ACAP 2021 Actuarial Soundness/Rate Setting Survey
30 ACAP plans responded from 17 states.

Focused on rate-setting issues during the COVID-19 pandemic, state general rate-setting practices, and payment for COVID-19 vaccine administration by plans or states.

ACAP worked with respondent plans and state Medicaid plan associations to clarify conflicting responses from same states.
Has your state reduced MCO rates during the COVID-19 pandemic?

- 16 plans from 8 states answered yes.
- 14 plans from 12 states answered no.
Reductions varied across plans, even within the same state; for example, New York and California.

Most reductions occurred from July 2019 to December 2020.

Some respondents reported rate increases during 2021.
If yes, did state rate reductions to health plans result in the plan taking any action (such as hiring freezes, scaling back SDOH or other programming, etc.)?

Nine plans did not take action in response to rate reductions.

Three plans implemented hiring freezes and one plan delayed hiring for non-essential positions.
If your state reduced rates, did it do so retroactively?

- 12 plans from 4 states answered yes.
- 5 plans from 5 states answered no.
Has your state implemented a risk corridor during the pandemic?

- 20 plans from 10 states answered yes.
- 9 plans from 7 states answered no.

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<tr>
<th>ANSWER CHOICES</th>
<th>RESPONSES</th>
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<tbody>
<tr>
<td>Yes</td>
<td>68.97%</td>
</tr>
<tr>
<td>No</td>
<td>31.03%</td>
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<td>TOTAL</td>
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Has your plan modified provider rates as a result of the COVID-19 pandemic?

<table>
<thead>
<tr>
<th>ANSWER CHOICES</th>
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<tbody>
<tr>
<td>Yes</td>
<td>43.33%</td>
</tr>
<tr>
<td>No</td>
<td>56.67%</td>
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<tr>
<td>TOTAL</td>
<td></td>
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If yes, has your plan:

<table>
<thead>
<tr>
<th>ANSWER CHOICES</th>
<th>RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased provider rates.</td>
<td>100.00% 13</td>
</tr>
<tr>
<td>Decreased provider rates.</td>
<td>0.00% 0</td>
</tr>
<tr>
<td>Both increased and decreased provider rates, depending on providers.</td>
<td>0.00% 0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13</td>
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</table>
Most plans reported increasing provider rates, with increases ranging from 5-30% across several service types (mental health, primary care, specialists, community health, for example).

- Most are temporary increases.

One plan reported increasing rates to capitated providers 5% in capitation rates to health networks to offset risk uncertainty.
Has your state modified MCO rates to account for an increase in telehealth services during the COVID-19 pandemic?

- 2 plans that answered yes: North Carolina and New York.
- 27 plans from 16 states answered no.
If yes, please provide details on modified MCO rates taking into account an increase in telehealth services.

**States that modified MCO rates**

- One plan reported that increased reimbursements of $60 PMPM were given to providers practicing telehealth using the additional funding given to states for COVID relief.
- One plan reported adjustments account for decreases in utilization and cost per visit in telehealth (lower rates than in-person service), which led to reductions in MCO rates.

**Plan experiences in states that didn’t modify MCO rates**

- One plan reported that their state made adjustments in CY2021 rates to account for COVID-19’s impact on MCO costs based on several factors, potentially including telehealth.
- Although their state did not adjust rates, one plan advanced money to cover anticipated lost revenues for contracted behavioral health providers and made payments to community health centers and blind/disabled population programs. They also provided Primary Care Capitation Support Fees.
- One plan whose state didn’t adjust rates stated that the increase in telehealth expenses were offset by reduced utilization.
On a scale of 1 (least transparent) to 10 (most transparent), how transparent do you feel your state’s rate setting process is?
Has your state done any of the following? Please check the boxes that apply.

- Implemented health plan rate reductions based solely on budgetary considerations without other clear justification.
- Reduced health plan rates that were previously approved by state or a state-contracted actuary.
- Used efficiency factors based on less-than-transparent data.
- Allowed the efficiency factors to be benchmarked to any current plan.
- Carved in new services and used questionable offsetting reductions to eliminate increases in rates.
- Set efficiency factors that were not realistic or achievable by any plan in state.
- Carved in new services with questionable/not transparent rates.
Please tell us about your state’s general rate-setting process. Please check the boxes that apply.

