Milliman Report

Exhibit A-6 – Statewide Medicaid Prepaid Dental Program Financial Commitment Narrative and Template

State of Florida Agency for Health Care Administration

Statewide Medicaid Prepaid Dental Program Invitation to Negotiate

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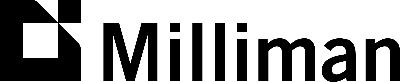


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I. STATEWIDE MEDICAID PREPAID DENTAL PROGRAM FINANCIAL COMMITMENT TEMPLATE OVERVIEW

The purpose of the Statewide Medicaid Managed Care (SMMC) Statewide Medicaid Prepaid Dental Program Financial Commitment Template (“template”) is to assist the Florida Agency for Health Care Administration (Agency) and its consulting actuaries in several areas of the invitation to negotiate (ITN) process for the Statewide Medicaid Prepaid Dental Program. Some of these areas include:

* Identify areas where respondents can provide the most value in the SMMC Dental rate-setting process relative to the historical experience in the current Statewide Medicaid Prepaid Dental Program.
* Receive additional supporting information underlying respondents’ financial commitments.
* Compare future financial commitments across respondents for reasonableness.
* Evaluate the potential impact of economies of scale on commitments based on the expected number of members assigned to an average plan size.
* For respondents currently operating in the Statewide Medicaid Prepaid Dental Program, compare commitments to prior financial results to contextualize future financial commitments.

The information collected in this template will help inform attainable and achievable benchmarks to be implemented and measured in the rate development process for the upcoming contract period. These benchmarks are expected to be committed to by respondents for specified periods of time. This solicitation, including all its addenda, the Agency’s written response to written inquiries, and the successful respondent’s response, including information provided through negotiations, shall be incorporated by reference in the final contract document.

The purpose of this document is to provide respondents with guidance and instructions for completing the template required in Exhibit A-6-a of this solicitation. Respondents must also provide an Actuarial Memorandum and certification describing how the respondent’s financial template responses were developed. Separate instructions and questions to respond to within the Actuarial Memorandum and certification can be found in Exhibit A-6-b.

**TEMPLATE OVERVIEW**

The template focuses on key components of the capitation rate development process that the Agency and its actuaries have identified for potential improvements from the current program. The Agency intends to use the respondents’ template submissions to develop annual achievable commitments in aggregate across contract awardees for the areas listed above for each year of the contract. These commitments will then be included in the development of actuarially sound capitation rates that do not vary by Dental MCO other than for existing mechanisms, such as risk adjustment. Further details regarding this approach by assumption can be found in subsequent sections of this document.

All respondents are required to include three versions of the template with their solicitation response: low membership, medium membership, and high membership. The membership in the template will automatically populate based on a respondent’s selections in the “Instructions and General Inputs” spreadsheet. These variations of the template will provide important information regarding the elasticity of various rate component commitments under different enrollment levels for each respondent and will help facilitate the Agency’s determination of best value.

Respondents will include the following information within their templates:

* Dental administrative expenses
* Dental margin
* Dental expanded benefits

Additional instructions on how to populate each spreadsheet of the template are provided in Section II.

Respondents will also provide support for the information included in the template by providing responses to pre‑determined questions in Exhibit A-6-b. These responses will help the Agency and their actuaries to better understand the methodology used by each respondent to complete the template, ensure consistency of responses across respondents, and ensure the assumptions are reasonable.

The Microsoft Excel-based template is accessible at the following location:

* <https://ahca.myflorida.com/procurements>

**Respondents should review this entire document and the Excel template prior to populating the templates.**

**SMMC DENTAL DATA BOOK**

The Agency posted a data book providing relevant background information that respondents may find useful in the development of their response to this solicitation. The data book consists of a comprehensive set of utilization and cost data consistent with actuarial rate-setting practices and standards. It includes a description of the data sources and all adjustments applied to the data to produce the data book. The data book consists of the following information:

* Statewide Medicaid Managed Care Dental Data Book
  + Cover Letter for SMMC Dental Data Book (dated September 15, 2023)
  + Dental Data Book Narrative and Appendices (dated September 15, 2023)

All data book materials can be accessed in the following location (**Exhibit A-6-c**, Statewide Medicaid Prepaid Dental Data Book):

* <https://ahca.myflorida.com/procurements>

Respondents may consider the information in the SMMC Dental Data Book when developing and completing their templates, but they are not obligated to rely on it. Respondents are not restricted to the data and summaries provided by the Agency for use in preparing the template; however, they are required to complete the template under the low membership, medium membership, and high membership scenarios. Failure to provide the required three templates shall result in the rejection of a response. Respondents are solely responsible for research and preparation of the templates.

