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September 18, 2017

Mr. Chad Lillethun
Bureau of Fiscal Management
Division of Medicaid Services
Wisconsin Department of Health Services
One West Wilson Street
P.O. Box 309
Madison, WI 53701-0309

Re: July 1, 2017 – June 30, 2018 Rate Calculation and Certification – Children Come First and Wraparound Milwaukee Programs

Dear Chad:

Thank you for the opportunity to assist the Wisconsin Department of Health Services (DHS) with this important project. The attached report summarizes the development and actuarial certification of the July 1, 2017 – June 30, 2018 (State Fiscal Year 2018) capitation rates for the Children Come First and Wraparound Milwaukee integrated service programs. We understand DHS will retroactively apply these rates to the entire SFY 2018 period to replace the SFY 2017 rates temporarily extended through September 2017.



Please call Jill Brostowitz at 262 641 3561 or me at 262 796 3482 if you have questions.

Sincerely,

Shelly S. Brandel, FSA, MAAA
Principal and Consulting Actuary

SSB/laa

Attachment



**State of Wisconsin
Department of Health Services
July 1, 2017 – June 30, 2018
Capitation Rate Development for
Children Come First and Wraparound Milwaukee Programs**

Prepared for:
**The State of Wisconsin
Department of Health Services**

Prepared by:
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CAPITATION RATE DEVELOPMENT EXHIBITS

- Exhibit 1a: CCF SFY 2018 Capitation Rate Development
- Exhibit 1b: WAM SFY 2018 Capitation Rate Development
- Exhibit 2a: CCF Base Period Data Summary
- Exhibit 2b: WAM Base Period Data Summary
- Exhibit 3: Residential Care Center Medicaid Covered Calculation

APPENDICES

- Appendix A Actuarial Certification of the July 1, 2017 – June 30, 2018 Children Come First and Wraparound Milwaukee Capitation Rates

I. SUMMARY AND DISCUSSION OF RESULTS

This report documents the development of July 2017 – June 2018 (State Fiscal Year (SFY) 2018) capitation rates for Wisconsin’s Children Come First (CCF) and Wraparound Milwaukee (WAM) programs.

The Wisconsin Department of Health Services (DHS) retained Milliman to develop, document, and certify the SFY 2018 capitation rates for the CCF and WAM programs. Milliman developed the proposed capitation rates using the methodology described in this report. Milliman’s role is to certify the SFY 2018 capitation rates are actuarially sound and comply with Centers for Medicare and Medicaid Services (CMS) regulations.

Exhibits 1a through 2b document the development of the SFY 2018 capitation rates with supporting data. Appendix A contains our actuarial certification.

Section I provides a short background regarding the CCF and WAM programs and summarizes the proposed SFY 2018 capitation rates.

Section II documents the CCF and WAM capitation rate methodology.

Section III discusses issues related to the CMS rate setting checklist.

Section IV discusses issues related to the CMS Managed Care Rate Development Guide.

We provided a rate certification dated August 10, 2017 to temporarily extend the July 2016 – June 2017 (SFY 2017) rates through September 2017 with the intent of retroactively adjusting the capitation rates for SFY 2018 once the rates were developed and approved by CMS. DHS will retroactively adjust capitation rates for the period July 2017 through September 2017 to be consistent with the capitation rates included in this report.

SFY 2018 CAPITATION RATES

Table 1 summarizes the SFY 2018 capitation rates compared to the SFY 2017 capitation rates.

| Table 1 State of Wisconsin Department of Health Services Children Come First and Wraparound Milwaukee Programs SFY 2018 Monthly Capitation Rate Summary (July 2017 – June 2018) | | | | | |
|--|----------------------|--------------------------------------|----------------------|--------------------------------------|-------------|
| Program | SFY 2018 | | SFY 2017 | | Rate Change |
| | Capitation Rate PMPM | Capitation Rate per Day ¹ | Capitation Rate PMPM | Capitation Rate per Day ¹ | |
| CCF Dane | \$2,057.30 | \$67.64 | \$2,127.19 | \$69.94 | -3.3% |
| Wraparound Milwaukee | \$2,114.22 | \$69.51 | \$2,015.78 | \$66.27 | 4.9% |

¹Daily capitation rate is calculated as the monthly capitation rate divided by the average number of days per month (365/12). DHS pays a pro-rated capitation rate for individuals enrolled for a partial month.

Table 2 summarizes the capitation rate changes by component:

Table 2
State of Wisconsin Department of Health Services
Children Come First and Wraparound Milwaukee Programs
Summary of PMPM Capitation Rate Changes by Rate Component

| Contract Period | Children Come First | | | Wraparound Milwaukee | | |
|-----------------|---------------------|-----------------------------------|-----------------------|----------------------|-----------------------------------|-----------------------|
| | Projected Claims | Projected Administrative Expenses | Total Capitation Rate | Projected Claims | Projected Administrative Expenses | Total Capitation Rate |
| SFY 2018 | \$1,806.45 | \$250.85 | \$2,057.30 | \$1,914.32 | \$199.91 | \$2,114.22 |
| SFY 2017 | \$1,869.96 | \$257.23 | \$2,127.19 | \$1,850.20 | \$165.58 | \$2,015.78 |
| Change | -3.4% | -2.5% | -3.3% | 3.5% | 20.7% | 4.9% |

The CCF capitation rate decreased by 3.3% relative to the SFY 2017 rates. This decrease is driven by changes in the base period experience, and specifically decreases in Residential Care Center (RCC) claims. We also made the following updates to the definition of covered versus non-covered Medicaid services as shown in Exhibit 2a based on a detailed review by DHS of Medicaid covered services:

- Included Inpatient AODA Hospitalization as a covered service, however, no Medicaid eligible members incurred these services in the base period.
- Excluded Behavior Management Services and Consultation with Other Professionals, since they were determined to be non-covered Medicaid services. This change lowered the CCF SFY 2018 rates by about 2.2%.

The WAM capitation rate increased by 4.9% between SFY 2017 and SFY 2018. This is driven by increases in both the projected claims and projected administrative expenses. WAM reported higher administrative costs compared to their previous financial reporting submission. We understand the main drivers of the higher administrative expenses are the inclusion of staff fringe benefits, previously excluded from their financial reporting data, and a large increase in indirect expense allocations from the Milwaukee County Behavior Health Division.

Consistent with the 2017 rate development, DHS collected base period financial data from CCF and WAM to validate the base period encounter data and analyze historical administrative expenses. Based on a comparison of the claims reported in the financial data and the encounter paid amounts, we determined the encounter paid amounts were appropriate to use for rate setting.

PROGRAM BACKGROUND

CCF and WAM provide mental health and substance abuse services to Severely Emotionally Disturbed (SED) children. Children remain eligible to enroll through age 19. Enrolled children are expected to be at imminent risk of admission to a psychiatric hospital or face placement into a RCC or juvenile correctional facility. They may not be residing in a nursing home or psychiatric facility at the time of enrollment. Services must be determined to be necessary by the child and family treatment team to facilitate the maximum reduction of the recipient's disability and to restore the highest possible functional level.

Geographic Area

The CCF program covers eligible beneficiaries in Dane County. The WAM program covers eligible beneficiaries in Milwaukee County. We understand WAM may expand to additional surrounding counties based on its contract with DHS. Since no credible base data is available for the expansion area and DHS believes the participant profile to be consistent with the current covered population, DHS will pay the WAM capitation rate based on Milwaukee County experience data for all expansion counties (if expansion occurs) until credible base data becomes available.

