MILLIMAN CLIENT REPORT

# State Fiscal Year 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Amendment

State of Louisiana Department of Health

September 10, 2025

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# 1. Background

## BACKGROUND

Milliman, Inc. (Milliman) has been retained by the State of Louisiana, Department of Health (LDH) to provide actuarial and consulting services related to the development of capitation rates for the Physical Health (PH) and Specialized Behavioral Health (SBH) programs within the Healthy Louisiana managed care program. This report is an amendment to the capitation rates developed for state fiscal year (SFY) 2025. The previously certified capitation rates and documentation of their development were published in the following correspondences:

- *State Fiscal Year 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Certification*, dated June 21, 2024
- *State Fiscal Year 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Amendment,* dated November 27, 2024

After the issuance of the SFY 2025 Capitation Rate Amendment, dated November 27, 2024, the SFY 2025 capitation rates were also adjusted using the de minimis flexibility, provided under 42 CFR 438.7(c)(3), without a rate amendment. The impact of that rate change was an increase of 1.5% (excluding Full Medicaid Pricing (FMP) and state directed payments) and it affected all regions and rate cells uniformly.

This amendment updates the SFY 2025 capitation rates to incorporate the physician state directed payments as a separate payment term replacing physician FMP payments. Unless otherwise stated, the methodology and assumptions utilized are consistent with the capitation rate documentation included in the original certification. The required actuarial certification is in Appendix 1.

The capitation rates provided under this certification are “actuarially sound” for purposes of 42 CFR 438.4(a), according to the following criteria:

- The capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the managed care plan for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 CFR 438.4(b).

To ensure compliance with generally accepted actuarial practices and regulatory requirements, we referred to published guidance from the American Academy of Actuaries (AAA), the Actuarial Standards Board (ASB), the Centers for Medicare and Medicaid Services (CMS), and federal regulations. Specifically, the following were referenced during the rate development:

- Actuarial standards of practice applicable to Medicaid managed care rate setting which have been enacted as of the capitation rate certification date, including: ASOP 1 (Introductory Actuarial Standard of Practice); ASOP 5 (Incurred Health and Disability Claims); ASOP 12 (Risk Classification (for all Practice Areas)); ASOP 23 (Data Quality); ASOP 41 (Actuarial Communications); ASOP 45 (The Use of Health Status Based Risk Adjustment Methodologies); ASOP 49 (Medicaid Managed Care Capitation Rate Development and Certification); and ASOP 56 (Modeling).
- Actuarial soundness and rate development requirements in the Medicaid and CHIP Managed Care Final Rule (CMS 2439-F) for the provisions effective for the SFY 2025 managed care program rating period.
- The most recent *Medicaid Managed Care Rate Development Guide* published by CMS.

Throughout this document and consistent with the requirements under 42 CFR 438.4(a), the term “actuarially sound” is defined as in ASOP 49:

> *“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.”*[1]

1 http://www.actuarialstandardsboard.org/asops/medicaid-managed-care-capitation-rate-development-and-certification/

# 2. Executive Summary

This report is an amendment to the capitation rate certification report developed for SFY 2025. The previously certified capitation rates were published in the following correspondence (original certification):

- *State Fiscal Year 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Certification*, dated June 21, 2024
- *State Fiscal Year 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Amendment,* dated November 27, 2024

After the issuance of the SFY 2025 Capitation Rate Amendment, dated November 27, 2024, the SFY 2025 capitation rates were also adjusted using the de minimis flexibility, provided under 42 CFR 438.7(c)(3), without a rate amendment. The impact of that rate change was an increase of 1.5% (excluding FMP and state directed payments) and it affected all regions and rate cells uniformly.

We have updated the capitation rates that were provided in the reports mentioned above to reflect the following items:

- Inclusion of physician state directed payments
- Removal of physician FMP amounts

Unless otherwise stated, the methodology and assumptions utilized are consistent with the capitation rate documentation included in the original certification.

### A. SUMMARY OF METHODOLOGY

The methodology used in developing this amendment to the certified SFY 2025 capitation rates is outlined below.

