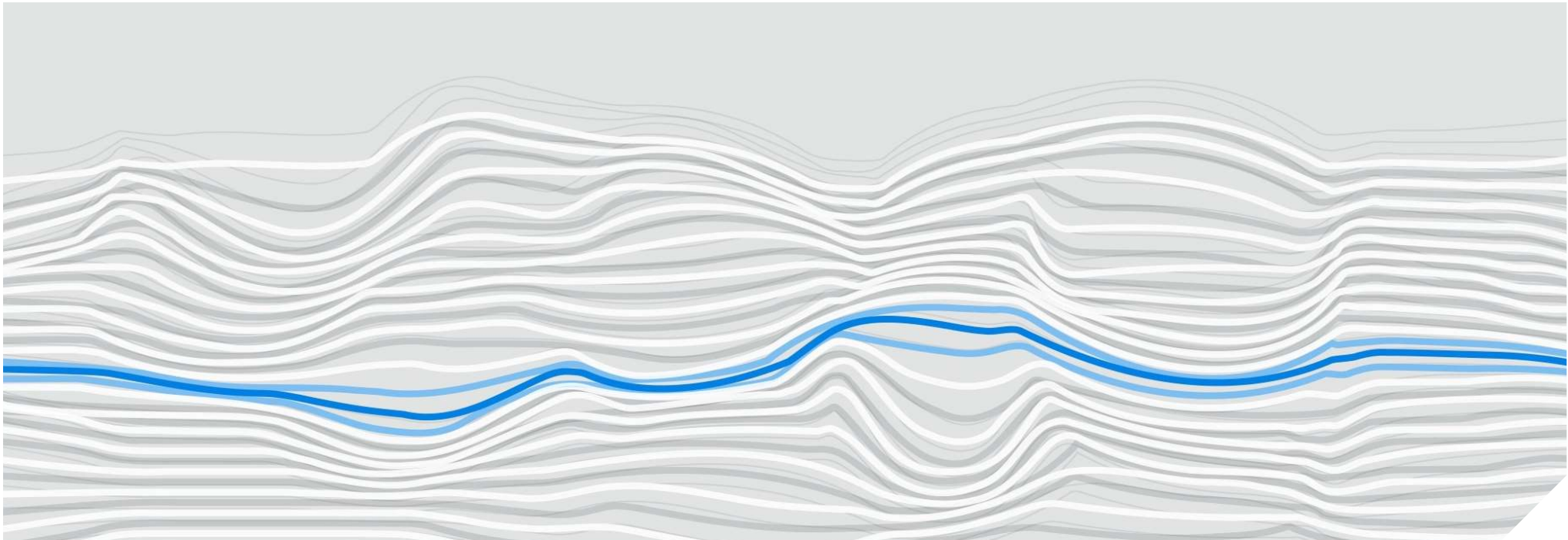


# SFY 2020 Capitation Revenue Review and Projections



State of Michigan, Department of Health and Human Services

March 9, 2020



## Presentation Disclaimer

This presentation is intended to facilitate live discussion and should not be relied upon as a stand-alone document. It includes draft information that is still under review by MDHHS and Milliman.

## Discussion Topics

Actual vs. Projected Revenue

Projecting Capitation Revenue

# Actual vs. Projected Revenue

# Capitation Payment Scenario Analysis

METRIC	ACTUAL CAPITATION PAYMENTS	ACTUAL ENROLLMENT	ACTUAL ENROLLMENT WITH COMPLETION	CERTIFICATION REPORT PROJECTION
Oct 2019 to Jan 2020 Enrollment	9,322,378	9,370,436	9,448,000	9,614,477
Oct 2019 to Jan 2020 Projected Capitation Revenue	\$ 1,024,485,925	\$ 1,031,249,224	\$ 1,041,115,891	\$ 1,064,587,775
Annualized Projected Capitation Revenue	\$ 3,073,457,775	\$ 3,093,747,672	\$ 3,123,347,672	\$ 3,193,763,325
<b>Annualized Scenario Impact</b>		<b>\$ 20,289,896</b>	<b>\$ 29,600,000</b>	<b>\$ 70,415,653</b>
<b>Rate Action Requirement</b>		<b>No</b>	<b>No</b>	<b>Yes</b>

Note: October 2019 to January 2020 enrollment, capitation payments, and capitation revenue reflect data provided by MDHHS on March 3, 2020 (i.e. includes February 2020 capitation payments).