Covered Services

All services must meet the requirements for covered services as described in the Wisconsin Medicaid State Plan, Medicaid publications and HFS 107.13 Wis. Adm. Code. The service categories included in the encounter data used for rate setting are summarized in Exhibit 2. The 'covered service adjustment' column in Exhibit 2 adjusts for partially covered or non-covered services.

Starting in July 2013, Peer Specialist services can be covered in lieu of other state plan services such as crisis stabilizer, therapy, or institutional placement. CCF had no Peer Specialist services in the base experience. WAM reported Peer Specialist claims of \$0 in CY 2015 and \$3,261 in CY 2015.

WAM utilizes certified Peer Specialist providers as a cost-effective substitute for other more expensive types of providers providing the same services to WAM members. Peer Specialists are reimbursed at a fee of \$13.97 per 15 minutes while providers with higher degrees (e.g., registered nurses and providers with a Bachelor's degree, Master's degree, or Ph.D.) are paid between \$21.43 and \$40 per 15 minute increment.

DATA RELIANCE AND IMPORTANT CAVEATS

This report is intended for the internal use of DHS to develop SFY 2018 CCF and WAM capitation rates. It may not be appropriate for other purposes. We anticipate the report will be shared with CMS, CCF and WAM, and other interested parties. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. It should only be distributed and reviewed in its entirety.

We used CCF and WAM eligibility data, encounter data, and financial data provided by DHS to calculate the capitation rates shown in this report. We did not audit the encounter data provided by DHS, but we validated the data based on a comparison of paid claims in the encounter data to the reported claims in the CCF and WAM financial data. If the underlying data used is inaccurate or incomplete, the results will be likewise inaccurate or incomplete.

Differences between the capitation rates and actual experience will depend on the extent to which future experience conforms to the assumptions made in the capitation rate calculations. It is certain that actual experience will not conform exactly to the assumptions used. Actual amounts will differ from projected amounts to the extent actual experience is better or worse than expected.

The results of this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Shelly Brandel is a Principal and Consulting Actuary for Milliman, a member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinion contained herein.

The terms of Milliman's contract with DHS effective on January 1, 2015 apply to this report and its use.

II. CAPITATION RATE METHODOLOGY

This section of the report describes the development of the SFY 2018 CCF and WAM capitation rates.

METHODOLOGY OVERVIEW

Exhibits 1 and 2 summarize the development of the SFY 2018 CCF and WAM capitation rates. The methodology used to calculate the capitation rates can be outlined in the following steps:

1. Summarize base period encounter data
2. Project base period experience to SFY 2018
3. Add administrative expenses allowance to calculate the final SFY 2018 capitation rates

Step 1: Summarize Base Period Encounter Data

The SFY 2018 CCF and WAM capitation rates are based on detailed encounter data for services provided from July 2013 to June 2016 (SFY 2014 through SFY 2016) and calendar years (CY) 2014 to 2015, respectively, along with monthly capitation data. The WAM rates were developed based on January 1, 2014 through December 31, 2015 experience to be consistent with their calendar year financial reporting data. The CCF rates were developed based on July 1, 2013 through June 30, 2016 experience consistent with financial reporting from CCF. The SFY 2017 rate for both WAM and CCF were developed based on July 1, 2012 through June 30, 2015 experience. We are comfortable with using two years of experience for WAM since the membership is credible. We use three years of base data experience for the CCF rates since the membership is fairly small, and the use of multiple years of base data minimizes the impact of random claims fluctuation.

Exhibits 2a and 2b show the total base period encounter claims by service category for CCF and WAM, respectively. We used supplemental data for the CCF case management claim amounts, since these services are performed by CCF staff and therefore no paid amount was available in the encounter data. CCF calculated the experience amounts for each SFY using minutes tracked for the visits and the current hourly Medicaid rate of \$25.32. This hourly rate is not anticipated to change for SFY 2018.

Note: Care Coordination and Case Management services are listed as covered services under the WAM and CCF contracts with DHS and are included in the encounter data submitted by WAM and CCF. Therefore, these services are treated as medical expenses for purposes of rate development and are excluded from administrative expenses.

The total member months are based on capitation payment information from DHS. We applied an adjustment to the total member months to account for partial month enrollment using the ratio of member days to member months. Individual capitation payments for both programs are adjusted for each month to reflect the proportion of the month the individual is enrolled. For example, if an individual were enrolled for half the month, the capitation payment for that month would be reduced by 50%. We adjusted the member months in the base period to reflect the average proportion of covered days within the month as shown in Table 3.

Table 3
State of Wisconsin Department of Health Services
Children Come First and Wraparound Milwaukee Programs
Member Month Adjustments

| Children Come First | | | |
|---|-----------------|-----------------|-----------------|
| | SFY 2014 | SFY 2015 | SFY 2016 |
| Total Covered Days (A) | 40,395 | 46,366 | 48,388 |
| Total Member Months (B) | 1,393 | 1,590 | 1,642 |
| Partial Day Adjustment (C) = (A) / (365/12) / (B) | 0.953 | 0.959 | 0.969 |
| Adjusted Member Months (D) = (B) x (C) | 1,328 | 1,524 | 1,591 |
| Wraparound Milwaukee | | | |
| | CY 2014 | | CY 2015 |
| Total Covered Days (A) | 362,312 | | 398,848 |
| Total Member Months (B) | 12,242 | | 13,465 |
| Partial Day Adjustment (C) = (A) / (365/12) / (B) | 0.973 | | 0.974 |
| Adjusted Member Months (D) = (B) x (C) | 11,912 | | 13,113 |

Step 2: Project Base Period Experience to SFY 2018

We summarized the base period experience and projection factors for each fiscal year in Exhibits 2a and 2b. The encounter data did not include any paid dates, however CCF and WAM confirmed all base encounter claims had been submitted. Therefore, we did not apply any adjustment for incurred but not reported (IBNR) claims.

As shown in Exhibits 2a and 2b, we applied the following adjustments to the base experience to project SFY 2018 claims PMPM separately for each twelve month experience period.

- *Covered Service Adjustment:* We applied covered service adjustments to the following service categories:
 - RCC and Treatment Foster Home (TFH): The paid amounts for RCC and TFH claims include costs for non-Medicaid covered services such as room and board and certain educational services. We understand CCF and WAM reimburse RCCs on a per diem basis. As a result, the detailed accounting of expenses for room and board versus other services is not used for payment and is not included in the invoices submitted by RCCs. Therefore, CCF and WAM are unable to allocate their reported expenses for these categories into covered and non-covered expenses.

We estimated 46.8% of total 2014 RCC costs were related to Medicaid services covered by the CCF and WAM capitation payments. RCCs are required to submit financial reports to the State. DHS provided 2014 reports for each RCC which we used to allocate RCC costs into covered and non-covered services. Exhibit 3 contains a summary of the reported RCC costs by category and an indicator for whether each service was assumed to be covered or not covered by the capitation rate. This exhibit also shows the calculation of the RCC covered services adjustment factor.

DHS did not have access to similar financial reporting data for TFH providers, but we determined it was reasonable to assume the distribution of covered and non-covered services would be similar for RCC and TFH providers through discussion with DHS. Therefore, we applied the same 46.8% adjustment to TFH claims. These assumptions are the same as the SFY 2017 rate development (using 2014 RCC costs) since DHS did not have updated 2015 RCC financial data available for analysis.

