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April 24, 2020

Mr. Henry Lipman, FACHE
Medicaid Director
NH Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301

[Sent via email: henry.lipman@dhhs.nh.gov]

Re: Answers to CMS' Questions on COVID-19 Related 438.6(c) Proposal

Dear Henry:

At your request, we prepared this letter to address several questions from the Center for Medicare and Medicaid Services (CMS) regarding the directed payment preprint related to the COVID-19 pandemic as required by 438.6(c).

The questions were included in emails from CMS to DHHS dated April 23, 2020. This letter documents the answers to specific questions and is appropriate to share with CMS.

QUESTIONS AND ANSWERS

- 2. The regulations at 42 CFR 438.6(c) require that payment arrangements be developed in accordance with 42 CFR 438.4, the standards specified in 42 CFR 438.5 and generally accepted actuarial principles and practices. Generally, CMS asks states to provide an analysis that would demonstrate that the payment arrangement is appropriate, reasonable and attainable. However, CMS recognizes such an analysis can take time to develop. Given that this payment arrangement is intended to respond to the COVID-19 pandemic, can the state and its actuaries please provide the following attestation:**

“This payment arrangement has been developed in accordance with 42 CFR 438.4, the standards specified in 42 CFR 438.5 and generally accepted actuarial principles and practices. Specifically, the state and its actuaries attest that the payments are reasonable compared to the total funds the provider would have received absent the public health emergency and that the addition of the state directed payment arrangement does not result in total payments that would exceed what was or would have been assumed in the capitation rate certification absent the public health emergency.”

Milliman Response (April 24, 2020): We attest that this payment arrangement has been developed in accordance with 42 CFR 438.4, the standards specified in 42 CFR 438.5 and generally accepted actuarial principles and practices. Specifically, the state and its actuaries attest that the payments are reasonable compared to the total funds the provider would have received absent the public health emergency and that the addition of the state directed payment arrangement does not result in total payments that would exceed what was or would have been assumed in the capitation rate certification absent the public health emergency.

4. **CMS would like to note for the state that the impact of payment arrangements approved under 42 CFR 438.6(c) must be incorporated into the state's rate certification for the applicable period. CMS would appreciate if the state could elaborate on how the impact of this payment arrangement will be included in the applicable rate certification. For example, will the impact of this payment arrangement be included in the base capitation rates as a rate adjustment, or in some other manner?**

CMS has recently published guidance on the documentation expected in the state's rate certification for directed payments in the [2019-2020 Medicaid Managed Care Rate Development Guide](#). Please note that the actuary's certification must contain all of the information outlined in the Rate Guide. If this is not included, the rate review will be delayed. Please note that CMS can provide technical assistance if the state has questions or concerns about how to include the impact of the payment arrangement in their rate certification.

Milliman Response (April 24, 2020): The impact of this payment arrangement is included as a separately identifiable per member per month (PMPM) component of the base capitation rates. Please refer to our rate certification letter dated April 22, 2020 for more details, including responses to the 2019-2020 Medicaid Managed Care Rate Development Guide.

5. **Please indicate the total dollars (federal and non-federal) the state plans to add to the rate certification for this directed payment.**

Milliman Response (April 24, 2020): The directed payment funding pool will be approximately \$11.7 million for the September 2019 to June 2020 contract year. Actual pool funding will be determined by actual MCM program enrollment multiplied by the PMPM directed payment funding for each rate cell in the September 2019 to June 2020 MCM program capitation rates.

It is important to note the directed payment funding is not in addition to the previous rate certification, but rather a reallocation of funds through a reduction in service costs of 1.5% for all services to recognize the expected net impact of reductions in non-emergency and elective service costs due to COVID-19 pandemic preparedness and social distancing guidelines, increased COVID-19 treatment costs, the impact of waiving certain prior authorization requirements, and reduced population acuity due to projected enrollment increases related to the recession. The PMPM administrative allowance for all rate cells were also reduced by 1.5% and to exclude costs related to the Granite Advantage Health Care Program work and community engagement requirement that was prohibited by the US District Court for the District of Columbia.

Please refer to our rate certification letter dated April 22, 2020 for more details.

CAVEATS AND LIMITATIONS ON USE

This letter is designed to assist DHHS with responding to questions from CMS regarding the directed payment preprint related to the COVID-19 pandemic. This information may not be appropriate, and should not be used for other purposes.

The information contained in this letter has been prepared for DHHS. It is our understanding that a copy of this letter will be distributed to CMS. To the extent that the information contained in this letter is provided to third parties, the letter should be distributed in its entirety. Any user of this information must possess a certain level of expertise in actuarial science and healthcare modeling, so as not to misinterpret the information presented.



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Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for DHHS 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 letter must rely upon their own experts in drawing conclusions about the information presented.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I, Mathieu Doucet, am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this letter.

The terms of Milliman's contract with NH DHHS effective July 1, 2017, apply to this letter and its use.



Please call John Meerschaert, Greg Herrle, or myself at 262 784 2250 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Mathieu Doucet".

Mathieu Doucet, FSA, MAAA
Consulting Actuary

MD/jf