

MILLIMAN CLIENT REPORT

# SFY 2025 Healthy Louisiana Medicaid Managed Care Capitation Rate Amendment

State of Louisiana Department of Health

November 27, 2024

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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 correspondence:

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

We have updated the SFY 2025 capitation rates that were provided in the SFY 2025 certification to incorporate updated fee schedules, including the increase in the reimbursement of SBH SUD services, and the change in the treatment of other rural hospitals. The capitation rates in this amendment will be effective for the period July 2024 through June 2025. Unless otherwise stated, the methodology and assumptions utilized are consistent with the capitation rate documentation included in the original SFY 2025 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 25 (Credibility Procedures); ASOP 41 (Actuarial Communications); ASOP 45 (The Use of Health Status Based Risk Adjustment Methodologies); ASOP 56 (Modeling); and ASOP 49 (Medicaid Managed Care Capitation Rate Development and Certification).
- Actuarial soundness and rate development requirements in the Medicaid and CHIP Managed Care Final Rule (CMS 2390-F) for the provisions effective for the CY 2021 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.”<sup>1</sup>*

<sup>1</sup> <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:

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

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

- Updated reimbursement for seven hospitals deemed as rural look-a-likes
- SBH fee schedule, including a 25% reimbursement increase for SUD services and a 50% reimbursement increase for SUD services provided to pregnant and post-partum women
- Inpatient hospital fee schedule
- Rural Health Clinic (RHC) fee schedules
- FQHC fee schedule

In addition, we reviewed the impact of the following items and have determined that they have an immaterial impact to the SFY 2025 Healthy Louisiana (HLA) program capitation rates.

- Laboratory and Radiology fee schedule update
- Immunization fee schedule updates
- Professional fee schedule update
- Expansion of mental health providers
- Coverage of various services such as brief emotional and behavioral assessment, transcranial magnetic stimulation, and disposable infusion pumps
- Vision fee schedule

Lastly, we have included updated documentation of the dialectical behavioral health (DBT) and licensed mental health professional and Evidence-Based Practice (LMHP/EBP) directed payments to align with preprint submissions that occurred after the original certification was completed. For the DBT directed payments, the value of the directed payment changed by approximately \$0.1 million relative to the original certification. This is reflected in Appendix 2 and 3.

Unless otherwise stated, the methodology and assumptions utilized are consistent with the capitation rate documentation included in the SFY 2025 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: Base experience

We used the projected claims data underlying the SFY 2025 capitation rates, as outlined in the SFY 2025 certification, as base experience for developing this capitation rate amendment. These projected claims costs are inclusive of all retrospective, prospective, trend, managed care efficiency, and other claims cost adjustments made to the data as outlined in the SFY 2025 certification.

#### ii. Step 2: Program change adjustments

We adjusted the projected claims costs from July 2024 through June 2025 to reflect other program and reimbursement changes that were not known at the time of the original certification or prior amendment. Multiplicative adjustment factors by rate cell, region, and detailed service category were developed for the changes. The resulting values establish the adjusted claim costs by rate cell for July 2024 through June 2025. Documentation about the development of the multiplicative adjustment factors is provided in Section 3 of this report. Multiplicative factors are used to reflect changes to existing covered services.

#### iii. Step 3: Issuance of actuarial certification

An actuarial certification is included in Appendix 1 and signed by Anders Larson, FSA, a Principal and Senior 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 original certified capitation rates for SFY 2025. The rates are inclusive of directed payments and Full Medicaid Pricing (FMP) amounts.

**FIGURE 1: COMPARISON WITH ORIGINAL SFY 2025 PMPM RATES**

POPULATION	ESTIMATED AVERAGE MONTHLY ENROLLMENT	COMPOSITE MCO EXPECTED PAYMENTS		
		ORIGINAL SFY 2025	AMENDED SFY 2025	% CHANGE
SSI	94,100	\$ 2,283.63	\$ 2,297.97	0.6%
F&C	769,300	409.96	410.51	0.1%
SBH	133,300	58.94	59.78	1.4%
Medicaid Expansion	575,500	821.29	829.01	0.9%
All Other Populations	28,900	1,340.44	1,343.02	0.2%
Maternity Kick – Expansion	1,200	23,371.83	23,591.39	0.9%
Maternity Kick – Non-Expansion	1,700	20,637.49	20,812.16	0.8%
<b>Composite</b>	<b>1,601,100</b>	<b>\$ 695.33</b>	<b>\$ 699.69</b>	<b>0.6%</b>

Notes:

1. Average monthly enrollment is rounded to the nearest hundred. Individual values are rounded and the composite row cannot be calculated precisely from the rounded values shown in this figure.
2. Amended SFY 2025 and Original SFY 2025 composite rates were developed based on the SFY 2025 projected monthly enrollment. The enrollment projection is unchanged in this amendment.
3. 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 original and the amended SFY 2025 rates. Revenue shown in Figure 2 includes state directed payment and FMP amounts.

