



Rate Certification Addendum

**Effective July 1, 2022 through
December 31, 2022**

Louisiana Department of Health
October 11, 2022

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

Subject: Louisiana Medicaid Dental Benefit Program Capitation Rate Certification Addendum for the period July 1, 2022 through December 31, 2022

October 11, 2022

Dear Mr. Cocran:

The Louisiana Department of Health has contracted with Mercer Government Human Services Consulting (Mercer) to develop statewide actuarially sound¹ capitation rates for the State of Louisiana's (State's) Dental Benefit Program. This certification amends the previous certification issued on November 17, 2021, and subsequently amended on April 6, 2022, for changes to the Full Medicaid Pricing adjustment. This amendment is applicable to the rates effective July 1, 2022.

The previous certification letter presented a detailed overview of the methodology used in Mercer's managed care rate development for the purpose of satisfying the requirements of the Centers for Medicare & Medicaid Services. This certification addresses the development of capitation rates for adults age 21 years and over who are enrolled in the New Opportunities Waiver, Residential Options Waiver or the Supports Waiver, who became newly eligible for comprehensive dental care beginning July 1, 2022. The methodology described in this letter resulted in actuarially sound rates for a single new rate cell developed for this population. The final capitation rate for this population is shown in Section 4 of this certification and represents payment in full for the covered services. There are no changes to the capitation rates for the existing rate cells from the previous certification.

¹ Actuarially Sound/Actuarial Soundness — Medicaid capitation rates are "actuarially sound" if, for the 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.

Contents

- 1. General Information 1
 - Overview 1
 - Rate Cell Structure 1
 - DBP Benefit Package 1
- 2. Rate Development 3
 - Overview 3
 - Additional Rating Adjustments 3
- 3. Certification of Final Rates 5

1

General Information

Overview

Effective July 1, 2022, the State expanded the Dental Benefit Program (DBP) to provide comprehensive dental benefits to adults age 21 years and over who are currently enrolled in the State's New Opportunities Waiver, Residential Options Waiver or the Supports Waiver. Currently, only children in the DBP receive comprehensive dental benefit programs. Therefore, capitation rates for the adults in this population were developed based on a similar population in a benchmark program providing similar benefits. Additional adjustments to the projected medical expenses were developed and applied to align with the DBP program. These adjustments were developed based on Louisiana-specific data for the DBP, experience for similar populations enrolled in Medicaid dental programs in other states, and other publically available information.

Rate Cell Structure

Because other adults currently in the DBP do not receive comprehensive dental benefits, a new rate cell was created for adults eligible for one of the three 1915(c) waivers and eligible for comprehensive dental benefits through the DBP. Although there are differences in the home- and community-based services the individuals receive between the three waivers, the covered benefits for this population in the DBP are identical, and it is expected that utilization patterns will be generally consistent within the population. Consistent with other rates in the DBP, the rates are set on a statewide basis (that is, there is no regional variation in capitation rates within the DBP).

DBP Benefit Package

The waiver population added to the DBP, effective July 1, 2022, will receive comprehensive dental services. The list below shows the covered services included for this population and included in the DBP contract.

- Diagnostic
- Preventive
- Restorative
- Endodontic
- Periodontic
- Removable prosthetics
- Maxillofacial prosthetics

- Fixed prosthodontics
- Oral and maxillofacial surgery
- Orthodontic
- Adjunctive general services

2

Rate Development

Overview

This change to the DBP provides services to a new population that was not previously covered, nor are there other adults in the DBP who receive comprehensive dental benefits. Therefore, there is no historical data on adults within the state. However, another state recently expanded dental services to all covered populations, including adults enrolled in a similar 1915(c) waiver for individuals with intellectual and developmental disabilities.

To develop the rates in Louisiana, Mercer reviewed more than 18 months of experience data for adults in the other states' programs, including a targeted review of utilization for their waiver population. Mercer used calendar year (CY) 2021 dental expenses from the waiver population that closely resembled the waiver populations that will be receiving comprehensive dental benefits, effective July 1, 2022, in Louisiana. The per member per month (PMPM) for this benchmark population in CY 2021 was \$13.82.

Using the CY 2021 dental expense PMPM from the similar waiver population, Mercer developed and applied adjustments to account for differences in expected acuity and benefit costs between the proxy populations and the population in Louisiana's DBP to establish projected dental expenses for the new rate cell in the DBP, effective July 1, 2022. Additional adjustments for non-medical expenses were then applied to arrive at a final capitation rate for the rate cell.

