

Mercer Caveats

Commonwealth of Virginia

July 25, 2022

This report includes exhibits that cover the rate development process for the FY2023 capitation rates.

This report is prepared on behalf of the Commonwealth of Virginia, and is intended to be relied upon by DMAS. It should be read in its entirety and has been prepared under the direction of Brad Diaz, FSA, MAAA, who is a member of the American Academy of Actuaries and meets its US Qualification Standard for issuing the statements of actuarial opinion herein.

To the best of Mercer's knowledge, there are no conflicts of interest in performing this work. The suppliers of data are solely responsible for its validity and completeness. We have reviewed the data and information for internal consistency and reasonableness, but we did not audit it. All estimates are based upon the information and data available at a point in time and are subject to unforeseen and random events, and actual experience will vary from estimates.

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FY2023 Administrative Cost Development Cover Page – Base Year CY2021
Identification Of Self-Reported Adjustments And Excluded Expenses – Pg. 2
Eligibility Data MMs are summarized from State roster eligibility data and include all FAMIS/FAMIS MOMS and Medallion 4.0 populations.
Reconciled Admin & Claims Adj. Expense reflects the addressed BOI Admin & Claims Adj. Expense reporting differences between the MCOs so that base year administrative expenses reflect costs across the FAMIS/FAMIS MOMS and Medallion 4.0 populations.
All Plan administrative expenses were adjusted to <u>remove</u> the CCC Plus population as identified from the admin audit reports for the year ending December 31, 2021.
Self-Reported Adjustments and Excluded Expenses are identified from the admin audit report for the year ending December 31, 2021.
Trend Factor Application – Pg. 2
Modified Average Year-Over-Year % Change compares CY2021 admin expenses to CY2020, reflecting all population and PMPM reconciliations and the removal of excludable expenses.
Prospective Admin Trend Assumption is based on various sources of information including, but not limited to publicly available compensation data for health care, Bureau of Labor Statistics salary trend data, and Mercer’s proprietary work with other states’ Medicaid programs.
Trend Months are the number of months between the midpoint of CY2021 and the midpoint of the FY2023 contract period (rounded to the nearest 0.25).
Fixed / Variable Administrative Costs – Pg. 2
A 50/50 fixed vs variable cost split is applied based on industry experience.
Addition Of Enrollment Growth And Population Distribution – Pg. 2
Enrollment Change is based on enrollment provided by DMAS on February 1, 2022.
Major TPL Gross Medical Relativity is the ratio of the projected FY2023 gross medical PMPM for the Major TPL population’s statewide average versus the Non-TPL population’s statewide average.
Fixed Cost Economies of Scale is the expected ratio of the percent change in fixed administration expenses versus the percent change in MMs.
Projected FY2023 Administrative Expense – Pg. 3
Projected Gross Medical Relativities are the ratios of the projected FY2023 gross medical PMPMs for each rate cell versus the statewide average of the grand total Medallion 4.0 projected gross medical PMPM, specific to the TPL category.
Projected Variable Administrative Expense is allocated across each rate cell proportional to the Projected Gross Medical Relativities.
Projected Total Administrative Expense for each rate cell is equal to the sum of the Projected Variable Administrative Expense by rate cell and the Grand Total Statewide Projected Fixed Administrative Cost.

Identification Of Self-Reported Adjustments And Excluded Expenses – Base Year CY2021 (PMPMs)	
Reporting Element	All MCOs
Eligibility Data MMs	16,960,262
Reconciled Admin & Claims Adj. Expense	\$ 29.24
Self-Reported Adjustments and Excluded Expenses	\$ 0.43
Allowable Admin & Claims Adj. Expense	\$ 29.67
Percent Impact	1.5%

Trend Factor Application – Base Year CY2021 to Contract Period FY2023 (PMPMs)	
Reporting Element	All MCOs
Final Base Admin & Claims Adj. Expense	\$ 29.67
Modified Average Year-Over-Year % Change	2.43%
Modified Average Weight	0.0%
Historical Salary Trends	3.75%
Modified Average Weight	100.0%
Prospective Admin Trend Assumption	3.75%
Trend Months	18.00
Projected Admin & Claims Adj. Expense	\$ 31.36
Trend Percent Impact	5.7%