**FIGURE 2: COMPARISON WITH ORIGINAL SFY 2025 RATES (AGGREGATE EXPENDITURES \$ MILLIONS)**

POPULATION	TOTAL MCO EXPECTED PAYMENTS		CHANGE
	ORIGINAL SFY 2025	AMENDED SFY 2025	
SSI	\$ 2,577.8	\$ 2,594.0	\$ 16.2
F&C	3,784.7	3,789.8	5.1
SBH	94.3	95.6	1.3
Medicaid Expansion	5,672.2	5,725.6	53.3
All Other Populations	466.1	467.0	0.9
Maternity Kick – Expansion	346.9	350.1	3.3
Maternity Kick – Non-Expansion	418.5	422.0	3.5
<b>Composite</b>	<b>\$ 13,360.5</b>	<b>\$ 13,444.1</b>	<b>\$ 83.6</b>
<b>Federal</b>	<b>\$ 10,406.6</b>	<b>\$ 10,475.9</b>	<b>\$ 69.3</b>
<b>State</b>	<b>\$ 2,953.9</b>	<b>\$ 2,968.2</b>	<b>\$ 14.3</b>

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. Amended SFY 2025 and Original SFY 2025 composite rates were developed based on the SFY 2025 projected monthly enrollment. The enrollment projection is unchanged in this amendment.
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. Program change adjustments

This section describes program and reimbursement changes that became effective during the rate period that were not known at the time of the original SFY 2025 certification. The impact on the total capitation rate by rate cell can be found in Appendix 3.

Figure 3 lists program and reimbursement changes that occurred since the beginning of the base experience period used in rate development. Figure 3 includes the program change, effective date of the change, as well as the percentage impact to the SFY 2025 benefit expenses by population.

**FIGURE 3: PROGRAM CHANGE ADJUSTMENTS**

INDEX	PROGRAM CHANGE	EFFECTIVE DATE	SSI	F&C	% IMPACT BY POPULATION				
					SBH	EXPANSION	OTHER	KICK - EXP	KICK - NON-EXP
3.a	Inpatient (Fee Schedule Update)	7/1/2024	0.4%	(0.2%)	0.0%	0.2%	0.1%	0.4%	0.4%
3.b	RHC Fee Schedule Updates	7/1/2024	(0.0%)	(0.0%)	0.0%	(0.0%)	(0.0%)	0.0%	0.0%
3.c	FQHC (Fee Schedule Update)	7/1/2024	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
3.d	Rural Look-a-Like Change	9/17/2024	0.4%	0.3%	0.1%	0.4%	0.1%	2.0%	1.9%
3.e	SBH (Fee Schedule Update)	10/1/2024	0.2%	0.1%	1.7%	0.6%	0.0%	0.0%	0.0%

\*The SBH fee schedule has been updated with three effective dates since the original SFY 2025 rate certification: August 1, October 1, and December 1, 2024.

#### 3.a. Inpatient Hospital (Fee Schedule Update)

Inpatient per diem rates for certain hospitals are set as a percentage of cost and are updated annually to reflect changes in costs over time. At the time the original certification was completed, the per diem rates for SFY 2025 were not yet published, and therefore we applied an estimated inflationary factor for these hospitals as part of our rate development. In this amendment, we are reflecting the published per diem rates for these hospitals, which differed from our estimates.

To model these reimbursement changes, we developed multiplicative adjustment factors by repricing all applicable claims in our base experience under two reimbursement levels:

1. Using the estimated per diem rates in the original rate certification.
2. Using the published per diem rates effective on July 1, 2024.

Multiplicative adjustment factors were developed by measuring the change in repriced amounts between the reimbursement levels.

#### 3.b. RHC (Fee Schedule Update)

Rural health clinic (RHC) encounter rates are updated annually to reflect changes in RHC costs over time. At the time the original certification was completed, encounter rates for SFY 2025 were not yet published, and therefore we applied an estimated inflationary factor for these hospitals as part of our rate development. In this amendment, we are reflecting the published encounter rates for these hospitals, which differed from our estimates.

