ncahp
NC ASSOCIATION OF HEALTH PLANS

September 11, 2023

Ms. Julia Lerche, FSA, MAAA, MSPH
Chief Strategy Officer and Chief Actuary, NC Medicaid
NC Department of Health and Human Services
820 S. Boylan Ave.
Raleigh, NC 27603

Dear Julia:

The Prepaid Health Plans (PHPs) appreciate the meeting the Department of Health and Human Services (DHHS) and Mercer held with us on August 30. This letter provides comments and questions as a follow-up to that meeting.

Third-Party Liability

The Third-Party Liability (TPL) adjustment that the Department and Mercer developed for the October 2023 – June 2024 Expansion rates includes several assumptions that impact the overall rates. NCAHP would like to better understand the data used to calculate the adjustment.

Cost Reduction – Mercer expects that about 70% of costs will be paid outside of Medicaid when TPL is present. Could Mercer share this data at the category of service level? The PHPs would find it beneficial to gain better insight into the cost expectations for Marketplace members during their initial enrollment.

Marketplace Membership – In the *SFY 2023 Updates and Expansion Methodology Overview*[1] presentation provided to PHPs as part of the initial methodology meeting on August 8, 2023, Mercer projected that ultimate Expansion enrollment levels would exceed 600,000 members. This includes 200-300 thousand members from the Marketplace group, with a significant overlap between this group and the family planning group expected.

However, the table presented in Mercer's August 28, 2023, *Methodology Overview*[2] projects that 51.1% of total Expansion *member months* (MMs) will come from Marketplace members, a share disproportionate to the 33-50% (200-300,000) of the ultimate 600,000 Expansion enrollment level they are projected to comprise. The PHPs are surprised with the proportion of member months associated with the Marketplace group and would appreciate further explanation and/or revision of the analysis used to arrive at this assumption.

Length of TPL Coverage: The PHPs request further clarification of how the assumed two months of TPL overlap is defined for the purposes of calculating the TPL adjustment (resulting in the 25.7% MM overlap figure). For example, would Marketplace coverage only lapse once action has been taken by the member or CMS, or is a more immediate measure taken once Medicaid coverage is acquired?

Given the magnitude of the adjustment applied to account for TPL, these assumptions – especially when taken together – could substantially impact the overall adequacy of rates for the Medicaid Expansion

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[1] Mercer Government/NC DHHS, *Standard Plan Rate Meeting: SFY 2024 Updated and Expansion Methodology Overview* (August 8, 2023), 6.
[2] Mercer Government/NC DHHS, *Methodology Overview of October 1, 2023 to June 30, 2024 Medicaid Expansion Rate Setting — Standard Plan,* Table: "Expansion TPL Adjustment Summary," (August 28, 2023), 13.

population. Because the PHPs do not have control over the impact of TPL on Marketplace members, we ask that the Department and Mercer consider revising the assumptions for the proportion of Marketplace member months and the length of time these members are impacted by TPL to be closer to the middle of the expected range.

Minimum MLR Calculation

With the launch of Medicaid Expansion**, the PHPs request that the Expansion population be combined into an aggregate Standard Plan Minimum MLR remittance calculation, which would combine the Non-Expansion and Expansion experience in the numerator, and both populations' revenue in the denominator.**

The asymmetrical nature of minimum MLR risk mitigation creates a skewed distribution of gains and losses over a long-term period. Combining the two populations allows for potential misses in some Standard Plan rate cells to offset other Expansion rate cells, mitigating some of this asymmetry. More granular calculations do not allow these sorts of offsets and could lead to required remittances when, in aggregate, the Standard Plan program is under-funded.

The PHPs understand separate Non-Expansion and Expansion risk corridors may be necessary due to the time-limited nature of these risk mitigation mechanisms. Additionally, the PHPs understand that separate Minimum MLR calculations may be needed for Expansion rating year 1 due to CMS limitations on retroactive changes to risk mitigation mechanisms, but we recommend that by rating year 2 of Expansion, the Minimum MLR calculations be combined.

Maintenance of Eligibility (MOE)

Mercer's August 28 *Methodology Overview*[3] assumes the impact of PHE disenrollment will be 4% for the TANF Adult population. It states that, "the state projections assume a mostly uniform decline in enrollment on a month-to-month basis from July 2023 through June 2024." The draft Standard Plan Expansion rates assumed a 7.1% adjustment to reflect a fully unwound population.

- Please explain in further detail how the 7.1% fully unwound impact is consistent with the uniform disenrollment assumption and 4% acuity impact to the Standard Plan TANF Adult rate cell and please revise if appropriate.
- The joiner leaver stayer analysis provided by Mercer for the MOE impact was very helpful. Can Mercer provide a similar table demonstrating the development of the fully unwound TANF Adult acuity factor?