Fixed / Variable Administrative Costs – Contract Period FY2023 (Distribution)	
Reporting Element	All MCOs
Fixed Distribution	50.0%
Variable Distribution	50.0%

Addition Of Enrollment Growth and Population Distribution – Contract Period FY2023							
Population	MMs	Fixed Admin		Variable Admin		Total Admin	
		PMPM	Dollars	PMPM	Dollars	PMPM	Dollars
All Population Admin Expense	16,960,262	\$ 15.68	\$ 265,911,070	\$ 15.68	\$ 265,911,070	\$ 31.36	\$ 531,822,141
Enrollment Change	511,902						
Major TPL Gross Medical Relativity				0.48			
Fixed Cost Economies of Scale			50.0%				
Projected Non-TPL	15,611,818	\$ 15.45	\$ 241,183,876	\$ 16.60	\$ 259,220,170	\$ 32.05	\$ 500,404,046
Projected Major TPL	1,860,346	\$ 15.45	\$ 28,740,116	\$ 7.91	\$ 14,716,744	\$ 23.36	\$ 43,456,860
Projected All Populations	17,472,164	\$ 15.45	\$ 269,923,992	\$ 15.68	\$ 273,936,914	\$ 31.13	\$ 543,860,906

Final Admin Distribution – Contract Period FY2023							
Population	MMs	Fixed Admin		Variable Admin		Total Admin	
		PMPM	Dollars	PMPM	Dollars	PMPM	Dollars
Projected Non-TPL	15,611,818	\$ 15.45	\$ 241,183,876	\$ 16.60	\$ 259,220,170	\$ 32.05	\$ 500,404,046
Projected Major TPL	1,860,346	\$ 15.45	\$ 28,740,116	\$ 7.91	\$ 14,716,744	\$ 23.36	\$ 43,456,860
Projected All Populations	17,472,164	\$ 15.45	\$ 269,923,992	\$ 15.68	\$ 273,936,914	\$ 31.13	\$ 543,860,906

Projected FY2023 Administrative Expense	
Projected Fixed Administrative Cost (Grand Total Statewide)	\$ 15.45
Projected Non-TPL Variable Administrative Cost (Grand Total Statewide)	\$ 16.60
Projected Major TPL Variable Administrative Cost (Grand Total Statewide)	\$ 7.91

