Green Mountain Care Board

Medicaid Advisory Rate Case of ACO Services

REVIEW OF ONECARE'S ALL-INCLUSIVE POPULATION BASED PAYMENT

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LEWIS & ELLIS, INC.

DECEMBER 14, 2018

EXECUTIVE SUMMARY

The Green Mountain Care Board (GMCB, Board) is required by law to review any all-inclusive population-based payment arrangement between the Department of Vermont Health Access (DVHA) and accountable care organizations (ACOs) effective for Calendar Year 2019. The Board's review shall include the number of attributed lives, eligibility groups, covered services, elements of the per-member, per-month (PMPM) payment, and any other non-claims payments.

GMCB engaged Lewis & Ellis, Inc. (L&E) to provide a review of the payment arrangement between DVHA and the ACO OneCare Vermont. This report is the documentation of the review and recommendations to the Board that may be passed on to DVHA and its actuary, Wakely Consulting Group (Wakely), prior to the issuance of the final capitation rates and report. The recommendations presented to DVHA are intended to be advisory and non-binding.

L&E and GMCB worked with Wakely and DVHA to understand the process they were using and obtain data used to calculate the capitation payments. Based on the individual assumptions and recommendations discussed in the report, L&E has provided an estimated rate calculation for each Medicaid Eligibility Group (MEG).

Capitation Rate Development			
	ABD (A&C)	**Adult**	**Child**
2017 Base Claims Experience PMPM	$533.30	$331.46	$109.70
Completion Adjustment (IBNR)	1.002	1.007	1.002
Adjusted 2017 Base Claims Experience PMPM	$534.37	$333.78	$109.92
2 Year Utilization Trend	1.030	1.030	1.030
2 Year Unit Cost Trend	1.044	1.044	1.044
Benefit Changes	1.000	1.000	1.000
ACO Efficiency	0.980	0.987	0.989
Population Adjustment	0.981	1.000	0.999
2019 Estimated Claims PMPM	$560.69	$352.55	$116.39
Administrative Cost PMPM	$6.50	$6.50	$6.50
Risk	0.5%	0.5%	0.5%
2019 Capitation Rate	$561.81	$362.44	$123.92

Historical Capitation Rates			
	ABD (A&C)	**Adult**	**Child**
2017 Capitation Rates	$616.07	$376.49	$120.97
2018 Capitation Rates	$615.90	$360.43	$118.88

It is important to note that L&E is not recommending that Wakely's calculation or the final rates need to match L&E's estimation. This is L&E's best estimate based on the information provided by Wakely and DVHA. L&E recommends that DHVA and Wakely compare each assumption used in L&E's rate development with the similar assumptions used in Wakely's calculation and consider if L&E's approach is more appropriate, or indicates that Wakely should further research and consider the assumption.

REVIEW OF ONECARE'S ALL-INCLUSIVE POPULATION BASED PAYMENT

BACKGROUND

OneCare Vermont has been operating as an accountable care organization (ACO) for the past several years in Vermont. Since 2017, OneCare has participated in a population-based payment model with the Department of Vermont Health Access (DVHA) that is similar to the Centers for Medicare & Medicaid Services (CMS) Next Generation ACO Model. As part of this model, OneCare receives monthly capitation rates for all services covered under this program. As part of this endeavor, DVHA engaged Wakely Consulting Group (Wakely), an actuarial firm, to develop and certify to these capitation rates for OneCare. As part of this development, Wakely and DVHA have collaborated with OneCare and their actuaries, Milliman.

SCOPE OF WORK

The Green Mountain Care Board (GMCB) is required by law[1] to review any all-inclusive population-based payment arrangement between DVHA and accountable care organizations effective for calendar year 2017 and beyond. The Board's review shall include the number of attributed lives, eligibility groups, covered services, elements of the per-member, per-month payment, and any other non-claims payments.