To model these reimbursement changes, we developed multiplicative adjustment factors by repricing all applicable claims in our base experience under two reimbursement levels:

1. Using the estimated encounter rates in the original rate certification.
2. Using the published encounter rates effective on July 1, 2024.

Multiplicative adjustment factors were developed by measuring the change in repriced amounts between the reimbursement levels.

### 3.c. FQHC (Fee Schedule Update)

Federally qualified health center (FQHC) encounter rates are updated annually to reflect changes in FQHC costs over time. At the time the original certification was completed, encounter rates for SFY 2025 were not yet published, and therefore we applied an estimated inflationary factor for these hospitals as part of our rate development. In this amendment, we are reflecting the published encounter rates for these hospitals, which differed from our estimates.

To model these reimbursement changes, we developed multiplicative adjustment factors by repricing all applicable claims in our base experience under two reimbursement levels:

1. Using the estimated encounter rates in the original rate certification.
2. Using the published encounter rates effective on July 1, 2024.

Multiplicative adjustment factors were developed by measuring the change in repriced amounts between the reimbursement levels.

### 3.d. Rural Look-a-like change

Effective September 17, 2024, LDH updated the reimbursement for a set of seven other rural hospitals to be more in line with rural hospital reimbursement levels. The criteria to qualify as an 'other rural' hospital include being located in a city with a population of less than 20,000, and having no more than 60 licensed beds. This rule change is applicable to both inpatient and outpatient facilities. Inpatient hospitals that are deemed as other rural are to be reimbursed 85% of the small rural hospital per diem rate, across all service categories. Outpatient hospitals are to be reimbursed 95% of allowable Medicaid cost as calculated through the cost report settlement process. To estimate the impact of this adjustment, we summarized the inpatient and outpatient hospital expenditures during July 1, 2022, through June 30, 2023 (SFY 2023), which represented the base data time period for SFY 2025 capitation rates. Claims with non-zero third-party liability amounts were excluded.

The seven hospitals determined to meet the criteria are:

- Acadian Medical Center
- Mercy Regional Medical Center
- Minden Medical Center
- North Louisiana Medical Center
- Ochsner St. Mary
- Our Lady of the Angels
- Savoy Medical

We repriced inpatient hospital claims by comparing the per-diem rates effective during the base data period to the proposed rates of 85% of small rural per-diems. This resulted in an estimated increase in SFY 2025 benefit expense, prorated for the effective period, of approximately \$14 million.

For outpatient claims associated with the seven hospitals, we repriced SFY 2023 claims by comparing the cost-to-charge ratio (CCR) effective in the base data period to the projected ratios for SFY 2025. This resulted in an estimated increase in SFY 2025 benefit expense, prorated for the effective period, of approximately \$19 million.

This adjustment is reflected in the Inpatient Hospital and the Outpatient Hospital service categories of the prospective cost models.

### 3.e. SBH (Fee Schedule Updates)

LDH updated the specialized behavioral health (SBH) fee schedule various times since the SFY 2025 capitation rates were developed for the following items:

- Effective August 1, 2024, the SBH fee schedule was updated with minor reimbursement increases.
- Effective October 1, 2024, to increase substance use disorder (SUD) reimbursement. This change in reimbursement is a temporary 25% increase for residential and outpatient SUD services on the SBH fee schedule, in effect for service dates between October 1, 2024, through June 30, 2025.
- Effective December 1, 2024, to increase SUD reimbursement for pregnant and post-partum women. This change in reimbursement is a temporary 50% increase for SUD services for pregnant and post-partum women on the SBH fee schedule, in effect for service dates between December 1, 2024, through June 30, 2025.



To model this reimbursement change, we developed multiplicative adjustment factors by repricing all applicable claims in our base experience under the following fee schedule time periods:

1. Using the fee schedule effective January 1, 2024, which was incorporated in the original SFY 2025 rates.
2. Using the fee schedule effective August 1, 2024.
3. Using the fee schedule effective October 1, 2024.
4. Using an estimated impact of the temporary fee schedule increase effective December 1, 2024.

Multiplicative adjustment factors were developed by measuring the change in repriced amounts between the fee schedule effective dates. The final adjustment was based on actual experience, actuarial judgement, and discussions with LDH. The net adjustment, prorated for the temporary effective dates outlined above, increases projected expenditures by approximately \$31 million.

