![Milliman logo]

December 19, 2018

Mr. Jeffrey Provance
Health Actuary, Director
Minnesota Department of Human Services
540 Cedar Street
Elmer L. Anderson Human Services Building
St. Paul, MN   55155-3854

*[Sent via email:  jeffrey.provance@state.mn.us]*

**Re:      January 2019 to June 2019 PMAP and MinnesotaCare Risk Score Calculation**

Dear Mr. Provance:

The Department of Human Services (DHS) retained Milliman to develop actuarially sound capitation rates for the Prepaid Medical Assistance Program (PMAP) and MinnesotaCare programs for the calendar year (CY) 2019 contract period. As part of the CY 2019 rate setting process, a prospective risk scoring methodology using enrollment and demographic information from October 2018 and diagnosis information from claims incurred between July 2017 and June 2018 is used to determine risk scores by Managed Care Organization (MCO), program, rate cell, and region. These risk scores will be used to adjust capitation payments made from January 2019 to June 2019 (1H 2019). Risk scores are calculated using coefficients developed based on fee-for-service (FFS) claims and managed care encounter data for PMAP / MinnesotaCare members. Condition categories are based on the Chronic Illness and Disability Payment System plus Medicaid Rx (CDPS + Rx) version 6.2.2 risk adjuster. Details regarding the prospective risk adjustment process in place for CY 2019 capitation payments were included in the final CY 2019 PMAP / MinnesotaCare rate report dated September 27, 2018.

This letter is intended to communicate the final risk scores to be used to adjust 1H 2019 PMAP and MinnesotaCare capitation payments and provide documentation on the details of this calculation. The following exhibits are provided with this letter:

- Unnormalized regional risk scores by MCO, program, and rate cell, accounting for likely duplicate PMIs (Exhibit 1)

- Normalized regional risk scores by MCO, program, and rate cell, accounting for likely duplicate PMIs (Exhibit 2)

- Unnormalized regional risk scores by program and rate cell, aggregated across all MCOs, accounting for likely duplicate PMIs(Exhibit 3)

- Normalized regional risk scores by program and rate cell, aggregated across all MCOs, accounting for likely duplicate PMIs (Exhibit 4)

- Unnormalized regional risk scores by MCO, program, and rate cell, not accounting for likely duplicate PMIs (Exhibit 5)

- Normalized regional risk scores by MCO, program, and rate cell, not accounting for likely duplicate PMIs (Exhibit 6)

- Unnormalized regional risk scores by program and rate cell, aggregated across all MCOs, not accounting for likely duplicate PMIs(Exhibit 7)

- Normalized regional risk scores by program and rate cell, aggregated across all MCOs, not accounting for likely duplicate PMIs (Exhibit 8)

- Data element definitions for the risk score assignment detail (Exhibit 9)

Risk scores reported in Exhibit 2 constitute the final risk scores to be used to adjust the 1H 2019 MCO capitation payments. An Excel file named "FC Member Level File – [MCO Name].xlsb", supplied separately, includes the risk score assignment detail for each recipient who was enrolled in the MCO in the exposure month and a list of data definitions for the risk score assignment detail (Exhibit 9).

## METHODOLOGY AND RESULTS

DHS provided Milliman with 2017 and year-to-date 2018 eligibility data, fee-for-service claims, and MCO encounters received through October 24, 2018 including the following parameters:

- Program
- Eligibility type, including children, parents, and childless adults
- MCO
- County at the time of capitation
- Months of enrollment
- Age

DHS also provided Milliman with a list of likely duplicate PMIs during July 2017 through October 2018. DHS indicated the methodology used to develop the provided list may be revised in the future, but should largely represent the PMIs likely to be duplicated. We performed a high level review of DHS' methodology and list and found it to be reasonable. Using this information, we calculated two sets of risk scores. The first set of risk scores summarized in Exhibits 1 through 4 account for likely duplicate PMIs by matching PMIs using the mapping provided by DHS and incorporating all diagnoses for the "matched" PMIs for a given member. The second set of risk scores summarized in Exhibits 5 through 8 do not account for likely duplicate PMIs. The methodology underlying this second set of risk scores is consistent with how we have historically calculated risk scores for the PMAP and MinnesotaCare populations. This methodology results in an increase in scored member percentage of 3.6% for PMAP and 2.2% for MinnesotaCare.

Recipient level risk scores are calculated using the prospective CDPS + Rx model described in the CY 2019 PMAP / MinnesotaCare capitation rate report dated September 27, 2018. Final 1H 2019 risk scores were calculated using the following information:

- Exposure period snapshot:  October 2018 enrollment

- Assessment period:  FFS and encounter claims incurred between July 2017 and June 2018 and received through October 24, 2018

A raw risk score was developed for each enrollee with six or more months of managed care enrollment during the assessment period. Approximately 86% of PMAP recipients and 80% of MinnesotaCare recipients satisfied this enrollment threshold and were assigned a risk score based on demographics, medical diagnoses, and pharmacy utilization. The remaining unscored members were assigned the average risk score for scored members with the same MCO, program, rate cell, and region. The average raw risk scores are summarized in Exhibits 1 and 5 by MCO and across all MCOs in Exhibits 3 and 7.