GMCB engaged Lewis & Ellis, Inc. (L&E) to provide a review of the payment arrangement between DVHA and OneCare Vermont. This report is the documentation of the review and recommendations to the Board that may be passed on to DVHA and Wakely prior to the issuance of the final capitation rates and report. The recommendations presented to DVHA are intended to be advisory and non-binding.

METHODOLOGY

ACTUAL TO EXPECTED ANALYSES

L&E and GMCB worked with Wakely and DVHA to understand the process they were using and obtained data used to calculate the capitation payments. Wakely performed an Actual to Expected analysis of the 2017 attributed population and its paid claims. This analysis was analyzed by Medicaid Eligibility Group (MEG) and Category of Service (COS). The purpose of the Actual to Expected analysis was to inform Wakely and DVHA as to whether the capitation rate methodology used for 2017 was producing appropriate estimates and if they should continue to use the same methodology. The summary below outlines that, in total, the membership differed by nearly 4% and the paid claims differed by almost 10%.

Actual to Expected Analysis - 2017			
	Expected	**Actual**	**Difference**
Member Months	325,981	313,573	-3.8%
Paid Claims PMPM	$258.32	$232.63	-9.9%

[1] 18 V.S.A. § 9573; 2017 Vt. Acts & Resolves, No. 3 (Budget Adjustment Act), § 80.

Wakely further quantified the Paid Claims difference, showing that roughly 2.7% of the 9.9% was due to exclusions that were not known during the 2017 capitation rate development. If these exclusions had been known, the paid claims difference would have been -7.4%. According to Wakely's documentation, "since developing the 2017 capitation rates, some revisions to the claims exclusion logic have occurred (i.e. change in covered CPT list, change in designated agencies provider list)." Based on these results, Wakely concluded that the prior methodology was sound and no major revisions would be made. L&E agrees that this Actual to Expected Analysis supports Wakely's methodology.

Wakely continued its review of 2017 rates by performing more Actual to Expected analyses on population projection assumptions. In both analyses, Wakely was within about 0.5% of the actual figures. Therefore, Wakely did not make any changes to the population projection assumption development.

The final Actual to Expected analysis was performed on the unit cost and utilization trends. Similar to historical trend analyses, the results are highly volatile, and it is challenging to project trends or analyze deviations from expectations.

2019 PROJECTION AND ASSUMPTIONS

Since no major changes were anticipated for the 2019 methodology, the 2019 capitation rates would begin with calendar year 2017 claims and be projected to 2019. The ACO population has grown significantly since 2018.

Historical Experience				
	2018 Cap Dev Base Experience (CY2016)		2019 Cap Dev Base Experience (CY2017)	
MEG	MMs	Paid PMPMs	MMs	Paid PMPMs
ABD (Adult & Child)	33,258	$570.62	58,843	$534.11
Consolidated Adult	198,667	$319.11	354,085	$333.68
Consolidated Child	242,882	$105.96	417,422	$109.90

	Change	
MEG	MMs	Paid PMPMs
ABD (Adult & Child)	77%	-6.4%
Consolidated Adult	78%	4.6%
Consolidated Child	72%	3.7%

PROJECTION

The base period data was projected to calculate 2019 capitation rates. The projection factors included:

- Attributees
- Completion of Claims
- Trend
- Benefit Changes
- ACO Efficiency
- Population Adjustments
- Administrative Expenses
- Risk Charges

ATTRIBUTEES

Wakely performed a review of the population to determine the number of attributees that turn over each year and determine the impact on claims due to this turnover. Roughly half of the attributees from 2017 will not be in the 2019 population. The populations were analyzed by MEG. The impact on claims is a 2.0% increase when comparing the claims experience of the population leaving and those joining. This impact varying between the Age, Blind, and Disabled (ABD) population and the non-ABD population.