Projected FY2023 Gross Medical Relativities									
Population	TPL Category	Rate Cell	Central Virginia	Charlottesville/ Western	Northern/ Winchester	Roanoke/ Alleghany	Southwest	Tidewater	Statewide
Non-Expansion	Non-TPL	LIFC Under 1	1.80	1.83	1.40	1.49	1.52	1.99	
Non-Expansion	Non-TPL	LIFC Child	0.56	0.58	0.38	0.56	0.66	0.53	
Non-Expansion	Non-TPL	LIFC Adult	1.54	1.51	1.19	1.60	1.52	1.29	
Non-Expansion	Non-TPL	Adoption Assistance							1.38
Non-Expansion	Non-TPL	Foster Care							2.22
Non-Expansion	Non-TPL	FAMIS Under 1 <= 150%							1.52
Non-Expansion	Non-TPL	FAMIS 1 to 5 <= 150%							0.41
Non-Expansion	Non-TPL	FAMIS 6 to 14 <= 150%							0.41
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female <= 150%							0.54
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male <= 150%							0.47
Non-Expansion	Non-TPL	FAMIS Under 1 > 150%							1.51
Non-Expansion	Non-TPL	FAMIS 1 to 5 > 150%							0.41
Non-Expansion	Non-TPL	FAMIS 6 to 14 > 150%							0.41
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female > 150%							0.54
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male > 150%							0.48
Non-Expansion	Non-TPL	FAMIS MOMS							1.01
Non-Expansion	Non-TPL	Maternity Kick							21.69
Expansion	Non-TPL	Expansion 19 to 20 Female	0.68	0.70	0.55	0.75	0.79	0.67	
Expansion	Non-TPL	Expansion 19 to 20 Male	0.59	0.61	0.51	0.51	0.63	0.50	
Expansion	Non-TPL	Expansion 21 to 44 Female	1.21	1.17	0.89	1.33	1.32	1.00	
Expansion	Non-TPL	Expansion 21 to 44 Male	1.43	1.38	1.02	1.41	1.25	1.37	
Expansion	Non-TPL	Expansion 45 to 64 Male/Female	2.64	2.49	1.70	2.40	2.17	2.41	
Non-Expansion	Non-TPL	All Rate Cells							0.75
Expansion	Non-TPL	All Rate Cells							1.50
All Populations	Non-TPL	All Rate Cells							1.00
Non-Expansion	Major TPL	LIFC Under 1	1.21	1.23	0.94	1.02	1.08	1.33	
Non-Expansion	Major TPL	LIFC Child	0.50	0.52	0.30	0.50	0.61	0.46	
Non-Expansion	Major TPL	LIFC Adult	0.85	0.85	0.68	0.91	0.88	0.74	
Non-Expansion	Major TPL	Adoption Assistance							1.02
Non-Expansion	Major TPL	Foster Care							1.76
Non-Expansion	Major TPL	FAMIS Under 1 <= 150%							1.02
Non-Expansion	Major TPL	FAMIS 1 to 5 <= 150%							0.32
Non-Expansion	Major TPL	FAMIS 6 to 14 <= 150%							0.34
Non-Expansion	Major TPL	FAMIS 15 to 18 Female <= 150%							0.40
Non-Expansion	Major TPL	FAMIS 15 to 18 Male <= 150%							0.35
Non-Expansion	Major TPL	FAMIS Under 1 > 150%							1.01
Non-Expansion	Major TPL	FAMIS 1 to 5 > 150%							0.32
Non-Expansion	Major TPL	FAMIS 6 to 14 > 150%							0.34
Non-Expansion	Major TPL	FAMIS 15 to 18 Female > 150%							0.40
Non-Expansion	Major TPL	FAMIS 15 to 18 Male > 150%							0.36
Non-Expansion	Major TPL	FAMIS MOMS							0.59
Non-Expansion	Major TPL	Maternity Kick							37.28
Expansion	Major TPL	Expansion 19 to 20 Female	0.89	0.90	0.70	0.97	1.02	0.88	
Expansion	Major TPL	Expansion 19 to 20 Male	0.77	0.79	0.64	0.67	0.80	0.65	
Expansion	Major TPL	Expansion 21 to 44 Female	1.11	1.08	0.83	1.23	1.23	0.93	
Expansion	Major TPL	Expansion 21 to 44 Male	1.32	1.27	0.95	1.30	1.16	1.27	
Expansion	Major TPL	Expansion 45 to 64 Male/Female	2.44	2.31	1.58	2.22	2.02	2.23	
Non-Expansion	Major TPL	All Rate Cells							0.71
Expansion	Major TPL	All Rate Cells							1.32
All Populations	Major TPL	All Rate Cells							1.00