- In-Home Treatment: A portion of the CCF In-Home Treatment encounters are related to transportation, which is not a CCF covered service. CCF provided supplemental financial data we used to calculate the covered service adjustments applied to remove the transportation costs (the adjustments vary by year and range from 0.610 to 0.653).
 - Specialty Therapy: We excluded the portion of CCF Specialty Therapy claims that CCF indicated were related to non-covered services (the adjustments range from 0.321 to 0.562).
 - Behavior Management Services and Consultation with Other Professionals: We removed these CCF claims, which were determined to be non-covered services.
 - Other Non-covered Services: We removed other non-covered services from the base period data for CCF and WAM. DHS removed these CCF claims prior to providing the SFY 2014 and SFY 2015 encounter data to us. As a result, CCF claims for other non-covered services are only shown in Exhibit 2a for SFY 2016.
- *Eligible Member Adjustment:*
 - Plans are not responsible for claims incurred during months where members were ineligible or were eligible retrospectively. Therefore, we removed claims for ineligible members from the base period data. We matched the service date from the encounter data to the monthly capitation payment files. If we could not find a matching capitation payment record for the month of service, the claim was excluded from the analysis. Using this method, we excluded 1.6% to 3.4% of total paid claims from each base experience year.
 - *Trend Adjustment:*
 - The average CCF historical annual claim PMPM trend from SFY 2014 to SFY 2016 was 0.3%, which fluctuated from a 10.0% increase from SFY 2015 to SFY 2016 to an 8.6% decrease from SFY 2014 to SFY 2015. The WAM historical annual claim PMPM trend (using the adjusted base claims PMPM) from CY 2014 to CY 2015 was -5.3%. WAM's 2016 financial data indicates a slightly positive claims PMPM trend of 0.1% between 2015 and 2016 for covered services. We did not consider the historical trends for either program to be reasonable to use for the prospective trend assumption given the large fluctuation in historical trends for CCF and negative historical trends for WAM. The WAM negative historical trend is driven by a decrease in the RCC encounters.
 - We trended the base period experience for each year to SFY 2018 using an assumed annual trend of 2.0% per year. The 2016 Actuarial Report on the Financial Outlook for Medicaid published by the Department of Health and Human Services indicates projected annual expenditures for children will increase between 2% and 5% from fiscal year 2015 to fiscal year 2019 (refer to Table 19 of the report). We assumed the annual trends would be on the lower range of trends from this report, particularly since we are not projecting any unit cost changes between the base period and contract period.

The annual trend is applied from the midpoint of each base period (i.e., January 1, 2014 for SFY 2014 and July 1, 2014 for CY 2014) to the midpoint of the contract period (January 1, 2018).

- DHS confirmed there were no material fee schedule changes during the experience period or anticipated to occur between the experience period and the rating period, so the assumed trend excludes fee schedule changes.

We projected the final SFY 2018 claims PMPM by weighting the projected SFY 2018 claims PMPM from each experience period by the adjusted member months from each base period. This calculation is shown in Exhibits 1a and 1b.

Step 3: Add Administrative Expense Allowance

We developed the SFY 2018 administrative expense allowance PMPM based on the historical administrative expenses reported by CCF and WAM, projected to SFY 2018.

Tables 4a and 4b summarize the development of the CCF and WAM administrative expense allowance. The administrative cost allowance is based on the weighted average administrative costs for Medicaid covered services from the financial data for each program. We did not trend the administrative expense PMPM from the experience period results for either program since the historical PMPM was fairly consistent for each year.

| Table 4a State of Wisconsin Department of Health Services Children Come First (CCF) Program Summary of Historical Administrative Costs PMPM | | | | | |
|--|---|-----------|-------------|---------------|--------------------------|
| Year | Administrative Expense for Medicaid Covered Services ¹ | | | Member Months | Administrative Cost PMPM |
| | Direct | Indirect | Total | | |
| SFY 2014 | \$55,268 | \$278,699 | \$333,967 | 1,328 | \$251.48 |
| SFY 2015 | \$54,232 | \$330,612 | \$384,844 | 1,524 | \$252.52 |
| SFY 2016 | \$53,168 | \$342,545 | \$395,713 | 1,591 | \$248.72 |
| Total SFY 2014-2016 | \$162,668 | \$951,856 | \$1,114,524 | 4,443 | \$250.85 |

¹Total administrative expenses allocated between covered and non-covered services based on the distribution of medical claims

Table 4b
State of Wisconsin Department of Health Services
Wraparound Milwaukee Program
Summary of Historical Administrative Costs PMPM

| Year | Administrative Expense | | | Member Months | Medicaid Covered Administrative Cost PMPM |
|--------------------|------------------------|---------------------------------|-------------|---------------|---|
| | Total | Covered Percentage ¹ | Covered | | |
| CY 2014 | \$4,978,618 | 47.3% | \$2,354,049 | 11,912 | \$197.63 |
| CY 2015 | \$5,450,016 | 48.6% | \$2,650,573 | 13,113 | \$202.14 |
| Total CY 2014-2015 | \$10,428,634 | 48.0% | \$5,002,593 | 25,024 | \$199.91 |

¹Total administrative expenses allocated between covered and non-covered services based on the distribution of medical claims

Care coordination and case management services are included in claims expense rather than administrative expense since they are considered covered benefits under the CCF and WAM contracts. There is no explicit provision for profit margin, since CCF and WAM are county programs. There are no taxes, fees, or assessments in the administrative expense.

The SFY 2018 capitation rate PMPM for each program is the projected SFY 2018 claims PMPM plus the projected SFY 2018 administrative expense PMPM as shown in Exhibits 1a and 1b.

III. CMS RATE SETTING CHECKLIST

This section of the report lists each item in the CMS checklist and either discusses how DHS addresses each issue or directs the reader to other parts of this report. CMS uses the rate setting checklist to review and approve a state's Medicaid capitation rates.

AA.1.0 – OVERVIEW OF RATE SETTING METHODOLOGY

We developed the CCF and WAM capitation rates using encounter data projected to the contract period. Please refer to Section II of the report for a detailed description of the capitation rate setting methodology.

AA.1.1 – ACTUARIAL CERTIFICATION

Please refer to Appendix A for our actuarial certification of the SFY 2018 capitation rates.

AA.1.2 – PROJECTION OF EXPENDITURES

DHS will provide a projection of expenditures based on the capitation rates in this report and projected enrollment.

AA.1.3 – RISK CONTRACTS

The DHS contract with CCF and WAM meets the criteria of a risk contract.

AA.1.4 – RATE MODIFICATIONS

The SFY 2018 capitation rates are the initial rates for the contract period. As noted in Section I, DHS will retroactively adjust the capitation rates for July through September 2017, temporarily based on the SFY 2017 rates extended to September 2017, to be consistent with the rates in this report.

NOTE – THERE IS NO ITEM AA.1.5 IN THE RATE SETTING CHECKLIST

AA.1.6 – LIMIT ON PAYMENT TO OTHER PROVIDERS

The CCF and WAM programs pay Medicaid-certified providers.

AA.1.7 – RISK AND PROFIT

There is no explicit adjustment for risk and profit margin in the rate development. Since CCF and WAM are county programs, profit margin is not applicable.

AA.1.8 – FAMILY PLANNING ENHANCED MATCH

There is no enhanced match for family planning services.