Claims PMPM Impact due to Churn			
	Staying & Leaving	**Staying & Joining**	**Difference**
ABD (Adult & Child)	$590.83	$534.11	-9.6%
Non-ABD Adult	$319.31	$333.68	4.5%
Non-ABD Child	$106.07	$109.90	3.6%
Total	$230.78	$235.39	2.0%

COMPLETION OF CLAIMS

Typically, health claims can take up to 12 or 18 months to be fully reported and paid. Because the runout on the Calendar Year (CY) 2017 is through August (or 8 months), an adjustment factor needed to be applied to the CY2017 to estimate completed claims for the base year. For 8 months of runout, L&E anticipates an increase of paid claims between 0.0% and 1.0% to estimate fully reported and paid claims. This is consistent with Wakely's assumptions that range from 0.2% to 0.7% by MEG.

TREND

In order for the historical experience to be representative of costs in the projection year, the data needed to be trended forward to account for changes in utilization, unit cost due to provider contracting (or fee schedules), unit cost due to mix, and intensity of the services provided. Wakely provided claim costs on a PMPM basis, utilization per 1,000, average cost per unit, repricing unit cost adjustment, risk score, risk-adjusted PMPM, and membership, each split out between the various cohorts. These figures were provided for Base Years 2015 through 2017 as well as data through June 2018. This information was provided for various populations, including:

- 2017 attributed population
- 2019 attributed population
- OneCare members active in 2017, 2018, and 2019
- OneCare members active in 2018 and 2019
- OneCare members new in 2019
- Members not attributed to OneCare

Using this data, L&E was able to evaluate the change in costs over the time periods by cohort. L&E analyzed the trends by utilization, unit cost for provider pricing, and the mix and intensity of services provided.

Utilization Trends (OneCare Vermont)			
MEG	**2016/2015**	**2017/2016**	**2017 Membership**
ABD (Adult & Child)	6.0%	1.0%	58,843
Adult	7.4%	-1.1%	354,085
Child	3.9%	2.8%	417,422
Total	**5.6%**	**1.0%**	**830,350**
2-Year Average		**3.3%**	

The historical utilization trends show volatility with a wide range. L&E recommends a utilization trend range of 1.0% to 3.3%. The trends are lower in more recent years. Given the higher trends in the prior time period, L&E decided to incorporate these figures by using the 2-year average.

Wakely was provided repricing by Burns & Associates (Burns). Burns used the claim level detail to re-adjudicate the claims in 2015, 2016, 2017, and YTD 2018. The repricing adjustments were presented by category of service and cohort for each month. Below is a summary of the repricing adjustments by MEG:

Unit Cost: Repricing Adjustments (OneCare Vermont)			
MEG	**2015**	**2016**	**2017**
ABD (Adult & Child)	1.091	1.078	1.035
Adult	1.067	1.071	1.046
Child	1.122	1.081	1.042
Total	**1.097**	**1.076**	**1.044**

Since the base period experience is 2017, an adjustment of 4.4% over the 2-year period appears to be appropriate. The annualized unit cost trend due to repricing (provider contracting) is 2.2%. L&E recommends an annual estimate of 2.2% for the repricing unit cost trend. L&E is not recommending a range because Burns calculated the repricing.

The final piece of the trend is the unit cost associated with the mix and intensity of services provided. Wakely provided the PMPMs after the repricing was incorporated, which normalized the PMPMs for changes in unit cost due to repricing (or provider contracting and fee schedules).

Unit Cost Trends: Mix and Intensity (OneCare Vermont)			
MEG	**2016/2015**	**2017/2016**	**2017 Membership**
ABD (Adult & Child)	-0.2%	7.1%	58,843
Adult	1.7%	-0.3%	354,085
Child	4.4%	-3.8%	417,422
Total	**2.9%**	**-2.5%**	**830,350**
2-Year Average		**0.1%**	

The trends above are quite volatile, which challenges the projected mix and intensity trend analysis. Given the dramatic shifts in the trends, L&E's recommended range for mix and intensity is -0.5% to 1%. The trend ranges by category and in total are outlined below:

L&E's Total Trend Range Recommendation			
	Low	**Best**	**High**
Utilization	1.0%	1.5%	3.3%
Unit Cost: Repricing	2.2%	2.2%	2.2%
Unit Cost: Mix/Intensity	-0.5%	0.0%	1.0%
Total	**2.7%**	**3.7%**	**6.6%**

L&E's recommended trend range is between 2.7% and 6.6% with a best estimate of 3.7%. L&E's range is higher than Wakely's trend range, and L&E's best estimate falls just outside the high end of Wakely's range. The difference is primarily driven by L&E's estimate in Mix and Intensity. Due to the volatility in this segment, Wakely did not make an estimate for this category of trend. L&E agrees that the data is volatile but believes that our range provides a better recommendation of the trends that OneCare could realize during the 2019 time period.

Wakely's Trend Range		
	Low	**High**
Utilization	0.5%	1.5%
Unit Cost: Repricing	2.0%	2.0%
Unit Cost: Mix/Intensity	0.0%	0.0%
Total	**2.6%**	**3.6%**

BENEFIT CHANGES

Similar to the population, the anticipated covered services were well defined in advance of the plan year. Since Wakely had detailed claims data, they were able to remove any services included in the base year data set that were not to be covered by the ACO. There were no benefit changes from 2018 to 2019. In order to reflect the 2019 covered services, Wakely utilized a claims exclusion logic and provided a

document outlining how the 2017 base data was altered to represent the 2019 covered services. L&E did not audit the base period data, but the claim exclusions were reviewed for reasonableness. L&E did not have any concerns about the claims excluded or this methodology.

ACO EFFICIENCY

One of the responsibilities of the ACO is to achieve cost savings through high quality coordinated care. Another adjustment to the base period experience seeks to account for the anticipated cost savings for the ACO that is not accurately reflected in the base period experience. As with prior years, Wakely received information from Burns to help determine the anticipated savings for the ACO.

It is important to understand the length of time that members have been attributed to OneCare. Wakely's assumptions show that members who have been attributed for one year experience higher savings than new members or members who have been attributed to OneCare for more than one year.

Distribution of OneCare's Membership			
	ABD	**Adult**	**Child**
OCVT Member 2017-2019	22.4%	16.5%	25.3%
OCVT Member 2018-2019	26.2%	26.7%	26.1%
New OCVT Member 2019	51.4%	56.8%	48.6%
Total	**100.0%**	**100.0%**	**100.0%**

The table above shows that roughly 50% of the attributed population will be new to OneCare in 2019 with roughly 25% as second-year members, and 25% with OneCare for 3 years. Wakely developed a low and high range of assumptions by category of service and cohort. The new members and members who have been with OneCare since 2017 are assumed to have the same anticipated savings range. The members who have been attributed to OneCare in 2018 and 2019 are assumed to have slightly higher savings.

ACO Efficiency Assumptions						
	Low			**High**		
	ABD	**Adult**	**Child**	**ABD**	**Adult**	**Child**
OCVT Member 2017-2019	-2.1%	-1.5%	-1.2%	-0.9%	-0.6%	-0.5%
OCVT Member 2018-2019	-4.3%	-3.0%	-2.5%	-1.9%	-1.2%	-0.9%
New OCVT Member 2019	-2.1%	-1.5%	-1.2%	-0.9%	-0.6%	-0.5%
Total	**-2.8%**	**-1.9%**	**-1.6%**	**-1.2%**	**-0.8%**	**-0.6%**

L&E believes that these efficiencies are conservative estimates. It is likely that the longer members are attributed to OneCare that efficiencies will continue in the longer term. It should be noted that as the program matures these efficiencies will be reflected in the base period data and eventually lead to lower trends. Wakely's assumptions appear to be reasonable and appropriate for the ACO Efficiency. Therefore, L&E is comfortable with adopting the assumptions that Wakely has presented.