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Your state discloses information sufficient for your plan to replicate rate calculations.</td>
<td>10</td>
</tr>
<tr>
<td>Your state releases rate tables in advance of contract negotiations.</td>
<td>10</td>
</tr>
<tr>
<td>Your state or state-contracted actuary meets with plans to discuss assumptions in the rates.</td>
<td>20</td>
</tr>
<tr>
<td>Your state uses a competitive bid process for the rates.</td>
<td>20</td>
</tr>
<tr>
<td>Your state publishes the actuarially-sound rate bands in advance /as part of the bidding process.</td>
<td>10</td>
</tr>
<tr>
<td>Your state establishes rates for multiple years. If multi-year, please describe number of years and the basis (e.g., trend factor) for subsequent year rates.</td>
<td>0</td>
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</table>
Have you approached your state with questions concerning actuarial soundness?

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<tr>
<th>ANSWER CHOICES</th>
<th>RESPONSES</th>
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<tbody>
<tr>
<td>Yes</td>
<td>75.00%</td>
</tr>
<tr>
<td>No</td>
<td>25.00%</td>
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<tr>
<td>TOTAL</td>
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Are there certain populations for which rates have generally been inadequate or not actuarially sound?

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<th>ANSWER CHOICES</th>
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<tr>
<td>Yes</td>
<td>60.71%</td>
</tr>
<tr>
<td>No</td>
<td>39.29%</td>
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<td>TOTAL</td>
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If you answered yes, please provide additional available details below, including the populations for which your state’s rates are not adequate or actuarially sound.

### Services
- Pharmacy/Single PDL
- Private duty nurse services
- Dental services

### Populations
- HIV positive people
- People experiencing chronic homelessness
- Blood cancer patients
- Patients with SUD
- Children with serious chronic health conditions (some genetic) and children with special needs
- Skilled nursing facility residents
- SSI/SSDI recipients
- Medicaid expansion population
- Managed Long-term Care patients
- Seniors and persons with disabilities
- People in the Medical Assistance under 65 program
- Low-income persons with income exceeding Medicaid income criteria (prior to ACA levels)
- Transgender HIV negative persons
- Persons requiring some specialty/high-cost drugs
- Skilled nursing facility residents
- Low-income persons with income exceeding Medicaid income criteria (prior to ACA levels)
Does your state put certain amounts of your capitation payment at risk, or provide a bonus related to quality or another aspect of your service?

- 20 plans from 13 states answered yes.
- 8 plans from 3 states answered no.
If your state does any of the following, please check the boxes that apply.

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<thead>
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<tbody>
<tr>
<td>Your state withholds the amounts from regular capitation payments and requires</td>
<td>60.00%</td>
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<tr>
<td>the plan to earn back the withhold.</td>
<td>12</td>
</tr>
<tr>
<td>Your state provides the funds initially and recoups them (or reduces future</td>
<td>30.00%</td>
</tr>
<tr>
<td>rates) if targets are not reached.</td>
<td>6</td>
</tr>
<tr>
<td>Your state pays the amounts as a bonus above regular capitation payments after</td>
<td>30.00%</td>
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<tr>
<td>plan performance is measured.</td>
<td>6</td>
</tr>
<tr>
<td>Total Respondents: 20</td>
<td></td>
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</table>
Are performance-based rate components (whether withheld/earned, recouped, or paid as a bonus) included within the actuarially-sound rates?

- 13 plans from 10 states answered yes.
- 14 plans from 8 states answered no.
How much of your rates are at risk/provided as a bonus?
Does your state pay rates that are as low as actuarial soundness requirements will allow?

- 22 plans from 10 states answered yes.
- 4 plans from 3 states answered no.
Responding plans shared their experiences with states regarding actuarial soundness:

- Ten plans reported that typically their states have used the lowest rate.
- Two plans reported that their states have been transparent about keeping plans at the low end of the range for budgetary reasons.
- One plan reported that it was not typical for their state to use the lowest rate, with CY2021 as the exception.
- One plan responded they were unable to determine the actuarial soundness of rates because of unprofitability in Medicaid rates, and one plan said their state did not release rate ranges.
Does your state include social risk factors in its risk-adjustment methodology?