The PMAP and MinnesotaCare risk score process is budget-neutral to DHS and across all MCOs relative to the non-risk adjusted CY 2019 capitation rates. To this end, average 1H 2019 risk scores are normalized to 1.0 by program, rate cell, and region. This normalization occurs by dividing each MCO's raw risk score in Exhibit 1 by the corresponding raw statewide risk score in Exhibit 3. The normalized risk scores are summarized in Exhibits 2 and 6 for each MCO and across all MCOs in Exhibits 4 and 8.

## MEMBER LEVEL DETAIL FILES

The Excel files named **"FC Member Level File – [MCO Name].xlsb"** supplied with this letter include the Exhibits 1 through 8 described above, data definitions (Exhibit 9), and the risk score assignment detail for each recipient enrolled in the MCO during the exposure month.

The following risk score assignment detail information is included in these files:

**Report 1 – Risk Adjustment Records:**  Includes CDPS + Rx raw risk score information for each scored recipient (at least six months of enrollment in PMAP / MinnesotaCare during the assessment period) enrolled with the MCO in October 2018, including demographic information and condition categories identified through the CDPS + Rx algorithm. A recipient's final risk score is included in the *IndRiskScore* column.

**Reports 2 (PMAP) and 3 (MinnesotaCare) – Risk Adjustment Medical Diagnoses:**  Includes all ICD-10 diagnosis records for scored recipients enrolled in PMAP or MinnesotaCare. Diagnoses included on laboratory, radiology, and DME claims that were excluded from the risk score calculation were not included in these reports.

**Reports 4 (PMAP) and 5 (MinnesotaCare) – Risk Adjustment NDCs:**  Includes all National Drug Codes (NDCs) reported for scored recipients enrolled in PMAP or MinnesotaCare.

**Report 6 – Unscored Enrollees:**  Includes demographic information for each unscored recipient enrolled with the MCO during October 2018.

**Report 7 – Risk Adjustment Summary:**  Includes the cumulative and average MCO raw risk score for scored recipients enrolled with the MCO during October 2018.

**Report 8 – Overall Program Summary:**  Includes the cumulative and average MCO raw risk score for scored recipients enrolled with all MCOs during October 2018.

Please note that the detail included in these reports does not incorporate the adjustment made for likely duplicate PMIs, consistent with the calculations shown in Exhibits 5 through 8. The algorithm used identifies only those PMIs which are likely duplicated and will differ from a list of PMIs that are ultimately determined to be duplicated. As a result, we are unable to provide member level detail which includes likely duplicated PMIs that were merged as part of this adjustment.

## CAVEATS AND LIMITATIONS

This letter is intended for use by DHS to summarize final 1H 2019 risk scores for each of the MCOs, rate cells, and regions for the purpose of determining final MCO capitation rates for the PMAP and MinnesotaCare programs. The information contained in this letter may not be suitable for other purposes or audiences. This letter should only be viewed in its entirety, and assumes the reader is knowledgeable about the PMAP and MinnesotaCare programs and rate setting. This letter should be viewed in conjunction with the CY 2019 PMAP and MinnesotaCare capitation rate report dated September 27, 2018, or its successor(s). Milliman does not intend to benefit any third party and assumes no duty or liability to other parties who receive this work.

The results presented in this letter are based on October 2018 detailed enrollment records, fee-for-service and encounter claims incurred between July 2017 and June 2018, and other information provided by DHS and MCOs. We relied on membership, claim and risk score data, and other information supplied to us by DHS and MCOs in the calculation of the final 1H 2019 risk scores. We have not audited or attempted any independent verification of such data, but reviewed it for reasonableness and consistency where possible. If the underlying data is inaccurate or incorrect, the results of our analysis would also be inaccurate.

The relative acuity of each MCO's enrolled population will likely differ from the risk adjustment results produced by the risk adjustment model. Emerging experience should be closely monitored during the contract year.

Kelly S. Backes, FSA, MAAA and James Johnson, FSA, MAAA are actuaries for Milliman, members of the American Academy of Actuaries, and meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. To the best of our 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 #67920 with DHS apply to this letter and its use.

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Mr. Provance, thank you for the opportunity to assist you with this important project. Please call Kelly at 262 923 3676 or James at 262 796 3493 if you have questions.

Sincerely,

Kelly S. Backes, FSA, MAAA
Principal and Consulting Actuary

James Johnson, FSA, MAAA
Actuary

KSB/JJ/zk

Attachments in Excel

# ATTACHMENTS

## (Provided in Excel)