Membership Ramp-Up

In order to allow the PHPs to fully evaluate the development of the Expansion rate setting adjustments and non-benefit expenses, the PHPs request that the Department provide additional details on the projected Expansion enrollment by group (i.e., Family Planning, Marketplace, MOE and Other/Uninsured).

Please provide the enrollment projections underlying the Expansion capitation rates presented during the 8/30 Medicaid Expansion Rate Meeting. To aid in this request, the PHPs have provided the following

[3] Ibid, 6.

table (shown below and included as an Excel file attachment for the Department's convenience), including the following:

- Enrollment projections by month for each enrollment group for the SFY 2024 rating period.
- If further ramp-up is expected during SFY 2025, please include the additional projected enrollment for the remaining ramp-up period.
- If available, a break-out of the MOE group projections be by prior non-Expansion rate cell.

	Enrollment Group						
			MOE*				
Month	Family Planning	Marketplace	ABD	TANF NB	TANF CH	TANF AD	Uninsured
10/1/2023							
11/1/2023							
12/1/2023							
1/1/2024							
2/1/2024							
3/1/2024							
4/1/2024							
5/1/2024							
6/1/2024							
7/1/2024+							

**If available, please provide projected MOE enrollment breakouts by previous non-Expansion rate cell.*

Managed Care Savings (MCS)

In support of the overall managed care savings adjustment of -1.5% included in the August 28 *Methodology Overview*[4], the PHPs request additional detail as described below.

For each Expansion tranche (Family Planning, Marketplace, MOE, Other/Uninsured), **the PHPs request that Mercer provide the below additional detail to assist in understanding the components of the overall -1.5% MCS adjustment:**

1. <u>Projected SFY 2024 tranche mix (MMs or %)</u>: Allows PHPs to build up the total adjustment from each individual enrollment group.
2. <u>Assumed PMPM $ pre-MCS for the enrollment groups:</u> For example, this could include base data, trend and program changes only, but the goal for requesting this is to allow for proper weighting between the enrollment groups.
3. <u>Ultimate MCS assumed achievable OR MCS assumed achievable in SFY 2024 (PMPM $):</u> Along with the following bullet, this will allow PHPs insight ultimate MCS achievable by enrollment group.
4. <u>MCS % assumed achievable in SFY 2024</u>: Allows PHPs to understand/confirm ramp-up of MCS by tranche, since MCS % assumed differs by tranche.

Additionally, the *Methodology Overview*[5] states full Year 1 MCS are achievable within the initial 9-month period, citing enrollees will be entering a "more mature managed care environment" relative to SFY

[4] Ibid, 4-5.
[5] Ibid, 5.

2022. While the environment can play a role, most aspects of managed care take time through member interactions to produce results. **The PHPs request that Mercer scale back on the amount of MCS assumed achievable in the initial Expansion rating period.**

Finally, since Expansion go-live has been delayed (with no firm go-live as of this letter), the **PHPs request Mercer share additional details on how the MCS levels deemed achievable, by tranche, will be adjusted to reflect a further shortened SFY 2024 rating year once a go-live date is known.**

Wakely Actual-to-Expected Cost Analysis

Wakely Consulting Group produced an actual to expected analysis of SFY2022 and year-to-date SFY2023 experience which demonstrated actual expense for both medical and administration are above funded levels. Will the findings of that study be considered in future Expansion and Standard Plan rate setting?

Administrative Cost Considerations

In our letter of May 3, 2023[6] providing feedback on draft rates, we outlined the need for administrative funding to consider the impact of decreasing membership with the PHE unwinding. Mercer responded that they would consider enrollment changes during future administration cost modeling exercises.

> *"The PHPs request that Mercer consider that inflation pressures on costs and wages discussed in sections 13.2 and 13.3 of the rate memorandum will not reverse with increased membership, so that component of administration cost increase should not be removed with the higher population.*
>
> *"Additionally, any adjustment to rates should be reasonably-consistent with the approach used when reflecting the membership decrease expected under the PHE unwinding. Finally, the Medicaid Expansion population will have its own nuances and requirements that are different than the current Standard Plan population, so administration costs used in rates should reflect incremental requirements the PHPs must undertake to support that population."*

Within the Expansion rate development, Mercer lowered statewide administrative funding PMPMs to reflect increased membership levels due to Expansion. The PHPs request Mercer re-evaluate Standard Plan and total statewide administrative funding PMPMs to capture the decrease in Standard Plan enrollees due to the PHE unwinding. The PHPs expect total statewide administrative funding PMPMs to decrease due to new Expansion enrollment and increase due to lower Standard Plan enrollment.

We appreciate your consideration of these recommendations, and we would be happy to discuss them further.

Sincerely,

Taylor Griffin

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[6] NC Association of Health Plans, Comment Letter: Draft Rates (May 3, 2023), 2-3.