- 4 plans from 4 states answered yes.
- 22 plans from 11 states answered no.
If yes, has the inclusion of social risk factors improved the accuracy of your risk-adjusted payments?

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<tbody>
<tr>
<td>Yes</td>
<td>75.00%</td>
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<tr>
<td>No</td>
<td>25.00%</td>
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<td>TOTAL</td>
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Please provide additional available details about the use of social risk factors in your risk adjustment methodology.

Factors Used in Risk Adjustment

- Homelessness (multiple plans listed this)
- Obesity
- Other socioeconomic factors
- Demographic data (used in population acuity adjustments alongside clinical factors)

Limitations Reported by Plans

- Low usage of Z-codes by providers
- Lack of historical data to use as evidence
On a scale of 1 (very low) to 10 (very high), how high among your plan’s advocacy priorities is rate-setting and actuarial soundness?
Survey Questions Related to COVID-19 Vaccinations
Does your plan pay for administration of the COVID-19 vaccine for your enrollees?

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Yes</td>
<td>55.56%</td>
</tr>
<tr>
<td>No</td>
<td>44.44%</td>
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<td>TOTAL</td>
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</table>
If yes, please check the box that applies.

<table>
<thead>
<tr>
<th>ANSWER CHOICES</th>
<th>RESPONSES</th>
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</thead>
<tbody>
<tr>
<td>Your state reimburses your plan for expenditures related to COVID-19 vaccine administration.</td>
<td>46.67% 7</td>
</tr>
<tr>
<td>Your plan does not receive reimbursement for expenditures related to COVID-19 vaccine administration.</td>
<td>53.33% 8</td>
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Total Respondents: 15
Does your state pay directly for vaccine administration?

<table>
<thead>
<tr>
<th>ANSWER CHOICES</th>
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<tbody>
<tr>
<td>Yes</td>
<td>41.67%</td>
</tr>
<tr>
<td>No</td>
<td>58.33%</td>
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<td>TOTAL</td>
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</table>
If yes, does your state provide your plan with data regarding enrollees who have been vaccinated?

- Yes: 30.77% (4 responses)
- No: 69.23% (9 responses)

Total: 13 responses
Has your state issued guidance or set a benchmark rate for vaccine administration?

- 12 plans from 9 states answered yes.
- 12 plans from 6 states answered no.
Consistency in Rates

- Most plans reported payment rates of around based on the Medicare rate.
- One plan reported having differing prices for the first and second doses of the Pfizer/Moderna vaccines.

If yes, what is the benchmark rate?

Majority of plans reported a benchmark rate of $40
ACAP Plan Financial Data
ACAP Distribution of Revenue Compared to Other Plan Types, 2020

Data Source: SPGMI
*Data as of May 27, 2021
All data are unweighted
Medical Loss Ratio: ACAP Plans vs. Other Types of Plans

MLR Comparison

- All Plans
- ACAP Plans
- Non-ACAP Private Plans
- Non-ACAP Public, Pure Play
- Non-ACAP Public, Diversified
Administrative Loss Ratio: ACAP Plans vs. Other Types of Plans

ALR Comparison

- All Plans
- ACAP Plans
- Non-ACAP Private Plans
- Non-ACAP Public, Pure Play
- Non-ACAP, Public Diversified

Comparison values:
- ACAP Plans: 13.37%, 13.36%
- Non-ACAP Private Plans: 13.37%, 11.39%
- Non-ACAP Public, Pure Play: 11.39%
- Non-ACAP, Public Diversified: 11.95%
- All Plans: 12.48%
Medicaid Underwriting Ratio: ACAP Plans vs. Other Plan Types

UW Ratio Comparison

- All Plans
- ACAP Plans
- Non-ACAP Private Plans
- Non-ACAP Public, Pure Play
- Non-ACAP Public, Diversified

Yearly statistics for each category are shown from 2010 to 2020.
Risk-Based Capital: ACAP Plans vs. Other Plan Types

RBC Comparison

- All Plans
- ACAP Plans
- Non-ACAP Private Plans
- Non-ACAP Public, Pure Play
- Non-ACAP Public, Diversified