AA.1.9 – INDIAN HEALTH SERVICE FACILITY ENHANCED MATCH

There is no enhanced match for Indian Health Service Facilities.

AA.1.10 – NEWLY ELIGIBLE ENHANCED MATCH

Wisconsin has not expanded its Medicaid eligibility rules to include adult populations that can be covered under the Medicaid expansion provisions of the Affordable Care Act.

AA.1.11 – RETROACTIVE ADJUSTMENTS

Please see response to Section AA.1.4.

AA.2.0 – BASED ONLY UPON SERVICES COVERED UNDER THE STATE PLAN

The SFY 2018 capitation rate is developed based on covered Medicaid services. CY 2015 WAM experience includes a minor amount of in-lieu of Peer Specialist services. As noted in Section I, the unit costs for Peer Specialist services are lower than the unit cost for comparable services covered under the Medicaid State Plan.

AA.2.1 – PROVIDED UNDER THE CONTRACT TO MEDICAID-ELIGIBLE INDIVIDUALS

Data for populations not eligible to enroll in a BadgerCare Plus HMO has been excluded from the base period encounter data. The payment rates provided under the contract are for Medicaid-eligible individuals only.

AA.2.2 – DATA SOURCES

Please refer to Section II of this report for a discussion of the base year experience.

AA.3.0 – ADJUSTMENTS TO BASE YEAR DATA

All adjustments to the base year data are discussed in Section II of the report. In addition, each item of the checklist is addressed in Items A.A.3.1 – A.A.3.17 below.

AA.3.1 – BENEFIT DIFFERENCES

There were no benefit changes between the base year and contract year. We applied adjustments to the base data to exclude non-covered encounters.

AA.3.2 – ADMINISTRATIVE COST ALLOWANCE CALCULATIONS

The administrative cost allowances are discussed in Section II of this report and summarized in Tables 4a and 4b.

AA.3.3 – SPECIAL POPULATION ADJUSTMENT

The base encounter data used for rate development is consistent with the anticipated covered population during the contract period. No special population adjustment was necessary.

AA.3.4 – ELIGIBILITY ADJUSTMENTS

No eligibility adjustments were applied. Claims for ineligible members were excluded from the base period data as described in Section II.

AA.3.5 – THIRD PARTY LIABILITY (TPL)

The base data is net of any known TPL. CCF and WAM are responsible for the collection of any TPL recoveries. As such, the capitation rates already include the impact of TPL recoveries.

AA.3.6 – INDIAN HEALTH CARE PROVIDER PAYMENTS

CCF and WAM are responsible for the entirety of the IHC payments, which are fully reflected in the encounter data.

AA.3.7 – DSH PAYMENTS

DSH payments are excluded from the capitation rates, and therefore, no rate adjustment was needed.

AA.3.8 – FQHC AND RHC REIMBURSEMENT

Any reimbursement to Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) centers are based on Medicaid rates.

AA.3.9 – GRADUATE MEDICAL EDUCATION (GME)

GME payments are excluded from the base data.

AA.3.10 – COPAYMENTS, COINSURANCE, AND DEDUCTIBLES IN CAPITATED RATES

There is no patient liability, and therefore, no adjustment was needed.

AA.3.11 – MEDICAL COST TREND INFLATION

The total claim trend used to project expenditures from the base period to the contract period includes utilization and medical cost inflation for changes in the mix of services but excludes any Medicaid fee schedule changes (since no changes are expected to the fee schedule). Please refer to Section II of this report for details.

AA.3.12 – UTILIZATION ADJUSTMENTS

Utilization trend is included in the total claim trend mentioned in AA.3.11.

AA.3.13 – UTILIZATION AND COST ASSUMPTIONS

The population included in the base data is consistent with the population anticipated to be enrolled in the rating period. Therefore, no adjustment was necessary.

AA.3.14 – POST-ELIGIBILITY TREATMENT OF INCOME (PETI)

Not applicable.

AA.3.15 – INCOMPLETE DATA ADJUSTMENT

No adjustment was needed for incurred but not reported (IBNR) claims since the base period encounter data was assumed to be complete. Please refer to Section II of this report for details.

AA.3.16 – PRIMARY CARE RATE ENHANCEMENT

Not applicable.

AA.3.17 – HEALTH HOMES

Not applicable.

AA.4.0 – ESTABLISH RATE CATEGORY GROUPINGS

There is one rate cell for all CCF members and another rate cell for WAM members with monthly and daily rates.

AA.4.1 – ELIGIBILITY CATEGORIES

There is one rate cell for all CCF members and another rate cell for WAM members with monthly and daily rates.

AA.4.2 – AGE

Capitation rates do not vary based on age. We used a single rate for each program across all members since the programs have a limited age range of severely emotionally disturbed (SED) youths through age 21.

AA.4.3 – GENDER

Capitation rates do not vary based on gender.

AA.4.4 – LOCALITY / REGION

CCF operates in Dane County only and therefore the rates do not vary based on geographic region. WAM currently operates in Milwaukee County only but may expand to additional surrounding counties during the contract period. The Milwaukee County capitation rate will be paid for WAM members outside of Milwaukee County until credible encounter data can be collected. Please see Section I of this report for details.

AA.4.5 – RISK ADJUSTMENT

Capitation rates are not risk adjusted.

AA.5.0 – DATA SMOOTHING

The methodology uses multiple years of base data to smooth random fluctuation that occurs on a year-to-year basis. There were no other data smoothing adjustments applied.

AA.5.1 – COST-NEUTRAL DATA SMOOTHING ADJUSTMENT

We did not perform any data smoothing.

AA.5.2 – DATA DISTORTION ADJUSTMENT

Not applicable.

AA.5.3 – DATA SMOOTHING TECHNIQUES

We determined that data smoothing techniques other than described in AA5.0 were not required. We did not perform any outlier analysis since the covered services are not associated with catastrophic amounts.

AA.5.4 – RISK ADJUSTMENT

Risk adjustment is not applied to the capitation payment.

AA.6.0 – STOP LOSS, REINSURANCE, OR RISK SHARING ARRANGEMENTS

None.

AA.6.1 – COMMERCIAL REINSURANCE

DHS does not require entities to purchase commercial reinsurance.

AA.6.2 – SIMPLE STOP LOSS PROGRAM

None.

AA.6.3 – RISK CORRIDOR PROGRAM

None.

AA.7.0 – INCENTIVE ARRANGEMENTS

None.

AA.7.1 – ELECTRONIC HEALTH RECORDS (EHR) INCENTIVE PAYMENTS

DHS has not implemented incentive payments related to EHRs for the SFY 2018 contract period.

IV. RESPONSE TO 2017-2018 MANAGED CARE RATE DEVELOPMENT GUIDE

SECTION I. MEDICAID MANAGED CARE RATES

1. General Information

- Rate Period – This report documents and certifies capitation rates in effect from July 1, 2017 to June 30, 2018.
- Actuarial rate certification – See Appendix A.
- Final SFY 2018 capitation rates are as follows:
 - CCF: \$2,057.30 monthly rate and \$67.64 daily rate (used for partial month enrollment)
 - WAM: \$2,114.22 monthly rate and \$69.51 daily rate (used for partial month enrollment)
- Program descriptions – See Section I for additional details.
 - CCF and WAM provide mental health and substance abuse services for severely emotionally disturbed children.
 - Children remain eligible to enroll through age 19 years. If the member has aged out of foster care, they are eligible to enroll through age 21 years.
 - Enrolled children are expected to be at imminent risk of admission to a psychiatric hospital or face placement into a RCC or juvenile correctional facility. They may not be residing in a nursing home or psychiatric facility at the time of enrollment
 - The CCF program operates in Dane County. The WAM program currently operates in Milwaukee County and may expand to some surrounding counties during the contract period.
 - Only State Plan services are included in the capitation rates except Peer Specialist in-lieu of services included in the WAM base experience. No other rating adjustments were made for in-lieu-of state plan services in the capitation rates.
- Federal Medical Assistance Percentage (FMAP) – FMAP amount does not vary based on service category. We developed the capitation rates based on valid rate development standards, which were not based on the FMAP associated with the covered population.
- Cross-Subsidies – This is not applicable since the CCF and WAM programs each only have one rate cell.