This adjustment is reflected in the Other SBH service category of the prospective cost models.

#### Program changes deemed immaterial to benefit expenses in the rate period

We define a program or policy adjustment to be “material” if the total benefit expense for any individual rate cell is impacted by more than 0.10% and the effects are not fully reflected in the base experience.

All policy changes provided to us by LDH were analyzed for their effect on the Medicaid managed care program. Program adjustments that were made in this SFY 2025 rate amendment had policy or reimbursement changes that were deemed to have a material cost impact to the MCOs. Adjustment factors that did not meet this minimum threshold criteria were deemed immaterial and were not applied to the base experience. The following is a list of program adjustments deemed immaterial based on our review of the experience data and policy change.

- *Laboratory and Radiology (Fee Schedule Update)*. The laboratory and radiology fee schedule was updated on July 1, 2024. Based on our review, we determined that an adjustment to the base data was not required.
- *Immunization (Fee Schedule Update)*. The Adult, Young Adult, and Children/Adolescents Immunization fee schedules were updated on August 1, 2024. Based on our review, we determined that an adjustment to the base data was not required.
- *Professional Services (Fee Schedule Update)*. The professional fee schedule was updated on August 12, 2024. Based on our review, we determined that an adjustment to the base data was not required.
- *Expansion of mental health providers*. Louisiana’s State Plan Amendment was updated to expand mental health professionals to include provisionally licensed professional counselors (PLPC), provisionally licensed marriage and family therapists (PLMFT), and licensed master social workers (LMSW) effective August 1, 2024.
- *Coverage of various services*. Coverage of the following services were added to the Healthy Louisiana program during SFY 2025: brief emotional and behavioral assessment, transcranial magnetic stimulation, and disposable infusion pumps
- *Vision (Fee Schedule Update)*. The vision fee schedule was updated on September 1, 2024. Based on our review, we determined that an adjustment to the base data was not required.

## 4. State Directed Payment clarifications

This section provides documentation of preprints for certain state directed payments that were submitted after the original certification was completed. These directed payments were included in the original certification but did not reflect the final preprint submissions. Other state directed payments described in the original certification have not changed.

### Affected Directed Payments

The two directed payments and their control names are listed below:

- **LA\_Fee\_BHO\_Renewal\_20240701-20250630**

The LMHP/EBP Directed Payment will be made from LDH to the MCOs as a one-time payment to each MCO, based on the number of EBP providers recruited into the network and the number of EBP providers retained for at least six months. There are separate payment amounts for each of the measures. Additionally, LMHPs will receive a uniform percentage increase for all services. The total amount of the directed payment was estimated based on the anticipated number of qualifying providers who will participate and/or be retained in the MCOs' networks.

- **LA\_Fee\_BHO3\_Renewal\_20240701-20250630**

LMHPs that are certified to provide DBT services will be paid an add-on for each DBT service provided. The add-ons are structured so that the total reimbursement per visit will be \$200.00 for individual therapy and \$177.68 per member for group therapy.

### Documentation of Preprint Submissions

Below we have included two tables of information for each of these directed payments, consistent with requirements in the Medicaid Managed Care Rate Development Guide. The directed payments, as described in this rate amendment, are consistent with 438.6(c) preprints submitted to CMS.

**FIGURE 4: 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_BHO_Renewal_20240701-20250630	Add-on based on utilization	Add-on paid to LMHPs and EBP-certified practitioners based on participation and retention in MCO networks	Separate payment term
LA_Fee_BHO3_Renewal_20240701-20250630	Add-on based on utilization	Add-on paid to LMHPs for each DBT service provided	Separate payment term

**FIGURE 5: DIRECTED PAYMENTS INCORPORATED AS SEPARATE PAYMENT TERMS**

CONTROL NAME OF THE STATE DIRECTED PAYMENT	AGGREGATE AMOUNT INCLUDED IN THE CERTIFICATION <sup>1</sup>	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_BHO_Renewal_20240701-20250630	\$ 18.4 million	Yes	\$0.96	Yes	Yes
LA_Fee_BHO3_Renewal_20240701-20250630	\$ 3.3 million	Yes	\$0.17	Yes	Yes

Notes:

1. Values shown are net of premium tax.

## Limitations

The services provided for this project were performed under the contract between Milliman and LDH.

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 SFY 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 SFY 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 SFY 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.

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

11/27/2024  
Date

## **APPENDIX 2: RATE DEVELOPMENT (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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