Projected FY2023 Variable Administrative Expense										
Population	TPL Category	Rate Cell	Central Virginia	Charlottesville/ Western	Northern/ Winchester	Roanoke/ Alleghany	Southwest	Tidewater	Statewide	
Non-Expansion	Non-TPL	LIFC Under 1	\$ 29.91	\$ 30.43	\$ 23.22	\$ 24.78	\$ 25.28	\$ 33.11		
Non-Expansion	Non-TPL	LIFC Child	\$ 9.32	\$ 9.57	\$ 6.36	\$ 9.30	\$ 11.01	\$ 8.74		
Non-Expansion	Non-TPL	LIFC Adult	\$ 25.56	\$ 25.00	\$ 19.70	\$ 26.59	\$ 25.26	\$ 21.43		
Non-Expansion	Non-TPL	Adoption Assistance								\$ 22.97
Non-Expansion	Non-TPL	Foster Care								\$ 36.90
Non-Expansion	Non-TPL	FAMIS Under 1 <= 150%								\$ 25.22
Non-Expansion	Non-TPL	FAMIS 1 to 5 <= 150%								\$ 6.84
Non-Expansion	Non-TPL	FAMIS 6 to 14 <= 150%								\$ 6.89
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female <= 150%								\$ 8.94
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male <= 150%								\$ 7.85
Non-Expansion	Non-TPL	FAMIS Under 1 > 150%								\$ 25.12
Non-Expansion	Non-TPL	FAMIS 1 to 5 > 150%								\$ 6.84
Non-Expansion	Non-TPL	FAMIS 6 to 14 > 150%								\$ 6.89
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female > 150%								\$ 8.97
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male > 150%								\$ 7.90
Non-Expansion	Non-TPL	FAMIS MOMS								\$ 16.85
Non-Expansion	Non-TPL	Maternity Kick								\$ 360.11
Expansion	Non-TPL	Expansion 19 to 20 Female	\$ 11.27	\$ 11.56	\$ 9.14	\$ 12.39	\$ 13.05	\$ 11.13		
Expansion	Non-TPL	Expansion 19 to 20 Male	\$ 9.80	\$ 10.19	\$ 8.40	\$ 8.48	\$ 10.51	\$ 8.34		
Expansion	Non-TPL	Expansion 21 to 44 Female	\$ 20.07	\$ 19.39	\$ 14.81	\$ 22.08	\$ 21.83	\$ 16.64		
Expansion	Non-TPL	Expansion 21 to 44 Male	\$ 23.81	\$ 22.90	\$ 17.00	\$ 23.44	\$ 20.78	\$ 22.81		
Expansion	Non-TPL	Expansion 45 to 64 Male/Female	\$ 43.83	\$ 41.39	\$ 28.24	\$ 39.90	\$ 36.06	\$ 39.98		
Non-Expansion	Non-TPL	All Rate Cells								\$ 12.46
Expansion	Non-TPL	All Rate Cells								\$ 24.96
All Populations	Non-TPL	All Rate Cells								\$ 16.60
Non-Expansion	Major TPL	LIFC Under 1	\$ 9.58	\$ 9.75	\$ 7.46	\$ 8.04	\$ 8.51	\$ 10.56		
Non-Expansion	Major TPL	LIFC Child	\$ 3.98	\$ 4.08	\$ 2.37	\$ 3.97	\$ 4.79	\$ 3.63		
Non-Expansion	Major TPL	LIFC Adult	\$ 6.74	\$ 6.73	\$ 5.39	\$ 7.19	\$ 6.94	\$ 5.82		
Non-Expansion	Major TPL	Adoption Assistance								\$ 8.09
Non-Expansion	Major TPL	Foster Care								\$ 13.96
Non-Expansion	Major TPL	FAMIS Under 1 <= 150%								\$ 8.04
Non-Expansion	Major TPL	FAMIS 1 to 5 <= 150%								\$ 2.54
Non-Expansion	Major TPL	FAMIS 6 to 14 <= 150%								\$ 2.69
Non-Expansion	Major TPL	FAMIS 15 to 18 Female <= 150%								\$ 3.14
Non-Expansion	Major TPL	FAMIS 15 to 18 Male <= 150%								\$ 2.79
Non-Expansion	Major TPL	FAMIS Under 1 > 150%								\$ 8.01
Non-Expansion	Major TPL	FAMIS 1 to 5 > 150%								\$ 2.57
Non-Expansion	Major TPL	FAMIS 6 to 14 > 150%								\$ 2.71
Non-Expansion	Major TPL	FAMIS 15 to 18 Female > 150%								\$ 3.19
Non-Expansion	Major TPL	FAMIS 15 to 18 Male > 150%								\$ 2.83
Non-Expansion	Major TPL	FAMIS MOMS								\$ 4.63
Non-Expansion	Major TPL	Maternity Kick								\$ 294.88
Expansion	Major TPL	Expansion 19 to 20 Female	\$ 7.08	\$ 7.11	\$ 5.58	\$ 7.71	\$ 8.05	\$ 6.93		
Expansion	Major TPL	Expansion 19 to 20 Male	\$ 6.08	\$ 6.26	\$ 5.07	\$ 5.26	\$ 6.37	\$ 5.15		
Expansion	Major TPL	Expansion 21 to 44 Female	\$ 8.76	\$ 8.54	\$ 6.56	\$ 9.70	\$ 9.69	\$ 7.39		
Expansion	Major TPL	Expansion 21 to 44 Male	\$ 10.40	\$ 10.03	\$ 7.51	\$ 10.30	\$ 9.18	\$ 10.06		
Expansion	Major TPL	Expansion 45 to 64 Male/Female	\$ 19.27	\$ 18.26	\$ 12.49	\$ 17.60	\$ 15.96	\$ 17.65		
Non-Expansion	Major TPL	All Rate Cells								\$ 5.64
Expansion	Major TPL	All Rate Cells								\$ 10.44
All Populations	Major TPL	All Rate Cells								\$ 7.91