#### i. Step 1: Inclusion of physician state directed payments and removal of physician FMP

The physician state directed payment was approved by CMS on August 28, 2025, for the SFY 2025 rating period. To reflect this approval, we have incorporated this state directed payment as a separate payment term for SFY 2025. This only impacts the “Expected Payments” rates, as the capitation rates do not include state directed payments. The funding of the physician state directed payment can be found in Figure 5 of this report.

As a result of the implementation of the physician state directed payment, LDH will no longer maintain the physician FMP program for the SFY 2025 rating period.

Documentation about the inclusion of the physician state directed payment and the removal of the physician FMP is provided in Section 3 of this report.

#### ii. Step 2: Issuance of actuarial certification

An actuarial certification is included in Appendix 1 and signed by Anders Larson, FSA, a Principal and Consulting Actuary of Milliman. Mr. Larson meets the qualification standards established by the American Academy of Actuaries and follows the practice standards established by the Actuarial Standards Board, in order to certify that the final rates meet the standards in 42 CFR §438.4(a).

### B. FISCAL IMPACT ESTIMATE

The amended capitation rates for the Medicaid managed care populations are illustrated in Figure 1. These rates are effective from July 1, 2024 through June 30, 2025. Figure 1 also provides a comparison to the previously effective capitation rates for July 1, 2024. The rates are inclusive of directed payments and FMP amounts, where applicable. The FMP amounts have been set to $0 in the “Updated SFY 2025” rates. The “SFY 2025 de minimis” rates refer to the set of rates included in the amendment dated November 27, 2024, after an increase of 1.5%. The composite rates illustrated for SFY 2025 have been developed based on an estimate of projected enrollment in SFY 2025.

**FIGURE 1: COMPARISON WITH SFY 2025 DE MINIMIS PMPM RATES**

| POPULATION | ESTIMATED SFY 2025 AVERAGE MONTHLY ENROLLMENT | COMPOSITE MCO EXPECTED PAYMENTS | | % CHANGE |
|---|---|---|---|---|
| | | SFY 2025 DE MINIMIS | UPDATED SFY 2025 | |
| SSI | 94,100 | $ 2,322.28 | $ 2,395.49 | 3.2% |
| F&C | 769,300 | 414.72 | 438.61 | 5.8% |
| SBH | 133,300 | 60.62 | 60.98 | 0.6% |
| Medicaid Expansion | 575,500 | 838.87 | 880.90 | 5.0% |
| All Other Populations | 28,900 | 1,358.90 | 1,390.48 | 2.3% |
| Maternity Kick – Expansion | 1,200 | 23,733.97 | 25,338.45 | 6.8% |
| Maternity Kick – Non-Expansion | 1,700 | 20,933.15 | 22,184.44 | 6.0% |
| **Composite** | **1,601,100** | **$ 707.28** | **$ 741.33** | **4.8%** |

Notes:
1. Both sets of SFY 2025 composite rates were developed based on SFY 2025 projected monthly enrollment.
2. All Other Populations includes HCBS, Act 421, Foster Care Children, Breast and Cervical Cancer, LaHIPP Affordable Plan, and non-SBH Chisholm Class Members rate cells.

Figure 2 compares the estimated federal and state expenditures under the SFY 2025 rates, based on estimated enrollment in SFY 2025. Revenue shown in Figure 3 includes state directed payment and FMP amounts, where applicable. The “Updated SFY 2025” rates do not include any revenue for FMP.

**FIGURE 2: COMPARISON WITH SFY 2025 DE MINIMIS RATES (AGGREGATE EXPENDITURES $ MILLIONS)**

| POPULATION | TOTAL MCO EXPECTED PAYMENTS | | % CHANGE |
|---|---|---|---|
| | SFY 2025 DE MINIMIS | UPDATED SFY 2025 | |
| SSI | $ 2,621.4 | $ 2,704.1 | $ 82.6 |
| F&C | 3,828.7 | 4,049.2 | 220.6 |
| SBH | 97.0 | 97.5 | 0.6 |
| Medicaid Expansion | 5,793.7 | 6,083.9 | 290.3 |
| All Other Populations | 472.5 | 483.5 | 11.0 |
| Maternity Kick – Expansion | 352.2 | 376.0 | 23.8 |
| Maternity Kick – Non-Expansion | 424.5 | 449.8 | 25.4 |
| **Composite** | **$ 13,590.0** | **$ 14,244.2** | **$ 654.2** |
| **Federal** | **$ 10,590.5** | **$ 11,104.3** | **$ 513.8** |
| **State** | **$ 2,999.5** | **$ 3,139.9** | **$ 140.4** |