Additional Rating Adjustments

The additional rating adjustments made to the CY 2021 PMPMs are necessary to reflect expected differences in the acuity, unit cost and utilization patterns of the waiver population in the July 1, 2022 through December 31, 2022, time period. These adjustments were made to reflect a more representative PMPM of the members in this time period and to reflect contracting and other cost differences expected in Louisiana's DBP.

Unit Cost and Trend Adjustment

Although the CY 2021 benchmark PMPM reflects a similar population to those who recently began receiving comprehensive dental benefits in Louisiana, Mercer reviewed unit costs within the underlying benchmark data compared to fee schedules used by the DBP contractors. This review was done to determine whether an adjustment was necessary to reflect the provider contracting specifically in Louisiana. Although there were differences by procedure code, it was ultimately determined that the benchmark base data from CY 2021 was sufficiently comparable to the DBP fee schedules, and no adjustment was necessary.

Because the contracting period for this population covered July 1, 2022 through December 31, 2022, Mercer also determined that an adjustment was necessary to reflect trend expected between CY 2021 and this contracting period. Mercer reviewed the rate assumptions reflected for the established DBP rate cells, mainly reviewing the child data, since the covered services are more similar to this population, and determined a 2% PMPM trend would be applied from the midpoint of CY 2021 to the midpoint of the contracting period for this population. Mercer also applied an adjustment to reflect expected utilization differences between CY 2021 and the contracting period due to depressed utilization during CY 2021 as a result of the ongoing COVID-19 public health emergency, as well as some expected differences in the initial months of implementation for this population due to pent-up demand for these services.

Dental Full Medicaid Pricing Adjustment

Because the new rate cell will also be impacted by Louisiana's full Medicaid pricing (FMP) adjustment, which was implemented on January 1, 2020, an adjustment is also needed to the new capitation rate to be consistent with the FMP adjustment reflected in the certification addendum, dated April 6, 2022, for the CY 2022 contract period. Based on a review of projected expenses and the distribution of costs by procedure code, it was determined that the FMP adjustment for this rate cell would be \$6.91. This PMPM is comparable to the FMP adjustment included in the CY 2022 capitation rates for the child rate cells in the DBP.

Non-Medical Expense Load

The actuarially sound capitation rates developed include a provision for dental prepaid ambulatory health plan administration and underwriting gain, along with a load for the State's premium tax. Consistent with the capitation rates for the existing rate cells in the CY 2022 contracting period, the overall non-medical load applied to the capitation rates for this rate cell was 13.00%.

Final Capitation Rates

Using the benchmark CY 2021 data for a similar population and the adjustments described above, Mercer calculated a capitation rate of \$24.82 for the new rate cell during the contracting period of July 1, 2022 through December 31, 2022.

3

Certification of Final Rates

This certification assumes items in the Medicaid State Plan or waiver, as well as the DBP managed care organization contract, have been approved by CMS.

In preparing the capitation rates shown in Section 2, Mercer has used and relied upon enrollment, FFS claims, encounter data, reimbursement level, benefit design, and other information supplied by the State, its fiscal agent, and its contractor, as well as encounter and enrollment data provided for the comparable population in another state. The State, its fiscal agent, its contractor, and the entities in the benchmark state, 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 rates in Section 2 were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the DBP contract. The undersigned actuary is a member of the American Academy of Actuaries and meets its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.

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 DBP contractor 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.

DBP contractors 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 DBP contractors for any purpose. Mercer recommends that any contractor 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 assumes the reader is familiar with the DBP, 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.

If you have any questions on any of the above, please feel free to contact Adam Sery at +1 612 802 0780 at your convenience.

Sincerely,



Adam Sery, FSA, MAAA
Principal

Copy:

Brandon Bueche, Program Management – LDH

Bogdan Constantin, Managed Care Finance – LDH

Stacey Guidry, Program Management – LDH

Tara LeBlanc, Medicaid Director – LDH

Roger Figueroa, FSA, MAAA, Senior Associate – Mercer

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

Mercer Health & Benefits LLC
3560 Lenox Road, Suite 2400
Atlanta, GA 30326
www.mercer-government.mercer.com

Services provided by Mercer Health & Benefits LLC.

A business of Marsh McLennan