**STATEWIDE MEDICAID PREPAID DENTAL PROGRAM STRUCTURE**

The Statewide Medicaid Prepaid Dental Program rate cell structure for RY 24/25 is expected to be consistent with the RY 23/24 rate period with the exception of a potential new rate cell specifically for I-Budget members (to be determined later as program experience emerges).

**SMMC Dental Rate Cells**

The Agency and its consulting actuaries set actuarially sound program capitation rates separately for each of the five mutually exclusive rate cells summarized in Table 1. Refer to the SMMC Dental Data Book for a detailed description of each rate cell. Statewide rates are determined for the Medically Needy rate cells, whereas rates are determined by region for the remaining rate cells.

|  |
| --- |
| **Table 1**  **Statewide Medicaid Managed Care Dental Program**  **Rate Cells** |
| Medicaid Only / Dual Eligible 0-20 |
| Medicaid Only 21+ |
| Dual Eligible 21+ |
| Medically Needy 0-20 |
| Medically Needy 21+ |

**SMMC Rate Regions**

The Agency will restructure the Statewide Medicaid Prepaid Dental Program into nine rate regions, consolidating the current structure of the Statewide Medicaid Prepaid Dental Program which includes 11 rate regions. As part of the new program, current regions 1 and 2 will become region A; current regions 3 and 4 will become region B; and regions 5 through 11 will become regions C through I, respectively. Table 2 reflects the Statewide Medicaid Prepaid Dental Program rate regions and corresponding counties as part of the restructured Statewide Medicaid Prepaid Dental Program.

|  |  |
| --- | --- |
| **Table 2**  **Statewide Medicaid Managed Care Dental Program**  **Rate Regions** | |
| **Rate Region** | **Counties** |
| A | Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Jefferson, Leon, Liberty, Madison, Okaloosa, Santa Rosa, Taylor, Wakulla, Walton, and Washington |
| B | Alachua, Baker, Bradford, Citrus, Clay, Columbia, Dixie, Duval, Flagler, Gilchrist, Hamilton, Hernando, Lafayette, Lake, Levy, Marion, Nassau, Putnam, Sumter, St. Johns, Suwannee, Union, and Volusia |
| C | Pasco and Pinellas |
| D | Hardee, Highlands, Hillsborough, Manatee, and Polk |
| E | Brevard, Orange, Osceola, and Seminole |
| F | Charlotte, Collier, DeSoto, Glades, Hendry, Lee, and Sarasota |
| G | Indian River, Martin, Okeechobee, Palm Beach, and St. Lucie |
| H | Broward |
| I | Miami-Dade and Monroe |

II. GENERAL INSTRUCTIONS

This section provides information around the template file, including general instructions for the population of the file. Please note, technical instructions for the population of the template can be found in the “Instructions and General Inputs” spreadsheet of the Excel template.

**TEMPLATE OVERVIEW AND STRUCTURE**

This section provides an overview of the structure of the template, including each spreadsheet of the template. Further details regarding these spreadsheets are outlined in the next section of this document. The following sheets are included in the template:

* **Instructions and General Inputs**:
  + Respondents will populate several general inputs related to their proposed plan offering. Each of these inputs will determine which sections should or should not be populated on subsequent spreadsheets of the template. Additionally, this spreadsheet outlines the overall instructions for the completion of the template and the tab structure of the template.
* **Plan Membership**:
  + Respondents currently operating in the program should provide historical membership data by calendar year (CY) from CY 2019 through CY 2022 by region and rate cell. This membership is used to aggregate historical results in subsequent spreadsheets within the template.
  + Respondents not currently operating in the program will leave this spreadsheet blank.
* **Administrative Expenses**:
  + Respondents currently operating in the program should provide historical administrative cost data by calendar year from CY 2019 through CY 2022 by region and rate cell split by core functions, case management, administrative costs associated with sub-capitation payments, and value-added (quality improvement services) functions. Note, these amounts (less administrative costs associated with sub‑capitation payments) should align with amounts reported in the Achieved Savings Rebate (ASR) financial data.
  + All respondents should provide projected per member per month (PMPM) administrative costs by rate cell split by core functions, case management, and value-added (quality improvement services) functions for each year of the upcoming contract.
* **Margin**:
  + All respondents should provide proposed margin and expanded benefit commitments as a proportion of the capitation rates for the duration of the upcoming contract.
* **Expanded Benefits**:
  + Respondents currently operating in the Statewide Medicaid Prepaid Dental Program should provide their historical expanded benefit experience by expanded benefit type for CY 2022.
  + All respondents should provide Contract Year 1 projected expanded benefit experience by expanded benefit.
* **Notes**:
  + A blank “Notes” spreadsheet is provided for respondents to use as needed to convey additional information to the Agency not covered by the template.