2. Data

- Service data sources – See Section I for additional details
 - CCF encounter data and financial data is from July 2013 through June 2016. The encounter data is provided on a state fiscal year basis (July through June).

- WAM encounter data is from January 2014 through December 2015, and WAM financial data is from January 2014 through December 2016. The encounter data was provided through June 2016 but was summarized on a calendar year basis to be consistent with the financial data.
- CCF and WAM capitation payment records corresponding to the encounter periods above.
- DHS provided all data requested by the actuary, which included information provided by CCF and WAM to DHS.
- Validation and quality adjustments – Base period encounter data was compared to the financial data for validation purposes. See Section I for additional details.
- Changes in data sources – We updated base period encounter data for CCF from SFY 2013 through SFY 2015 used for SFY 2017 rate development to SFY 2014 through SFY 2016 used for SFY 2018 rate development. We updated base period encounter data for WAM from SFY 2013 through SFY 2015 used for SFY 2017 rate development to CY 2014 through CY 2015 used for SFY 2018 rate development to be on a consistent basis with the WAM financial data. We used financial data to validate encounter data and set administrative expenses for both programs.
- Other data adjustments – Please refer to Section II of the report. No adjustments were applied to the data other than those outlined in Section II.

3. Projected Benefit Costs and Trends

- Please refer to Section II of this report for the methodology and assumptions we used to project contract period benefit costs.
- Assumptions used to project benefit costs do not vary based on the rate of federal financial participation associated with the covered populations.
- Projected benefit cost trends – See Section II for a discussion of trends applied to base period data to project costs to the rate year and a comparison of those trends to historical program experience.
- In-lieu-of services – The WAM capitation rates include in-lieu-of peer specialist services. No other in-lieu-of state plan services were included in the CCF and WAM capitation rates.
- IMD services – CCF and WAM do not provide services in IMDs.
- Mental Health Parity and Addiction Equity Act – No additional services were necessary to add to either program to achieve compliance with the act.
- No consideration for retroactive eligibility periods is included in the base data or rate development. Plans are not responsible for claims incurred during periods of retrospective eligibility. We used the most recent eligibility file from DHS to determine member eligibility, and excluded claims from the base encounter data that were incurred during months in which the member was not eligible for the program.
- Changes in covered services and benefits – There were no benefit changes between the base year and contract year other than the covered service changes described in Section I. We applied adjustments to the base data to exclude non-covered encounters.

- Other adjustments – We are not aware of any other changes to covered benefits or services occurring between the base period and the end of the rate year.
- Final projected benefit costs – See Exhibits 1 and 2.
- Conditions of any litigation to which the state is subjected – Not applicable; no impact on rates.

4. Special Contract Provisions Related to Payment

- Incentive Arrangements – Not applicable.
- Withhold Arrangements – Not applicable.
- Risk Sharing – Not applicable.
- Delivery System and Provider Payment Initiatives – Not applicable.
- Pass-through payments – Not applicable.

5. Projected Non-Benefit Costs

- Assumptions used to project non-benefit costs do not vary based on the rate of federal financial participation associated with the covered populations.
- Administrative cost data, projected costs, premium tax, margin – Section II.
- The Health Insurer Fee is not applicable to the CCF and WAM programs.

6. Risk Adjustment and Acuity Adjustments

- Risk Adjustment – Not applicable.
- Acuity Adjustments – Not applicable.

SECTION II. MEDICAID MANAGED CARE RATES WITH LONG-TERM SERVICES

This section does not apply, as the CCF and WAM programs are not primarily long-term care service programs.

SECTION III. NEW ADULT POPULATION CAPITATION RATES

This section is not applicable. There was no CCF or WAM Medicaid expansion due to the Affordable Care Act.

EXHIBITS 1 – 3

Capitation Rate Development

State of Wisconsin Department of Health Services
July 1, 2017 – June 30, 2018 Capitation Rate Development
Children Come First and Wraparound Milwaukee Programs

This report assumes the reader is familiar with the State of Wisconsin's Children Come First and Wraparound Milwaukee programs, their benefits, and rate setting principles. The report was prepared solely to provide assistance to DHS to set July 1, 2017 – June 30, 2018 capitation rates for the CCF and WAM programs. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

September 18, 2017

| Exhibit 1a State of Wisconsin Department of Health Services Children Come First (CCF) Capitation Rate Development July 1, 2017 through June 30, 2018 Final Capitation Rate Per Member Per Month | | | | |
|--|------------|------------|------------|-------------------|
| | SFY 2014 | SFY 2015 | SFY 2016 | Total |
| Base Period Member Months (Exhibit 2) | 1,328 | 1,524 | 1,591 | 4,443 |
| Projected SFY 2018 Claims PMPM (Exhibit 2) | \$1,897.21 | \$1,699.41 | \$1,833.23 | \$1,806.45 |
| Projected SFY 2018 Administrative Expense PMPM | | | | \$250.85 |
| July 2017 - June 2018 Capitation Rate PMPM | | | | \$2,057.30 |
| July 2017 - June 2018 Daily Capitation Rate | | | | \$67.64 |
| July 2016 - June 2017 Capitation Rate PMPM | | | | \$2,127.19 |
| July 2016 - June 2017 Daily Capitation Rate | | | | \$69.94 |
| Rate Change | | | | -3.3% |

Exhibit 1b
State of Wisconsin Department of Health Services
Wraparound Milwaukee (WAM) Capitation Rate Development
July 1, 2017 through June 30, 2018
Final Capitation Rate Per Member Per Month

| | CY 2014 | CY 2015 | Total |
|--|------------|------------|-------------------|
| Base Period Member Months (Exhibit 2) | 11,912 | 13,113 | 25,024 |
| Projected SFY 2018 Claims PMPM (Exhibit 2) | \$1,975.39 | \$1,858.83 | \$1,914.32 |
| Projected SFY 2018 Administrative Expense PMPM | | | \$199.91 |
| July 2017 - June 2018 Capitation Rate PMPM | | | \$2,114.22 |
| July 2017 - June 2018 Daily Capitation Rate | | | \$69.51 |
| July 2016 - June 2017 Capitation Rate PMPM | | | \$2,015.78 |
| July 2016 - June 2017 Daily Capitation Rate | | | \$66.27 |
| Rate Change | | | 4.9% |