Notes:
1. Individual values are calculated using unrounded values. Therefore, the dollar amounts cannot be calculated precisely from the rounded values shown in Figure 1.
2. Original and amended SFY 2025 composite rates were developed based on SFY 2025 projected monthly enrollment.
3. State expenditures based on Federal Fiscal Year (FFY) 2024 FMAP of 67.67% for 3 months and FFY 2025 FMAP of 68.06% for 9 months for all except the Expansion population.
4. State expenditures based on FMAP of 90% for the Expansion population.
5. All Other Populations includes HCBS, Act 421, Foster Care Children, Breast and Cervical Cancer, LaHIPP Affordable Plan, and non-SBH Chisholm Class Members rate cells.

# 3. Physician FMP and State Directed Payments

This section describes a new state directed payment that is being incorporated into the capitation rates, as well as the removal of FMP amounts.

### Physician FMP

LDH will not maintain the physician FMP program for the SFY 2025 rating period, based on guidance from CMS, any payment arrangements formerly using this mechanism will be converted to a separate payment term. This separate payment term is described in the "*Description of payment arrangements incorporated as a separate payment term*" section of this certification.

### State Directed Payments

The information regarding the new state directed payments has been presented consistently with requirements in the managed care rate setting guide, similar to Section 1, subsection 4.D of the original certification.

**D. DELIVERY SYSTEM AND PROVIDER PAYMENT INITIATIVES**

**i. Rate development standards**

This section provides information on new directed payments, included in this amendment, for certain providers which are pertinent to the SFY 2025 capitation rates.

**(a) Description of Managed Care Plan Requirement**

Effective July 1, 2024, payments formerly made as Full Medicaid Pricing (FMP) for hospital-based physician services provided at participating facilities by participating physicians will be made through a state directed payment, administered as a separate payment term. The pool of providers has also been expanded to include all physicians, physician assistants, certified nurse practitioners, and certified nurse anesthetists with at least $10,000 of Medicaid payments during SFY 2023. Payments will be determined to bring Medicaid reimbursement for these services up to a level consistent with rates paid by commercial payers for the same service.

The new directed payments described in this rate certification are consistent with LDH descriptions of the 438.6(c) pre-prints that have been submitted to CMS, if required. For minimum fee schedules, CMS does not require preprints if the fee schedules are consistent with approved State Plan rates.

**(b) Approval by CMS and consistency with preprints**

The new directed payments described in this rate certification have been approved by CMS. The descriptions in this rate certification are consistent with the 438.6(c) pre-prints that have been approved by CMS.

**(c) Contract arrangements with MCOs**

All contract arrangements that direct MCO's expenditures were developed in accordance with 42 CFR §438.4 and 42 CFR §438.5.

**(d) Inclusion of Provider Payment Initiatives in Capitation Rates**

***Physician directed payments***

The payments for the physician directed payment are made on a retrospective basis to the managed care health plans.

(i) Documentation related to separate payment term included in the rate certification

Documentation related to the separate payment term is addressed in Item 3.D.ii.a.iii.

(ii) PMPM estimate of directed payments addressed through separate payment term

The estimated rating period PMPM amounts of the directed payments are illustrated by rate cell in Appendix 3.

(iii) Final documentation of total directed payment amount by rate cell

After the rating period is complete, a separate report documenting the actual directed payment amounts by region and rate cell will be provided to CMS.

(iv) Changes from initial base rate certification

The rate certification will be updated through a rate amendment if the total payment amount or distribution methodology varies from the initial estimates presented in Appendix 3.

**ii. Appropriate documentation**

**(a) Description of Delivery System and Provider Payment Initiatives**

(i) Description of delivery system and provider payment initiatives included in the capitation rates

State directed payments incorporated in the capitation rates are listed in Figure 3 below.