Respondents must enter a value into each blue shaded cell on all required spreadsheets. Subsequent portions of this document include additional details for each section of the template.

**INSTRUCTIONS AND GENERAL INPUTS**

Respondents will populate several inputs which dictate how the remainder of the template should be populated. This section outlines the various selections for respondents on the “Instructions and General Inputs” sheet. To enhance the comparability across respondents, membership used for future contract years within the template are standardized across respondents based on these inputs. The purpose of this approach is to allow for consistency across respondents, and it is not a reflection of actual membership respondents will enroll if awarded an Statewide Medicaid Prepaid Dental Program contract. The following outlines the key inputs used to determine the necessary information and future membership reflected in the “Instructions and General Inputs” sheet.

**Current SMMC Dental Plans**

Respondents that currently operate in the Statewide Medicaid Prepaid Dental Program are required to populate historical information throughout the template. For respondents that merged with or acquired other plans during the historical period where information should be populated, respondents should report the historical results for the new plan name only, not any information associated with the acquired plan name(s) prior to the acquisition. Respondents not currently operating in the program will not need to provide this information, and the historical information will be grayed out in the template.

**Regions**

Respondents must select the regions reflective of their intended service area. Respondents may select any combination of regions using this section. Note, the regions under this solicitation are different than the current Statewide Medicaid Prepaid Dental Program. Refer to Table 2 for the county mapping for each region.

**Membership Scenario**

Respondents must submit a version of the template for each of three membership scenarios: Low Membership, Medium Membership, and High Membership. These variations of the template will provide important information regarding the elasticity of various rate components under different enrollment levels for each respondent and will help facilitate the Agency’s determination of best value. **Other than selecting the membership scenario, respondents must not vary the other inputs on the “Instructions and General Inputs” sheet between the three versions.** The membership scenario selection will modify the membership allocated in the template to each plan based on the selections outlined previously. Plans should consider the impact this membership allocation has on each of the subsequent aspects of the template and modify the relevant information accordingly.

III. ADJUSTMENT SPECIFIC INSTRUCTIONS

This section provides detailed information around the various components of the template the Agency has selected in order to review each respondent’s ability to provide the best value to the Statewide Medicaid Prepaid Dental Program. The following sections will provide additional information as to how each respondent is expected to populate these components within the template and provides additional insight as to how the template will be used to develop plan commitments. Note, Exhibit A-6-b outlines additional supporting documentation required in the form of an Actuarial Memorandum and certification for each of the adjustments included in this section. This section focuses solely on the population of the template, but respondents are required to provide additional support for the template inputs consistent with the items outlined in Exhibit A-6-b.

**PLAN MEMBERSHIP**

The purpose of the “Plan Membership” spreadsheet is to allow respondents to provide historical member months (if applicable) and standardize a base of member months for respondents throughout the template. Respondents that currently operate in the Statewide Medicaid Prepaid Dental Program should include historical membership information for the CY 2019, CY 2020, CY 2021, and CY 2022 columns of this spreadsheet by rate cell and region based on the member months reported in the year-end ASR financial reports. Historical regions 1 through 11 should be converted to regions A through I for the future contract, using the mapping outlined in Table 2. Each respondent should input actual member months counts for each historical CY. Member months are calculated by taking the number of individuals enrolled and multiplying that sum by the number of months (may be fractional months due to Dental express enrollment) that individual was covered in the given CY.

Respondents should not input the future RY member months on this spreadsheet. These member months are automatically populated based on the inputs selected by the respondent on the “Instructions and General Inputs” spreadsheet of the template. The respondent should review the future RY member months and develop the remaining inputs in this template (i.e., administrative expenses) consistent with expected costs assuming the level of membership associated with these member months is enrolled in the respondent’s plan (e.g., consider any efficiencies based on additional membership under the high membership scenario).

**ADMINISTRATIVE EXPENSES**

The purpose of the administrative expense spreadsheet is to understand historical expenses associated with administering services within the Statewide Medicaid Prepaid Dental Program for managed care plans as well as future administrative expenses that will be required during the upcoming contract.

