



15800 Bluemound Road
Suite 100
Brookfield, WI 53005
USA
Tel +1 262 784 2250
Fax +1 262 923 3680

milliman.com

Jill A. Bruckert, FSA, MAAA
Consulting Actuary

jill.bruckert@milliman.com

January 8, 2019

Ms. Tara Smith Clark, JD, CHP
Executive Administrator
Mississippi Office of the Governor, Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201

Re: MississippiCAN Estimated Program Savings Summary– January 2011 to June 2019

Dear Tara:

The Mississippi Division of Medicaid (DOM) retained Milliman to calculate, document, and certify to the state fiscal year (SFY) 2019 MississippiCAN capitation rate development. This letter provides estimated MississippiCAN cost savings projections for the most recent SFY 2019 rating period, along with cumulative cost savings for the program since its inception in January 2011, consistent with the capitation rate development for each rating period. We estimate DOM cost savings, excluding the impact of premium tax, and the net state government premium tax proceeds.

Table 1 below displays the estimated cost savings to Mississippi for medical services in SFY 2019 for MississippiCAN enrolled populations relative to our projection of what their fee-for-service (FFS) costs would have been in absence of managed care. While it is not possible to know with certainty what medical costs would have been if MississippiCAN had not have been in place, we examined the most recent FFS experience available for each population to make a “best estimate” projection using accepted actuarial practices. The savings were calculated as reductions in medical costs relative to FFS which are then partially offset by targeted CCO administrative costs and margin to provide more efficient and higher quality of care under managed care. In addition, beginning in January 2014, the Health Insurer Fee (HIF) imposed under the Affordable Care Act offsets some savings. Bill H.R. 195, enacted January 22, 2018, put a moratorium on HIF payments for CY 2019. Therefore, for SFY 2019 the HIF payments are only in effect for the period of July through December 2018.

Table 1 also estimates the net revenue the state of Mississippi will realize through collection of the 3% premium tax on MississippiCAN capitation payments collected by the Department of Insurance (DOI). Since the capitation rates are funded by federal and state money based upon the Federal Medical Assistance Percentage (FMAP), the federal government pays an equivalent of approximately 2.29% (assuming the 2019 FFY FMAP of 76.39%) and the state government (DOM) pays 0.71%. Therefore, the State realizes net proceeds from the MississippiCAN premium tax (DOI collections less DOM costs) equivalent to the 2.29% federal contribution. We did not reflect the timing of payments in our analysis.

Concurrent with the inclusion of inpatient hospital services in MississippiCAN capitation rates effective December 1, 2015, the Mississippi Hospital Access Program (MHAP) was established. This program helps to ensure sufficient access to inpatient hospital services for the Medicaid population by including enhanced hospital reimbursement in the capitation rates. Including these amounts in the capitation rates also subjects the amounts to state premium tax. Table 1 displays the cost and net premium tax impact of MHAP separate from the MississippiCAN capitation rates.

Table 1
MississippiCAN Estimated Program Savings
SFY 2019
Total Expenditures (State and Federal)
Estimated Program Savings Relative to FFS
(\$ Millions)

Capitated Population	Projected FFS Claims w/o Managed Care	MississippiCAN Costs*	Total Savings	Mississippi Share of Savings
SSI / Disabled, Foster Care, BCCP	\$944.7	\$856.7	\$87.9	\$20.9
MA Adults, Pregnant Women, Newborns	\$662.3	\$639.7	\$22.6	\$5.4
MA Children / Q-CHIP Children / SED Children	\$702.7	\$731.4	(\$28.8)	(\$6.2)
MHAP	\$533.1	\$533.1	\$0.0	\$0.0
Subtotal				\$20.1
Net Premium Tax Revenue - Capitation				\$53.0
Net Premium Tax Revenue - MHAP				\$12.7
Total Impact to MS				\$85.8

* MississippiCAN costs include both capitated services and the Health Insurer Fee.

Table 2 summarizes the state share of the savings and net premium tax revenue by capitation rate period from January 2011 to June 2019 as estimated in this and previous studies.

Table 2
MississippiCAN Estimated Program Savings
January 2011 to June 2019
State Share Only
Estimated Program Savings Relative to FFS
(\$ Millions)

Capitation Rate Period*	Mississippi Share of Savings	Net Premium Tax Revenue	Total Impact to MS
CY 2011	\$14.5	\$10.2	\$24.7
CY 2012	\$15.6	\$9.8	\$25.4
CY 2013	\$21.9	\$18.3	\$40.2
Jan to June 2014	\$6.1	\$10.1	\$16.2
SFY 2015	\$10.9	\$20.7	\$31.6
SFY 2016	\$16.9	\$55.5	\$72.4
SFY 2017	\$11.4	\$63.6	\$75.0
SFY 2018	\$13.2	\$64.1	\$77.3
SFY 2019	\$20.1	\$65.7	\$85.8
January 2011 to June 2019	\$130.6	\$318.0	\$448.6

* Costs included for populations only during enrollment in MississippiCAN.

CAVEATS AND LIMITATIONS

This letter is intended for the use of DOM in accordance with its statutory and regulatory requirements. Milliman recognizes the materials may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, any third parties who receive this letter and related materials. The materials should only be reviewed in their entirety. Milliman gives DOM permission to publicly release this letter.

This letter is designed to help estimate savings related to the MississippiCAN program. This information may not be appropriate, and should not be used, for other purposes. This information should be viewed in conjunction with documentation of the development of January 2011 to June 2019 capitation rates by rating period for the MississippiCAN populations.

Differences between actual and expected capitation payments, premium tax payments, and FFS costs will depend on the extent to which future experience conforms to the assumptions we made to develop these savings 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 better or worse than expected.

In preparing this information, we relied on information provided by DOM and MississippiCAN coordinated care organizations. We accepted this information without audit, but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.

I am an actuary for Milliman, a member 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 my knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The terms of Milliman's contract with DOM effective June 1, 2015 applies to this letter and its use.



Sincerely,



Jill A. Bruckert, FSA, MAAA
Consulting Actuary

JAB/tlg