**FIGURE 3: SUMMARY OF DIRECTED PAYMENTS INCLUDED IN CERTIFICATION**

| CONTROL NAME OF THE STATE DIRECTED PAYMENT | TYPE OF PAYMENT | BRIEF DESCRIPTION | IS THE PAYMENT INCLUDED AS A RATE ADJUSTMENT OR SEPARATE PAYMENT TERM? |
|---|---|---|---|
| LA_Fee_AMC.PC.SP_New_20240701-20250630 | Add-on based on utilization | Add-on paid to physicians and mid-level providers | Separate payment term |

New separate payment term directed payments included in this amendment:

- **Physician (LA_Fee_AMC.PC.SP_New_20240701-20250630)**

  The physician directed payment is established as a uniform percentage increase for all physicians, physician assistants, certified nurse practitioners, and certified nurse anesthetists with at least $10,000 of Medicaid payments in SFY 2023. Providers are grouped into six classes, each with a separate uniform percentage increase. The uniform percentages were established to target 100% of the ACR for classes 1 through 5 and approximately 68% for Class 6.

(ii) Description of payment arrangements incorporated as a rate adjustment

There are no new state directed payments incorporated in the capitation rates as a rate adjustment, other than those described in the original certification.

(iii) Description of payment arrangements incorporated as a separate payment term

New state directed payments incorporated in the capitation rates as a separate payment term are listed in Figure 4 below, with more description following the table.

**FIGURE 4: DIRECTED PAYMENTS INCORPORATED AS SEPARATE PAYMENT TERMS**

| CONTROL NAME OF THE STATE DIRECTED PAYMENT | AGGREGATE AMOUNT INCLUDED IN THE CERTIFICATION[1] | STATEMENT THE ACTUARY IS CERTIFYING THE SEPARATE PAYMENT TERM | MAGNITUDE ON A PMPM BASIS | CONFIRMATION THE RATES ARE CONSISTENT WITH PREPRINT | CONFIRMATION THE ACTUARY WILL SUBMIT REQUIRED DOCUMENTATION AT END OF RATING PERIOD |
|---|---|---|---|---|---|
| LA_Fee_Oth1_Ne_20240701-20250630 | $ 1,243.1 million | Yes | $64.70 | Yes | Yes |

Note:

1. Values shown are net of premium tax.

***Actuarial certification of separate payment terms.***

The actuary certifies the amounts of the separate payment terms provided in this document.

***Provider types receiving the payment***

Providers who are part of the physician directed payment include physicians, physician assistants, certified nurse practitioners, and certified nurse anesthetists. Providers with less than $10,000 of Medicaid payments in SFY 2023 are excluded.

***Distribution methodology***

For the physician directed payments, MCO encounter data will be used to directly link payments to utilization of professional services for MCO enrollees. Once the encounter submitted by the MCOs is accepted, LDH will calculate the hospital's payment increase. Payments will be made on a quarterly basis based on utilization in the preceding quarter. The development of the payment increases is described in Item 3.D.ii(a)(i).

***Estimated PMPM payout by rate cell***

The estimated PMPM payout by population, rate cell, and region is provided in Appendix 2.

***Consistency with 438.6(c) preprint***

The directed payments, as described in this rate certification, are consistent with 438.6(c) preprints approved by CMS.

***Statement that certification will be amended if rates vary from initial estimate***

To the extent the final directed payments by rate cell vary from the initial estimates presented in Appendix 2, the rate certification will be amended to reflect the final payments made to the providers.

### (b) Additional directed payments not addressed in the certification

There are not any additional directed payments in the managed care program that are not addressed in this certification.

### (c) Other requirements regarding reimbursement rates

There are not any additional requirements regarding the reimbursement rates the plans must pay to any providers unless specified in this certification as a directed payment or authorized under applicable law, regulation, or waiver.

# Limitations

The information contained in this report has been prepared for the State of Louisiana, Department of Health (LDH) and their consultants and advisors to provide documentation of the development of the amended state fiscal year 2025 actuarially sound capitation rates for the populations served under the Healthy Louisiana Medicaid managed care program. The data and information presented may not be appropriate for any other purpose.

It is our understanding that the information contained in this report will be shared with CMS and may be utilized in a public document. Any distribution of the information should be in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the information presented.