Respondents should input PMPM administrative costs in the areas shaded in blue for columns applicable to the respondent.

* **All respondents** should enter in values in the blue shaded areas of the contract year 1 (RY 24/25) column and the assumed efficiencies columns relative to RY 24/25 for future contract years. Note, the assumed efficiencies should be input as the percentage change from the prior year. For example, if the respondent assumes they can be 2% more efficient between RY 24/25 and RY 25/26, they should enter 2% as the “Assumed Efficiencies (Relative to RY 24/25).” When populating the projected administrative costs, respondents should consider the membership scenario (i.e., Low, Medium, or High Membership) for potential efficiencies that can be gained due to managing various levels of enrollment.
* **Plans currently participating in the Statewide Medicaid Prepaid Dental Program** should also provide actual historical administrative costs in the blue shaded areas for CY 2019 through CY 2022. The historical administrative costs should reconcile to the year-end ASR financial reports provided to the Agency by the plan.

Respondents should assume the following when completing this spreadsheet. The Agency’s actuaries will adjust these assumptions when considering administrative costs in the rate development for future contract years.

* **Trend:** Respondents should assume 0% annual trend for each of the contract years after RY 24/25. Actuaries will consider trend separately from respondents’ efficiencies in future rate development.
* **Enrollment levels**:Respondent should base administrative costs on the member months provided in the template under each membership scenario across all contract years. Respondents should not assume any changes in either overall enrollment, rate cells, or programs in future contract years. The total administrative costs across all rate cells are automatically aggregated in the template based on the membership calculated from the options selected in the “Instructions and General Inputs” spreadsheet.
* **Programmatic / Contractual Changes**:Respondents should not assume any future programmatic or contractual changes beyond those already in place in the Statewide Medicaid Prepaid Dental Program or included in the Scope of Services in this ITN.

Below are additional instructions to consider as respondents complete this spreadsheet:

* **Efficiencies**:For each contract year, incremental efficiencies relative to the prior contract year should be entered into the spreadsheet.
* **Start-up / Transition Costs**: Any administrative costs related to being a new entrant in the Statewide Medicaid Prepaid Dental Program, entering into a new region, or covering a new rate cell or population should be excluded from any administrative costs entered in this spreadsheet.
* **Allocation of Administrative Costs**:Respondents should allocate administrative costs across rate cells and between the MMA and LTC programs using any information available to the plan to create reasonable allocations.
* **New Value-Based Purchasing (VBP) Contractual Requirements Required as Part of the ITN**:Respondents should exclude any additional administrative costs related to VBP contractual requirements in the ITN that respondents have not already implemented by RY 22/23.

**MARGIN / EXPANDED BENEFITS**

Since the inception of the Statewide Medicaid Prepaid Dental Program, the load for projected margin for dental capitation rates has been 2% of the capitation rates. As part of this solicitation, the Agency is considering modifications to the percentage of margin included in capitation rates for the Statewide Medicaid Prepaid Dental Program. The “Margin” spreadsheet of the template allows for the respondent to input a proposed margin level. The Agency has defined a range of acceptable margin levels for this solicitation varying by program:

* Respondents must input a margin level between 1.5 and 2.0% of the capitation rate. Respondents should not vary this margin level across regions or rate cells within the Dental program.

Any expanded benefits covered by respondents will not be included as part of the SMMC Dental capitation rates. Therefore, expanded benefits are expected to be covered by plans in the Statewide Medicaid Prepaid Dental Program without reimbursement, resulting in an offset to any margin earned by respondents. To understand how these expanded benefits may affect overall plan results, respondents should enter the proposed amount of the margin that a plan is willing to commit to expanded benefits. This amount should not exceed the proposed margin level for the respective program. Additionally, the expanded benefit commitment should align with all other expanded benefit information included in the template and the overall solicitation response from the respondent. The margin net of expanded benefits will calculate automatically within the template based on the inputs for margin and expanded benefits commitments.

Based on a review of templates, the Agency will determine a program-wide margin level for dental capitation rates for each of the future years of the Statewide Medicaid Prepaid Dental Program.

**INDIVIDUAL EXPANDED BENEFITS**

Current SMMC Dental Plans offer various expanded benefits to their Medicaid members. These benefits are services not covered by standard benefits under the Florida Medicaid State Plan, but they are instead funded by Statewide Medicaid Prepaid Dental Program plans outside of the capitation rates (i.e., at the plan’s expense) as part of their contracts with the Agency. Respondents should populate the Expanded Benefits spreadsheet with their proposed expanded benefits for RY 24/25 (Contract Year 1).