Projected FY2023 Administrative Expense	
Projected Fixed Administrative Cost (Grand Total Statewide)	\$ 15.45
Projected Non-TPL Variable Administrative Cost (Grand Total Statewide)	\$ 16.60
Projected Major TPL Variable Administrative Cost (Grand Total Statewide)	\$ 7.91

Projected FY2023 Total Administrative Expense									
Population	TPL Category	Rate Cell	Central Virginia	Charlottesville/ Western	Northern/ Winchester	Roanoke/ Alleghany	Southwest	Tidewater	Statewide
Non-Expansion	Non-TPL	LIFC Under 1	\$ 45.36	\$ 45.88	\$ 38.67	\$ 40.23	\$ 40.73	\$ 48.56	
Non-Expansion	Non-TPL	LIFC Child	\$ 24.76	\$ 25.02	\$ 21.81	\$ 24.75	\$ 26.46	\$ 24.19	
Non-Expansion	Non-TPL	LIFC Adult	\$ 41.01	\$ 40.45	\$ 35.15	\$ 42.04	\$ 40.71	\$ 36.88	
Non-Expansion	Non-TPL	Adoption Assistance							\$ 38.42
Non-Expansion	Non-TPL	Foster Care							\$ 52.35
Non-Expansion	Non-TPL	FAMIS Under 1 <= 150%							\$ 40.67
Non-Expansion	Non-TPL	FAMIS 1 to 5 <= 150%							\$ 22.29
Non-Expansion	Non-TPL	FAMIS 6 to 14 <= 150%							\$ 22.33
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female <= 150%							\$ 24.39
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male <= 150%							\$ 23.30
Non-Expansion	Non-TPL	FAMIS Under 1 > 150%							\$ 40.57
Non-Expansion	Non-TPL	FAMIS 1 to 5 > 150%							\$ 22.29
Non-Expansion	Non-TPL	FAMIS 6 to 14 > 150%							\$ 22.34
Non-Expansion	Non-TPL	FAMIS 15 to 18 Female > 150%							\$ 24.42
Non-Expansion	Non-TPL	FAMIS 15 to 18 Male > 150%							\$ 23.34
Non-Expansion	Non-TPL	FAMIS MOMS							\$ 32.30
Non-Expansion	Non-TPL	Maternity Kick							\$ 360.11
Expansion	Non-TPL	Expansion 19 to 20 Female	\$ 26.72	\$ 27.01	\$ 24.59	\$ 27.84	\$ 28.50	\$ 26.58	
Expansion	Non-TPL	Expansion 19 to 20 Male	\$ 25.25	\$ 25.64	\$ 23.85	\$ 23.93	\$ 25.96	\$ 23.79	
Expansion	Non-TPL	Expansion 21 to 44 Female	\$ 35.52	\$ 34.84	\$ 30.26	\$ 37.53	\$ 37.28	\$ 32.09	
Expansion	Non-TPL	Expansion 21 to 44 Male	\$ 39.26	\$ 38.35	\$ 32.45	\$ 38.89	\$ 36.23	\$ 38.26	
Expansion	Non-TPL	Expansion 45 to 64 Male/Female	\$ 59.28	\$ 56.84	\$ 43.69	\$ 55.35	\$ 51.51	\$ 55.43	
Non-Expansion	Non-TPL	All Rate Cells							\$ 27.91
Expansion	Non-TPL	All Rate Cells							\$ 40.41
All Populations	Non-TPL	All Rate Cells							\$ 32.05