- **ACTUAL ENROLLMENT** – represents pending payments and other enrollment anticipated to trigger a capitation payment.
  - *Action: MDHHS systems team is reviewing enrollee information, determining cause, and correcting systems if needed*
- **ACTUAL ENROLLMENT WITH COMPLETION** – represents payments anticipated to be made for retroactive enrollees
  - *Action: Milliman will continue to review completion patterns for all populations and notify MDHHS of any material differences*
- **CERTIFICATION REPORT PROJECTION** – represents payments and revenue anticipated in the rate certification
  - *Action: Milliman has identified a discrepancy between the eligibility file used in their rate certification and what is used by MDHHS to trigger a capitation payment under the new benefit plan. Because of this discrepancy and actuarial soundness requirements, Milliman will be amending the capitation rates for the full year to reflect this change and emerging enrollment mix differences. The rate change is anticipated to be made for the April 2020 to September 2020 time period, reflecting the change for full year (i.e. double the change).*

# Capitation Payment Revenue Completion

<b>Paid Month</b>	<b>Oct-19</b>	<b>Nov-19</b>	<b>Incurred Month Dec-19</b>	<b>Jan-20</b>	<b>Total</b>
Oct-19	\$ 233.4				
Nov-19	\$ 5.3	\$ 233.4			
Dec-19	\$ 13.1	\$ 19.3	\$ 245.4		
Jan-20	\$ 3.2	\$ 3.0	\$ 7.5	\$ 245.5	
Feb-20	\$ 0.9	\$ 1.8	\$ 3.8	\$ 8.8	
Mar-20					
Apr-20					
May-20					
Jun-20					
Jul-20					
<b>Actual Capitation Payments</b>	<b>\$ 256.1</b>	<b>\$ 257.4</b>	<b>\$ 256.7</b>	<b>\$ 254.3</b>	<b>\$ 1,024.5</b>
<b>Actual Enrollment</b>					<b>\$ 1,031.2</b>
<b>Actual Enrollment with Completion</b>					<b>\$ 1,041.1</b>
<b>Completion Estimate</b>					<b>\$ 9.9</b>

Notes:

1. Capitation payments and revenue reflect data provided by MDHHS on March 3, 2020 (i.e. includes February 2020 capitation payments).
2. Capitation revenue reflects values paid to the PIHPs, including withholds and excluding the HRA

# **Projecting SFY 2020 Capitation Revenue**

## SFY 2020 Structural Changes

MHP enrolled vs. unenrolled payments

New benefit plans

Six-month retroactive capitation payments



# Illustration of SFY 2020 Capitation Payment Timing

FIGURE 2: SFY 2020 MONTHLY CAPITATION PAYMENT TIMING

INCURRED MONTH	<u>PAID MONTH</u>									INCURRED ULTIMATE
	10/1/2019	11/1/2019	12/1/2019	1/1/2020	2/1/2020	3/1/2020	4/1/2020	5/1/2020	6/1/2020	
10/1/2019	\$ 90	\$ 5	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1			\$ 100
11/1/2019		90	5	1	1	1	1			100
12/1/2019			90	5	1	1	1	1		100
1/1/2020				90	5	1	1	1	1	100
2/1/2020					90	5	1	1	1	100
3/1/2020						90	5	1	1	100
4/1/2020							90	5	1	100
5/1/2020								90	5	
6/1/2020									90	
PAID ULTIMATE	\$ 90	\$ 95	\$ 96	\$ 97	\$ 98	\$ 99	\$ 100	\$ 100	\$ 100	

## Projecting Capitation Revenue



***Projections should be developed at the population and rate cell level***

## Net capitation rate

### Statewide capitation rate

- Base payments inclusive of mental health state plan, 1915(i), autism, and substance abuse services
- Excludes HRA and withholds

### Entity- specific factor

- Entity specific factors developed for each mental health, autism, and substance abuse services
- Inclusive of area factor
- 50/50 blending with prior year factors

## Methods for projecting capitation payments

### Eligible Members

- Medicaid eligible members are identified in the 834 file by benefit plan
- Projected capitation payment developed by multiplying the projected eligible members by the capitation payment to eligibility month ratio
- Capitation payment to eligibility month ratio developed at the population level, separately for MHP enrolled vs. unenrolled

### Historical capitation payments

- After the April 2020 capitation payments, each entity will have complete capitation payments (820 file) for October 2019, including six months of retroactive payments
- To review October 2019 capitation payments, PIHPs will have to combine 7 months of capitation payments, accounting for voids and repayments

## Caveats

*This presentation is subject to the terms and conditions of the Master Services Agreement between Michigan Department of Health and Human Services (MDHHS) and Milliman, Inc. (Milliman) dated September 13, 2019.*

*This presentation has been prepared solely for the internal business use of and is only to be relied upon by the management of MDHHS. No portion of this presentation may be provided to any other party without Milliman's prior written consent. In the event such consent is provided, the presentation must be provided in its entirety.*

*In performing this work, we relied on data and information provided by MDHHS. We have not audited or verified this data and information. If the underlying data or information is inaccurate or incomplete, the results of our assessment may likewise be inaccurate or incomplete.*

*This information is still considered draft and is undergoing further review by MDHHS and Milliman. As such, Final results may vary significantly from this draft document based on additional findings and information gathering.*

*These slides are for discussion purposes only. They should not be relied upon without benefit of the discussion that accompanied them.*



Jeremy Cunningham, FSA, MAAA  
Consulting Actuary

David Dombrowski, ASA, MAA  
Associate Actuary

Jaime Fedeler