Respondents also have the ability to offer additional expanded benefits for the Dental Program. Any additional expanded benefits offered by respondents should be added in the blue shaded area of the “Benefit Description” section, and the appropriate information should then be completed on that row. Below are additional instructions on completing this section:

* **All respondents** should enter in values in the blue shaded areas for the “Benefit Description,” “Covered” and “Contract Year 1, RY 24/25 (Expected)” sections.
  + Respondents should indicate whether they intend to cover the list of expanded benefits pre-populated in the “Benefit Description” column by choosing “Yes” or “No” in the “Covered?” column.
  + Respondents should populate the list of additional expanded benefits (if necessary) beyond those pre‑populated in the “Benefit Description” column and enter “Yes” in the “Covered?” column.
  + All respondents should provide projected utilization and PMPM cost information by expanded benefit. Respondents should populate the Contract Year 1, RY 24/25 (Expected) utilization per 1,000 and cost PMPM amounts in column I and J, respectively. Respondents are expected to populate these columns for any expanded benefit with a “Yes” in the “Covered?” column.
* **Plans currently participating in the Statewide Medicaid Prepaid Dental Program** should also enter in values in the “Calendar Year 2022 (Actual)” section.
  + For each expanded benefit listed, respondents should indicate whether they intend to cover the list of expanded benefits pre-populated in the “Benefit Description” column by choosing “Yes” or “No” in the “Covered?” column.
    - Expanded benefits offered during CY 2022 should each be listed, even if the respondent does not intend to cover that expanded benefit under the new contract.
    - If the respondent selects “Yes,” respondents should also enter in the information in the “Contract Year 1, RY 24/25 (Expected)” section.
    - If the respondent selects “No,” the “Contract Year 1, RY 24/25 (Expected)” section should be left blank.
  + Respondents should provide CY 2022 utilization per 1,000 and cost PMPM amounts by expanded benefit in the “Calendar Year 2022 (Actual)” section (regardless of the selection in the “Covered?” section) unless the benefit will be newly covered in RY 24/25.
    - The costs PMPM by benefit and in aggregate should align with the amounts reported in the Statewide Medicaid Prepaid Dental Program ASR financial reports.

To assist respondents in understanding the historical costs associated with various expanded benefits, the data book includes Exhibit D-3 to reflect historical Statewide Medicaid Prepaid Dental Program expanded benefit PMPMs for adults.

IV. CAVEATS AND LIMITATIONS

We prepared this report and the respective exhibits for the specific purpose of assisting the Agency in analyzing financial commitments made by respondents in association with the ITN process under the Statewide Medicaid Prepaid Dental Program pursuant to Sections 409.961 through 409.985, Florida Statutes. This report may not be appropriate, and should not be used, for other purposes.

This report and the respective exhibits are intended solely for the benefit of the Agency. We understand that this material will be shared publicly by the Agency, and we recognize that materials delivered to the Agency may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, parties other than the Agency who receive this work. This material should only be distributed and reviewed in its entirety.

In preparing this material, we relied on several sources of data and information from Statewide Medicaid Prepaid Dental Program plans, the Agency, and other sources. Those data sources and information include Agency eligibility data and other supporting information from the Agency and plans. We relied on the Agency for the accuracy of the eligibility data and other supporting information. **We did not audit any of the data sources or other information**, but we did assess the data and information for reasonableness. If the data or other information used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

Milliman has developed the template. The intent of the model is to aid in the review of financial commitments proposed by respondents. We have reviewed this model, including its inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output, may not be appropriate for any other purpose.

Future SMMC plan experience will differ from the contents of the template due to health care trend, managed care efficiency, provider reimbursement changes, enrollment demographic changes, the impact of the COVID-19 pandemic, and many other factors. The template does not reflect projections of future costs.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Andrew Gaffner and Evan Pollock are actuaries at Milliman, are members of the American Academy of Actuaries, and meet the Qualification Standards of the Academy to render the actuarial communication contained herein. To the best of our knowledge and belief, this communication is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

This communication is subject to the terms and conditions of the October 12, 2021 contract between the Agency and Milliman.

EXHIBIT A-6-A

Statewide Medicaid Prepaid Dental Program Financial Commitment Template

(Provided in Excel)

EXHIBIT A-6-B

Statewide Medicaid Prepaid Dental Program Financial Commitment Supporting Documentation

EXHIBIT A-6-C

Statewide Medicaid Managed Care Dental Program Data Book

For more information about Milliman, please visit us at:

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