Exhibit 2a
State of Wisconsin Department of Health Services
Children Come First (CCF) Capitation Rate Development
July 1, 2017 through June 30, 2018
Projected Claims Per Member Per Month

| Service Category | Source | Total Paid Amount | Member Months | Paid Amount PMPM | Covered Service Adjustment | Eligible Member Adjustment | Adjusted Base Period Claims PMPM | Trend Adjustment | Projected SFY 2018 Claims PMPM |
|---------------------------------------|--------------|---------------------|---------------|-------------------|----------------------------|----------------------------|----------------------------------|------------------|--------------------------------|
| SFY 2014 | | | | | | | | | |
| Assessment Inpatient | Encounter | \$1,365 | 1,328 | \$1.03 | 1.000 | 1.000 | \$1.03 | 1.082 | \$1.11 |
| Assessment Outpatient | Encounter | \$22,440 | 1,328 | \$16.90 | 1.000 | 0.984 | \$16.63 | 1.082 | \$18.01 |
| Behavior Management Services | Encounter | \$56,545 | 1,328 | \$42.58 | 0.000 | 0.904 | \$0.00 | 1.082 | \$0.00 |
| Consultation w/ Other Professionals | Encounter | \$1,945 | 1,328 | \$1.46 | 0.000 | 1.000 | \$0.00 | 1.082 | \$0.00 |
| Day Treatment | Encounter | \$118,428 | 1,328 | \$89.18 | 1.000 | 0.982 | \$87.56 | 1.082 | \$94.78 |
| Family Therapy | Encounter | \$11,369 | 1,328 | \$8.56 | 1.000 | 0.895 | \$7.66 | 1.082 | \$8.30 |
| Group AODA Therapy | Encounter | \$210 | 1,328 | \$0.16 | 1.000 | 0.833 | \$0.13 | 1.082 | \$0.14 |
| Group Therapy | Encounter | \$8,770 | 1,328 | \$6.60 | 1.000 | 1.000 | \$6.60 | 1.082 | \$7.15 |
| Individual AODA Therapy | Encounter | \$1,290 | 1,328 | \$0.97 | 1.000 | 1.000 | \$0.97 | 1.082 | \$1.05 |
| Individual Therapy | Encounter | \$149,475 | 1,328 | \$112.56 | 1.000 | 0.980 | \$110.34 | 1.082 | \$119.44 |
| In-Home Family Assessment | Encounter | \$0 | 1,328 | \$0.00 | 1.000 | 1.000 | \$0.00 | 1.082 | \$0.00 |
| In-Home Treatment | Encounter | \$249,665 | 1,328 | \$188.00 | 0.643 | 0.994 | \$120.21 | 1.082 | \$130.11 |
| Inpatient AODA Hospitalization | Encounter | \$0 | 1,328 | \$0.00 | 1.000 | 0.000 | \$0.00 | 1.082 | \$0.00 |
| Psych Review/Medication Check | Encounter | \$8,214 | 1,328 | \$6.18 | 1.000 | 0.933 | \$5.77 | 1.082 | \$6.24 |
| Psychiatric Hospitalization | Encounter | \$265,652 | 1,328 | \$200.04 | 1.000 | 1.000 | \$200.04 | 1.082 | \$216.53 |
| Psychiatric Hospitalization-ER Visit | Encounter | \$33,566 | 1,328 | \$25.28 | 1.000 | 1.000 | \$25.28 | 1.082 | \$27.36 |
| RCC - Residential Care Center | Encounter | \$2,416,172 | 1,328 | \$1,819.41 | 0.468 | 0.973 | \$828.14 | 1.082 | \$896.41 |
| Special Therapy | Encounter | \$28,438 | 1,328 | \$21.41 | 0.562 | 1.000 | \$12.04 | 1.082 | \$13.04 |
| Treatment Foster Home | Encounter | \$325,467 | 1,328 | \$245.08 | 0.468 | 0.915 | \$104.97 | 1.082 | \$113.62 |
| Case Management Services* | Supplemental | \$299,250 | 1,328 | \$225.34 | 1.000 | 1.000 | \$225.34 | 1.082 | \$243.91 |
| Other Non-Covered Services | Encounter | \$0 | 1,328 | \$0.00 | 0.000 | 1.000 | \$0.00 | 1.082 | \$0.00 |
| Total All Services | | \$3,998,260 | 1,328 | \$3,010.74 | 0.595 | 0.978 | \$1,752.73 | 1.082 | \$1,897.21 |
| SFY 2015 | | | | | | | | | |
| Assessment Inpatient | Encounter | \$3,169 | 1,524 | \$2.08 | 1.000 | 1.000 | \$2.08 | 1.061 | \$2.21 |
| Assessment Outpatient | Encounter | \$15,942 | 1,524 | \$10.46 | 1.000 | 0.944 | \$9.88 | 1.061 | \$10.48 |
| Behavior Management Services | Encounter | \$53,174 | 1,524 | \$34.89 | 0.000 | 1.000 | \$0.00 | 1.061 | \$0.00 |
| Consultation w/ Other Professionals | Encounter | \$2,275 | 1,524 | \$1.49 | 0.000 | 0.908 | \$0.00 | 1.061 | \$0.00 |
| Day Treatment | Encounter | \$104,351 | 1,524 | \$68.47 | 1.000 | 1.000 | \$68.47 | 1.061 | \$72.66 |
| Family Therapy | Encounter | \$13,122 | 1,524 | \$8.61 | 1.000 | 0.805 | \$6.93 | 1.061 | \$7.36 |
| Group AODA Therapy | Encounter | \$840 | 1,524 | \$0.55 | 1.000 | 0.708 | \$0.39 | 1.061 | \$0.41 |
| Group Therapy | Encounter | \$8,410 | 1,524 | \$5.52 | 1.000 | 1.000 | \$5.52 | 1.061 | \$5.86 |
| Individual AODA Therapy | Encounter | \$3,809 | 1,524 | \$2.50 | 1.000 | 0.779 | \$1.95 | 1.061 | \$2.07 |
| Individual Therapy | Encounter | \$126,989 | 1,524 | \$83.33 | 1.000 | 0.986 | \$82.19 | 1.061 | \$87.22 |
| In-Home Family Assessment | Encounter | \$200 | 1,524 | \$0.13 | 1.000 | 1.000 | \$0.13 | 1.061 | \$0.14 |
| In-Home Treatment | Encounter | \$201,784 | 1,524 | \$132.40 | 0.610 | 0.963 | \$77.77 | 1.061 | \$82.53 |
| Inpatient AODA Hospitalization | Encounter | \$12,710 | 1,524 | \$8.34 | 1.000 | 0.000 | \$0.00 | 1.061 | \$0.00 |
| Psych Review/Medication Check | Encounter | \$13,219 | 1,524 | \$8.67 | 1.000 | 0.995 | \$8.63 | 1.061 | \$9.16 |
| Psychiatric Hospitalization | Encounter | \$461,771 | 1,524 | \$303.00 | 1.000 | 1.000 | \$303.00 | 1.061 | \$321.55 |
| Psychiatric Hospitalization-ER Visit | Encounter | \$39,551 | 1,524 | \$25.95 | 1.000 | 1.000 | \$25.95 | 1.061 | \$27.54 |
| RCC - Residential Care Center | Encounter | \$2,037,960 | 1,524 | \$1,337.24 | 0.468 | 0.984 | \$615.68 | 1.061 | \$653.37 |
| Special Therapy | Encounter | \$76,400 | 1,524 | \$50.13 | 0.482 | 0.926 | \$22.38 | 1.061 | \$23.75 |
| Treatment Foster Home | Encounter | \$424,464 | 1,524 | \$278.52 | 0.468 | 0.950 | \$123.84 | 1.061 | \$131.42 |
| Case Management Services* | Supplemental | \$375,807 | 1,524 | \$246.59 | 1.000 | 1.000 | \$246.59 | 1.061 | \$261.69 |
| Other Non-Covered Services | Encounter | \$0 | 1,524 | \$0.00 | 0.000 | 1.000 | \$0.00 | 1.061 | \$0.00 |
| Total All Services | | \$3,975,948 | 1,524 | \$2,608.89 | 0.627 | 0.979 | \$1,601.39 | 1.061 | \$1,699.41 |
| SFY 2016 | | | | | | | | | |
| Assessment Inpatient | Encounter | \$8,942 | 1,591 | \$5.62 | 1.000 | 1.000 | \$5.62 | 1.040 | \$5.85 |
| Assessment Outpatient | Encounter | \$16,791 | 1,591 | \$10.55 | 1.000 | 0.981 | \$10.35 | 1.040 | \$10.77 |
| Behavior Management Services | Encounter | \$58,637 | 1,591 | \$36.86 | 0.000 | 0.000 | \$0.00 | 1.040 | \$0.00 |
| Consultation w/ Other Professionals | Encounter | \$1,435 | 1,591 | \$0.90 | 0.000 | 0.000 | \$0.00 | 1.040 | \$0.00 |
| Day Treatment | Encounter | \$133,759 | 1,591 | \$84.07 | 1.000 | 1.000 | \$84.07 | 1.040 | \$87.47 |
| Family Therapy | Encounter | \$7,623 | 1,591 | \$4.79 | 1.000 | 1.000 | \$4.79 | 1.040 | \$4.98 |
| Group AODA Therapy | Encounter | \$2,135 | 1,591 | \$1.34 | 1.000 | 0.836 | \$1.12 | 1.040 | \$1.17 |
| Group Therapy | Encounter | \$6,405 | 1,591 | \$4.03 | 1.000 | 1.000 | \$4.03 | 1.040 | \$4.19 |
| Individual AODA Therapy | Encounter | \$6,339 | 1,591 | \$3.98 | 1.000 | 0.745 | \$2.97 | 1.040 | \$3.09 |
| Individual Therapy | Encounter | \$86,447 | 1,591 | \$54.33 | 1.000 | 0.986 | \$53.56 | 1.040 | \$55.72 |
| In-Home Family Assessment | Encounter | \$0 | 1,591 | \$0.00 | 1.000 | 1.000 | \$0.00 | 1.040 | \$0.00 |
| In-Home Treatment | Encounter | \$111,115 | 1,591 | \$69.84 | 0.653 | 0.890 | \$40.59 | 1.040 | \$42.23 |
| Inpatient AODA Hospitalization | Encounter | \$16,400 | 1,591 | \$10.31 | 1.000 | 0.000 | \$0.00 | 1.040 | \$0.00 |
| Psych Review/Medication Check | Encounter | \$12,740 | 1,591 | \$8.01 | 1.000 | 0.977 | \$7.82 | 1.040 | \$8.14 |
| Psychiatric Hospitalization | Encounter | \$747,573 | 1,591 | \$469.88 | 1.000 | 0.991 | \$465.57 | 1.040 | \$484.38 |
| Psychiatric Hospitalization-ER Visit | Encounter | \$35,776 | 1,591 | \$22.49 | 1.000 | 1.000 | \$22.49 | 1.040 | \$23.39 |
| RCC - Residential Care Center | Encounter | \$2,352,503 | 1,591 | \$1,478.63 | 0.468 | 0.944 | \$653.25 | 1.040 | \$679.64 |
| Special Therapy | Encounter | \$71,903 | 1,591 | \$45.19 | 0.321 | 0.936 | \$13.58 | 1.040 | \$14.12 |
| Treatment Foster Home | Encounter | \$380,445 | 1,591 | \$239.12 | 0.468 | 1.000 | \$111.88 | 1.040 | \$116.40 |
| Case Management Services* | Supplemental | \$446,049 | 1,591 | \$280.36 | 1.000 | 1.000 | \$280.36 | 1.040 | \$291.68 |
| Other Non-Covered Services | Encounter | \$1,280,951 | 1,591 | \$805.12 | 0.000 | 0.975 | \$0.00 | 1.040 | \$0.00 |
| Total All Services | | \$5,783,967 | 1,591 | \$3,635.43 | 0.502 | 0.966 | \$1,762.05 | 1.040 | \$1,833.23 |
| Aggregate SFY 2016 to SFY 2018 | | | | | | | | | |
| Total All Services | | \$13,758,175 | 4,443 | \$3,096.60 | 0.565 | 0.974 | \$1,704.15 | 1.060 | \$1,806.45 |