Non-Expansion	Major TPL	LIFC Under 1	\$ 25.03	\$ 25.20	\$ 22.91	\$ 23.49	\$ 23.96	\$ 26.01	
Non-Expansion	Major TPL	LIFC Child	\$ 19.43	\$ 19.53	\$ 17.82	\$ 19.41	\$ 20.24	\$ 19.08	
Non-Expansion	Major TPL	LIFC Adult	\$ 22.18	\$ 22.18	\$ 20.84	\$ 22.63	\$ 22.39	\$ 21.27	
Non-Expansion	Major TPL	Adoption Assistance							\$ 23.53
Non-Expansion	Major TPL	Foster Care							\$ 29.41
Non-Expansion	Major TPL	FAMIS Under 1 <= 150%							\$ 23.49
Non-Expansion	Major TPL	FAMIS 1 to 5 <= 150%							\$ 17.99
Non-Expansion	Major TPL	FAMIS 6 to 14 <= 150%							\$ 18.13
Non-Expansion	Major TPL	FAMIS 15 to 18 Female <= 150%							\$ 18.59
Non-Expansion	Major TPL	FAMIS 15 to 18 Male <= 150%							\$ 18.24
Non-Expansion	Major TPL	FAMIS Under 1 > 150%							\$ 23.46
Non-Expansion	Major TPL	FAMIS 1 to 5 > 150%							\$ 18.02
Non-Expansion	Major TPL	FAMIS 6 to 14 > 150%							\$ 18.16
Non-Expansion	Major TPL	FAMIS 15 to 18 Female > 150%							\$ 18.64
Non-Expansion	Major TPL	FAMIS 15 to 18 Male > 150%							\$ 18.28
Non-Expansion	Major TPL	FAMIS MOMS							\$ 20.08
Non-Expansion	Major TPL	Maternity Kick							\$ 294.88
Expansion	Major TPL	Expansion 19 to 20 Female	\$ 22.52	\$ 22.56	\$ 21.03	\$ 23.16	\$ 23.50	\$ 22.38	
Expansion	Major TPL	Expansion 19 to 20 Male	\$ 21.53	\$ 21.71	\$ 20.52	\$ 20.71	\$ 21.81	\$ 20.60	
Expansion	Major TPL	Expansion 21 to 44 Female	\$ 24.21	\$ 23.99	\$ 22.01	\$ 25.15	\$ 25.14	\$ 22.84	
Expansion	Major TPL	Expansion 21 to 44 Male	\$ 25.85	\$ 25.48	\$ 22.96	\$ 25.75	\$ 24.63	\$ 25.51	
Expansion	Major TPL	Expansion 45 to 64 Male/Female	\$ 34.72	\$ 33.70	\$ 27.94	\$ 33.05	\$ 31.41	\$ 33.10	
Non-Expansion	Major TPL	All Rate Cells							\$ 21.09
Expansion	Major TPL	All Rate Cells							\$ 25.89
All Populations	Major TPL	All Rate Cells							\$ 23.36

FY2023 (7/1/22 – 6/30/23)

Final MCO Capitation Rates after CDPS+Rx Risk Adjustment

Table with columns for Population, Region, Rate Cat, and Base Capitation Rate. It is divided into sections for Adults (Ageing, Children, Medicare) and VA Provider. Each section contains multiple rows of data for different MCOs and risk categories.

1. The risk scores above reflect the Non-VA and Major VA populations combined. 2. The risk scores are based on an March 2022 enrollment snapshot.