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November 10, 2017

Ms. Deborah Scheetz
Deputy Medicaid Director
NH Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301

Re: Updated SFY 2018 Medically Frail Population Capitation Rates

Dear Deb,

This letter provides the New Hampshire Department of Health and Human Services (DHHS) with updated SFY 2018 capitation rates for the New Hampshire Health Protection Program. The rates presented here apply to the Medically Frail population enrolled in the Alternative Benefit Plan (ABP). DHHS retained Milliman to calculate, document, and certify its capitation rate development. Our role is to certify that the SFY 2018 capitation rates produced by the rating methodology are actuarially sound to comply with CMS regulations.

For the updated SFY 2018 capitation rates, we made the following changes to the original capitation rates documented in our May 22, 2017 report:

- Removal of Designated Receiving Facility Beds: The original SFY 2018 capitation rates included funding of \$136,622 for two designated receiving facilities with 10 beds each that would have begun operations on October 1, 2017.
- Removal of Community Residential Beds with Wrap-Around Services: The original SFY 2018 capitation rates included funding of \$92,773 for 20 beds that would have begun operations on October 1, 2017.
- Removal of Mobile Crisis Team and Apartments: The original SFY 2018 capitation rates included funding of \$36,090 for one crisis team and one apartment that would have begun operations no later than January 1, 2018.
- Adjusted Prescription Drug Trends: We adjusted our prescription drugs trends to reflect the implementation delay of the pre-authorization for behavioral health medications due to the sunset of HB 1680. The implementation was delayed from July 1, 2017 to September 5, 2017, therefore we recalculated the prescription drug trends accordingly.

Please refer to our May 22, 2017 report referenced above for a complete documentation of the methodology and process used to develop each component of the updated SFY 2018 Medically Frail capitation rates. Attached to this letter are updated appendices showing the rate development process including the changes listed above.



Table 1 shows the statewide rate change from the original SFY 2018 capitation rates to the updated SFY 2018 Medically Frail capitation rates.

Table 1 New Hampshire Department of Health and Human Services Medically Frail Population Capitation Rates Updated SFY 2018 Capitation Rate Reconciliation		
Change Component	PMPM Change	Percentage Change
Original SFY 2018 Medically Frail Rates	\$1,210.76	N/A
Removal of Designated Receiving Facility Beds	-2.53	-0.21%
Removal of Community Residential Beds	-1.72	-0.14%
Removal of Mobile Crisis Team and Apartments	-0.67	-0.05%
Adjusted Prescription Drug Trends	+1.61	+0.13%
Updated SFY 2018 Medically Frail Rates	\$1,207.45	-0.27%

CAVEATS AND LIMITATIONS ON USE

We used MCO encounter cost and eligibility data for SFY 2016, historical reimbursement information, anticipated fee schedules, and other DHHS information to calculate the New Hampshire Medically Frail capitation rate shown in this letter. This data was provided by DHHS and the MCOs. We have not audited this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

In order to provide the information requested by DHHS we constructed several projection models. Differences between the capitation rate and actual MCO experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate development calculations. It is certain that actual experience will not conform exactly to the assumptions used. Actual amounts will differ from projected amounts to the extent that actual experience is higher or lower than expected.

Milliman prepared this letter for the specific purpose of developing the SFY 2018 Medically Frail capitation rate. This letter should not be used for any other purpose. This letter has been prepared solely for the internal business use of and is only to be relied upon by the management of DHHS. We understand this letter may be shared with participating MCOs, CMS, and other interested parties. Milliman does not intend to benefit, or create a legal duty to, any third party recipient of its work. This letter should only be reviewed in its entirety.

The results of this letter are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

The authors of this letter are consulting actuaries for Milliman, members of the American Academy of Actuaries, and meet the Qualification Standards of the Academy to render the actuarial opinion contained herein. To the best of their knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.



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Page 3 of 3

The terms of Milliman's contract with the New Hampshire Department of Health and Human Services signed on June 14, 2017 apply to this letter and its use.



Please call me at 262 784 2250 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Meerschaert".

John D. Meerschaert, FSA, MAAA
Principal and Consulting Actuary

JDM/laa

Attachments



APPENDICIES