* Case management services are priced at the current Medicaid fee schedule amount of \$25.32 per hour.

Exhibit 2b
State of Wisconsin Department of Health Services
Wraparound Milwaukee (WAM) Capitation Rate Development
July 1, 2017 through June 30, 2018
Projected Claims Per Member Per Month

| Service Category | Source | Total Paid Amount | Member Months | Paid Amount PMPM | Covered Service Adjustment | Eligible Member Adjustment | Adjusted Base Period Claims PMPM | Trend Adjustment | Projected SFY 2018 Claims PMPM |
|-------------------------------------|-----------|---------------------|---------------|-------------------|----------------------------|----------------------------|----------------------------------|------------------|--------------------------------|
| CY 2014 | | | | | | | | | |
| Care Coordination | Encounter | \$10,406,800 | 11,912 | \$873.67 | 1.000 | 0.979 | \$855.17 | 1.072 | \$916.55 |
| RCC - Residential Care Center | Encounter | \$12,303,284 | 11,912 | \$1,032.88 | 0.468 | 0.996 | \$481.68 | 1.072 | \$516.25 |
| Treatment Foster Home | Encounter | \$3,081,958 | 11,912 | \$258.74 | 0.468 | 0.984 | \$119.12 | 1.072 | \$127.66 |
| Other Covered Services | Encounter | \$4,699,474 | 11,912 | \$394.53 | 1.000 | 0.981 | \$387.15 | 1.072 | \$414.93 |
| Other Non-Covered Services | Encounter | \$13,376,313 | 11,912 | \$1,122.96 | 0.000 | 0.988 | \$0.00 | 1.072 | \$0.00 |
| Total All Services | | \$43,867,829 | 11,912 | \$3,682.77 | 0.508 | 0.984 | \$1,843.12 | 1.072 | \$1,975.39 |
| CY 2015 | | | | | | | | | |
| Care Coordination | Encounter | \$11,045,579 | 13,113 | \$842.35 | 1.000 | 0.979 | \$824.92 | 1.051 | \$866.78 |
| RCC - Residential Care Center | Encounter | \$10,895,482 | 13,113 | \$830.90 | 0.468 | 0.991 | \$385.47 | 1.051 | \$405.04 |
| Treatment Foster Home | Encounter | \$3,162,758 | 13,113 | \$241.20 | 0.468 | 0.998 | \$112.66 | 1.051 | \$118.38 |
| Other Covered Services | Encounter | \$6,084,232 | 13,113 | \$463.99 | 1.000 | 0.961 | \$446.00 | 1.051 | \$468.64 |
| Other Non-Covered Services | Encounter | \$13,809,538 | 13,113 | \$1,053.13 | 0.000 | 0.988 | \$0.00 | 1.051 | \$0.00 |
| Total All Services | | \$44,997,589 | 13,113 | \$3,431.57 | 0.527 | 0.978 | \$1,769.05 | 1.051 | \$1,858.83 |
| Aggregate CY 2014 to CY 2015 | | | | | | | | | |
| Total All Services | | \$88,865,418 | 25,024 | \$3,551.15 | 0.518 | 0.981 | \$1,804.31 | 1.061 | \$1,914.32 |

