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February 2, 2021

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

[Sent via email: [jeffrey.provance@state.mn.us](mailto:jeffrey.provance@state.mn.us)]

**Re: CY 2022 Procurement – PMAP and MNCare Programs**

Dear Mr. Provance:

The Minnesota Department of Human Services (DHS) retained Milliman, Inc. (Milliman) to provide the fiscal year (FY) 2019 data book to potential contractors responding to the calendar year (CY) 2022 Metro, Ramsey, and Hennepin region procurement to provide health care services for the Prepaid Medical Assistance Program (PMAP) and MinnesotaCare (MinnesotaCare) program pursuant to Minnesota Statutes, sections 256B.69, 256B.692 and 256L.12.

We provide the FY 2019 data book in two files, one for PMAP and one for MinnesotaCare, which are collectively referred to as the "FY 2019 data book." The FY 2019 data book is explained in the remainder of the letter and includes the following information:

- A data dictionary describing each of the fields provided in the data book, including appendices (described below).
- Aggregated historical claims information by program, county, rate cell, and detailed service category from the encounter data for Minnesota health plans administering PMAP and MinnesotaCare programs during FY 2019.
- Normalized county risk scores for each program, county, and rate cell combination.
  - We started with the raw PMAP and MinnesotaCare risk scores calculated during our 2H 2018 risk adjustment process using CY 2017 diagnoses and 1H 2019 risk adjustment process using FY 2018 diagnoses, summarized at the program, county, and rate cell level. The risk scores from both of these time periods utilized the cost weight model developed for the PMAP and MinnesotaCare programs for the CY 2018 and CY 2019 rate years.
  - We combined the risk scores of the two time periods by calculating the average by program, county, and rate cell weighted by enrollment in each time period. We then normalized these raw risk scores by program, region, and rate cell to achieve a 1.0 risk score at these levels. This normalization approach is consistent with the actual rate development risk adjustment approach in which risk scores are normalized by program, region, and rate cell.
  - The newborn and pregnant women rate groups are not risk adjusted.
- Eligibility information for FY 2019, including member months by program, county, and rate cell.

The data book includes encounter data for FY 2019 incurred claims only, with runout through September 30, 2019. Categories of service were mapped onto the encounter data files by DHS. For the purposes of this analysis, no adjustments were made to the encounter data received by DHS.

The encounter data does not reflect additional service costs or offsets, such as pharmacy rebates, incurred but not reported (IBNR) claims, sub-capitated arrangement costs, IHP settlements, MCO-specific provider settlements, and other allowable non-FFS medical claims. Additionally, the encounter data summaries are gross of non-state plan services. Based on FY 2019 health plan reported financial summaries, the additional items not reflected in the encounter data are worth approximately \$20.4 million and -\$1.3 million for PMAP and MinnesotaCare, respectively for the Metro, Ramsey, and Hennepin regions.

Additionally, the encounter data does not reflect adjustments for the consistency between encounter and financial reporting used in rate development. For the CY 2021 rate development, this adjustment resulted in a 1.4% increase to the encounter data for PMAP, and a 1.5% increase to the encounter data for MinnesotaCare.

The claims and eligibility data are provided electronically to allow potential contractors to create their own customized summaries of the data book information. The PMAP data book covers Newborns (defined as Ages 0 to 12 months), Children, Parents, Pregnant Women, and Childless Adults. The MinnesotaCare program rate book covers Children under certain household composition rules, Parents, and Childless Adults. All seven Metro counties in Minnesota are included in the data book covered population and are outlined in Appendix A-1 (included in the “Data Dictionary” tab of the data book workbooks).

Appendix A-2 (included in the “Data Dictionary” tab of the data book workbooks) provides a high-level summary of the mappings used to allocate members to rate cells based on the eligibility codes and ages provided in the encounter data. Appendix A-3 in the same tab provides the mapping of detailed categories of service to broad categories of service used in the data book.

The Seniors program and Special Needs BasicCare (SNBC) program information are not included in the data book as these programs are not included in the CY 2022 Metro, Ramsey, and Hennepin region procurement.

## **IMPORTANT LIMITATIONS AND CAVEATS**

Milliman relied on encounters and eligibility data provided by DHS for health plans that were part of the PMAP and MinnesotaCare programs during FY 2019 to develop the FY 2019 data book. Milliman did not audit the encounter or eligibility data. If the data used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

Future health plan experience under PMAP and MinnesotaCare will differ from the FY 2019 data book data due to health care trend, managed care savings impacts, provider reimbursement changes, and many other factors.

The FY 2019 data book was prepared solely to provide assistance to DHS in publishing a data book related to the CY 2022 PMAP and MinnesotaCare North and South region procurement process. 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. The FY 2019 data book should only be reviewed in its entirety.

The FY 2019 data book results are technical in nature and are dependent upon specific assumptions and methods. No party should rely on the data book without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to develop risk scores as described in this letter. We have reviewed the models, including their 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 (ASOP).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by DHS for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.

The models, including all input, calculations, and output may not be appropriate for any other purpose

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Kelly Backes is a Principal and Consulting Actuary at Milliman, is a member of the American Academy of Actuaries, and meets the qualification standards for performing the analyses in this report. To the best of her knowledge and belief, this information is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

This letter and any accompanying attachments are subject to the terms and conditions of the contract between Milliman and the State of Minnesota #149877 effective January 1, 2019.



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

Sincerely,



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

KSB/jm