Milliman makes no representations or warranties regarding the contents of this report to third parties. Likewise, third parties are instructed that they are to place no reliance upon this report prepared for LDH by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusions about the capitation rates, assumptions, and trends.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to develop amended actuarially sound capitation rates for the state fiscal year 2025 rating period. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). The models rely on data and information as input to the models. We have relied upon certain data and information provided by LDH for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.

Milliman's data and information reliance includes eligibility and FFS claims and encounter data, MCO-reported financial experience, as well as information related to LDH's eligibility system and assignment of enrollees to rate cells. The models, including all input, calculations, and output may not be appropriate for any other purpose.

Although the capitation rates have been certified as actuarially sound, the capitation rates may not be appropriate for any individual MCO. Results will differ if actual experience is different from the assumptions contained in the capitation rate setting documentation. LDH and Milliman provide no guarantee, either written or implied, that the data and information is 100% accurate or error free.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this report.

We acknowledge the unique nature of the COVID-19 Public Health Emergency and the anticipated resumption of redeterminations and terminations of coverage that will occur during the rating period. The assumptions documented in this certification report reflect information known to us at the time of this report. We acknowledge that the resumption of redeterminations and enrollment unwinding period could have a material impact on utilization, acuity, Medicaid enrollment, service delivery, and other factors related to the capitation rates illustrated in this rate certification.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report who are actuaries are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses contained herein.

# APPENDIX 1: ACTUARIAL CERTIFICATION

**State of Louisiana**
**Department of Health**
**Healthy Louisiana Medicaid Managed Care Program**
**Amended State Fiscal Year 2025 Capitation Rates**
**Actuarial Certification**

I, Anders Larson, am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the standards of practice established by the Actuarial Standards Board. I have been employed by the State of Louisiana, Department of Health to perform an actuarial review and certification regarding the development of capitation rates for the Healthy Louisiana Medicaid managed care program effective July 1, 2024. I am generally familiar with the state-specific Medicaid program, eligibility rules, and benefit provisions.

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

- *the capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the MCO for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 CFR 438.4(b).*

For the purposes of this certification and consistent with the requirements under 42 CFR 438.4(a), "actuarial soundness" is defined as in ASOP 49:

*"Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk-adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits; health benefit settlement expenses; administrative expenses; the cost of capital, and government-mandated assessments, fees, and taxes."*

The assumptions used in the development of the "actuarially sound" capitation rates have been documented in my correspondence with the State of Louisiana. The "actuarially sound" capitation rates that are associated with this certification reflect an amendment to the state fiscal year 2025 capitation rates, originally certified on June 21, 2024 and a subsequent amendment dated November 27, 2024. The rates were also adjusted by a de minimis amount, as documented in a memorandum dated July 7, 2025.

The "actuarially sound" capitation rates are based on a projection of future events. Actual experience may be expected to vary from the experience assumed in the rates.

In developing the "actuarially sound" capitation rates, I have relied upon data and information provided by the State and MCOs. I have relied upon the State for audit of the data. However, I did review the data for reasonableness and consistency.

I acknowledge that LDH may elect to amend the capitation rates in accordance with 42 CFR 438.7(c)(3), which indicates that a capitation rate certification is not required for adjustments that increase or decrease capitation rates by 1.5% or less. The capitation rates developed may not be appropriate for any specific health plan. An individual health plan will need to review the rates in relation to the benefits that it will be obligated to provide. The health plan should evaluate the rates in the context of its own experience, expenses, capital and surplus, and profit requirements prior to agreeing to contract with the State. The health plan may require rates above, equal to, or below the "actuarially sound" capitation rates that are associated with this certification.

I acknowledge the unique nature of the COVID-19 Public Health Emergency and the anticipated resumption of redeterminations and terminations of coverage that will occur during the rating period. The assumptions documented in this certification report reflect information known to us at the time of this report. I acknowledge that the resumption of redeterminations and enrollment unwinding period could have a material impact on utilization, acuity, Medicaid enrollment, service delivery, and other factors related to the capitation rates illustrated in this rate certification.

Electronic Signature

Anders Larson, FSA
Member, American Academy of Actuaries

September 10, 2025
Date

## APPENDIX 2: SEPARATE PAYMENT TERMS (PROVIDED IN EXCEL)

# APPENDIX 3: RATE CHANGE SUMMARY (PROVIDED IN EXCEL)

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Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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