\$ 149.50	\$ -	0.0%
North	SBH - Duals	SBH - Dual Eligible, All Ages	\$ 35.11	\$ 35.11	\$ -	0.0%
North	SBH - LaHIPP	SBH - LaHIPP, All Ages	\$ 35.11	\$ 35.11	\$ -	0.0%
North	SBH - HCBS	Child 1-20 Years	\$ 122.51	\$ 122.51	\$ -	0.0%
North	SBH - HCBS	Adult 21+ Years	\$ 61.49	\$ 61.49	\$ -	0.0%
North	SBH - Other	SBH - All Ages	\$ 148.24	\$ 148.24	\$ -	0.0%
North	Non-Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 12,007.78	\$ 12,007.97	\$ 0.19	0.0%
North	Non-Expansion - EED Kick Payment	EED Kick Payment	\$ 3,492.17	\$ 3,492.23	\$ 0.06	0.0%
North	Medicaid Expansion	Age 19-64	\$ 481.10	\$ 481.99	\$ 0.89	0.2%
North	Medicaid Expansion	SBH - Dual Eligible, All Ages	\$ 35.11	\$ 35.11	\$ -	0.0%
North	Medicaid Expansion	SBH - LaHIPP, All Ages	\$ 35.11	\$ 35.11	\$ -	0.0%
North	Medicaid Expansion	SBH - Other	\$ 148.24	\$ 148.24	\$ -	0.0%
North	Medicaid Expansion	SBH - CCM, All Ages	\$ 149.50	\$ 149.50	\$ -	0.0%
North	Medicaid Expansion	High Needs	\$ 852.41	\$ 853.30	\$ 0.89	0.1%
North	Medicaid Expansion - Maternity Kick Payment	Maternity Kick Payment	\$ 10,673.41	\$ 10,673.60	\$ 0.19	0.0%
North	Medicaid Expansion - EED Kick Payment	EED Kick Payment	\$ 4,173.22	\$ 4,173.30	\$ 0.08	0.0%