Exhibit 3
Wisconsin Department of Health Services
Children Come First and Wraparound Milwaukee
Residential Care Center Medicaid Covered Calculation
Based on 2014 RCC Financial Reporting

| | Total Reported Amount | % Allocated to CCFWAM Covered Services | Amount Allocated to CCFWAM Covered Services |
|---|--------------------------------------|---|--|
| Personnel: | | | |
| Medical / Therapy | 5,301,125 | 100% | 5,301,125 |
| Direct Care | 24,046,620 | 100% | 24,046,620 |
| Supervision | 5,363,464 | 100% | 5,363,464 |
| Education | 5,544,592 | 0% | 0 |
| Administration / Other / Blank | 11,652,583 | 0% | 0 |
| Food Service / Housekeeping / Maintenance | 3,296,692 | 0% | 0 |
| Total Personnel | 55,205,076 | 63% | 34,711,209 |
| Property and Transportation: | | | |
| Occupancy | 5,409,699 | 0% | 0 |
| Travel | 1,195,924 | 0% | 0 |
| Furniture and Equipment | 527,497 | 0% | 0 |
| Total Property and Transportation | 7,133,120 | 0% | 0 |
| Allowed Consumables: | | | |
| Services - Professional* | 290,148 | 100% | 290,148 |
| Services - Psychiatric | 806,595 | 100% | 806,595 |
| Services - Purchased Clinical** | 305,037 | 100% | 305,037 |
| Other Allowable Costs | 8,960,481 | 0% | 0 |
| Total Allowed Consumables | 10,362,260 | 14% | 1,401,780 |
| Program Costs (Only One RCC Reported Amounts): | | | |
| Plant & Property | 1,507,817 | 0% | 0 |
| Medical | 108,167 | 100% | 108,167 |
| Therapy | 201,031 | 100% | 201,031 |
| Admin Consumables | 277,512 | 0% | 0 |
| Admin Overhead | 968,069 | 0% | 0 |
| Program | 83,867 | 0% | 0 |
| Board | 479,999 | 0% | 0 |
| Educational | 98,276 | 0% | 0 |
| Recreation | 97,625 | 0% | 0 |
| Training | 69,775 | 0% | 0 |
| Transportation | 143,858 | 0% | 0 |
| Non-Allowable & Non-Reportable Costs | 814,606 | 0% | 0 |
| Total Program Costs | 4,850,602 | 6% | 309,198 |
| Reserves/Profit | 1,085,040 | 0% | 0 |
| Non-Allowable Consumables | -892,968 | 0% | 0 |
| Total Costs | 77,743,130 | 46.8% | 36,422,186 |

APPENDIX A

Actuarial Certification

State of Wisconsin Department of Health Services
July 1, 2017 – June 30, 2018 Capitation Rate Development
Children Come First and Wraparound Milwaukee Programs

This report assumes the reader is familiar with the State of Wisconsin's Children Come First and Wraparound Milwaukee programs, their benefits, and rate setting principles. The report was prepared solely to provide assistance to DHS to set July 1, 2017 – June 30, 2018 capitation rates for the CCF and WAM programs. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

September 18, 2017



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Shelly S. Brandel, FSA, MAAA
Principal and Consulting Actuary

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September 18, 2017

Appendix A
Wisconsin Department of Health Services
Capitated Contracts Rate Setting
Actuarial Certification
July 1, 2017 – June 30, 2018
Children Come First and Wraparound Milwaukee Capitation Rates

I, Shelly S. Brandel, am associated with the firm of Milliman, Inc., am a member of the American Academy of Actuaries, and meet its Qualification Standards for Statements of Actuarial Opinion. I have been retained by the Wisconsin Department of Health Services (DHS) to perform an actuarial certification of the Wisconsin Children Come First (CCF) and Wraparound Milwaukee (WAM) coordinated care capitation rates for July 1, 2017 – June 30, 2018 (SFY 2018) for filing with the Centers for Medicare and Medicaid Services (CMS). I reviewed the capitation rate development and am familiar with the relevant requirements of 42 CFR 438, the CMS "Appendix A, PAHP, PIHP, and MCO Contracts Financial Review Documentation for At-risk Capitated Contracts Ratesetting", the 2017-2018 Medicaid Managed Care Rate Development Guide, and Actuarial Standard of Practice (ASOP) 49.

To the best of my information, knowledge, and belief, the SFY 2018 CCF and WAM capitation rates offered by DHS are in compliance with the relevant requirements of § CFR 438.3(c), 438.3(e), 438.4 (excluding paragraphs (b)(3),(b)(4) and (b)(9)), 438.5, 438.6, and 438.7 (excluding paragraph (c)(3)). The attached actuarial report describes the capitation rate setting methodology.

In my opinion, the capitation rates are actuarially sound, as defined in ASOP 49, were developed in accordance with generally accepted actuarial principles and practices, and are appropriate for the populations to be covered and the services to be furnished under the contract.

In making my opinion, I relied upon the accuracy of the underlying encounter claims and eligibility data records, CCF and WAM financial data, and other information provided by DHS. A copy of the reliance letter received from DHS is attached and constitutes part of this opinion. I did not audit the data and calculations, but did review them for reasonableness and consistency and did not find material defects. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time-to-time by the Actuarial Standards Board, whose standards form the basis of this Statement of Opinion.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted organization's situation and experience.



This Opinion assumes the reader is familiar with the Wisconsin Medicaid program, Medicaid coordinated care programs, and actuarial rating techniques. The Opinion is intended for the State of Wisconsin and the Centers for Medicare and Medicaid Services and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the projection results.

A handwritten signature in black ink that reads "Shelly Brandel".

Shelly S. Brandel
Member, American Academy of Actuaries

September 18, 2017



DIVISION OF MEDICAID SERVICES
WISCONSIN MEDICAID AND BADGERCARE PLUS
MANAGED CARE PROGRAM
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MADISON WI 53716-0470

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September 15, 2017

Ms. Shelly S. Brandel, FSA
Principal and Consulting Actuary
Milliman, Inc.
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Brookfield, WI 53005

RE: Wisconsin Children Come First and Wraparound Milwaukee SFY 2018 Rate Development Data Reliance Letter

Dear Ms. Brandel:

I, Chad Lillethun, Director of the Bureau of Fiscal Management for the Wisconsin Department of Health Services (DHS), hereby affirm that the data prepared and submitted to Milliman, Inc. (Milliman) for the purpose of certifying Wisconsin Children Come First (CCF) and Wraparound Milwaukee (WAM) rate development for July 2017 – June 2018 were prepared under my direction, and to the best of my knowledge and belief are accurate and complete. This includes the following computer files supporting the rate development:

1. Monthly enrollment reports
2. Encounter claims data
3. Financial data
4. CCF Medicaid fee for case management services
5. Identification of covered services in encounter data

Milliman relied on DHS for the collection of data. Milliman did not audit the data, but did assess the data for reasonableness.

Sincerely,


Chad Lillethun, Director
Bureau of Fiscal Management
Division of Medicaid Services