POPULATION ADJUSTMENTS

It is also common practice to adjust historical experience for anticipated changes in population. The base claims experience needs to account for the changes in membership throughout the projection period. These changes in membership lead to changes in the paid claims PMPM. Wakely determined monthly attrition assumptions to trend the population to the midpoint of 2019.

Population Adjustment		
	Low	**Best**
ABD (Adult & Child)	0.974	0.987
Adult	0.999	1.000
Child	0.998	0.999

L&E believes that Wakely applied a reasonable approach to estimate the anticipated population changes. L&E's best estimate takes an amount between Wakely's low and high estimate.

ADMINISTRATIVE EXPENSES

Consistent with last year, DVHA and OneCare Vermont have agreed to $6.50 PMPM to pay for general administrative expenses, care coordination, provider contracting, call center, and the informatics platform.

The negotiations between DVHA and OneCare Vermont resulted in an administrative rate of $6.50 PMPM (about 3.0%), which is the same administrative rate as last year. OneCare's administrative functions are currently being used by the company, and the administrative services are limited in nature.

Based on an analysis of administrative costs for 2015 for Medicaid Managed Care Organizations (MCOs) performed by Milliman[2], the average administrative loss ratio is about 12.0%. This appears to be slightly high based on L&E's experience with various Medicaid MCOs. Even if we assume that the average is lower than the 12.0% cited by Milliman, OneCare's administrative rate of $6.50 PMPM, or about 3.0%, appears to be reasonable and not excessive. L&E is utilizing the $6.50 PMPM that DHVA and OneCare have agreed to as the administrative assumption in the rate development.

RISK ARRANGEMENT

In the 2019 budget submission, OneCare stated that the risk arrangement would be changed from last year's risk arrangement. This arrangement would hold OneCare responsible for any profits or losses within 4.0% of the target. This is an increase from last year's 3.0% corridor. DVHA would be responsible for any additional payments in the event of more than 4.0% of losses and would require OneCare to pay back a portion of the capitation rate in the event of profits in excess of 4.0%. The savings rate of 100% remained unchanged from last year.

Risk Corridor Arrangement Shares		
Expenditures over/under target	**OneCare VT**	**DVHA**
-4.0% to 4.0%	100%	0%
> **4.0% or < -4.0%**	0%	100%

[2] http://www.milliman.com/uploadedFiles/insight/2016/medicaid-analysis-administrative-costs-2015.pdf

Evaluation of the risk arrangement using specific data was outside the scope of this assignment. This risk corridor structure eliminates potentially great losses by having lower shares for OneCare. Most of the concern surrounding new capitated arrangements is whether the rate is sufficient to cover all required services. This risk corridor protects OneCare Vermont from large losses. Additionally, L&E has reviewed the risk mitigation arrangements for all payers in the evaluation of OneCare's 2019 budget. These risk mitigation strategies help to shift some of the extreme financial responsibilities from OneCare to payers.

L&E RATE RANGES

L&E has reviewed each assumption and determined a low and high range, where appropriate. This created rate ranges surrounding the best estimate. The rate range and its development are provided below.

ABD (Adult & Child) Capitation Rate Development			
ABD (A&C)	**Low**	**Best**	**High**
2017 Base Claims Experience PMPM	$533.30	$533.30	$533.30
Completion Adjustment (IBNR)	1.000	1.002	1.005
Adjusted 2017 Base Claims Experience PMPM	$533.30	$534.37	$535.97
2 Year Utilization Trend	1.020	1.030	1.066
2 Year Unit Cost Trend	1.034	1.044	1.065
Benefit Changes	1.000	1.000	1.000
ACO Efficiency	0.972	0.980	0.988
Population Adjustment	0.974	0.981	0.987
2019 Estimated Claims PMPM	$532.67	$552.52	$593.78
Administrative Cost PMPM	$6.50	$6.50	$6.50
Risk	0.25%	0.50%	0.75%
2019 Capitation Rate	$540.52	$561.81	$604.78

Adult Capitation Rate Development			
Adult	**Low**	**Best**	**High**
2017 Base Claims Experience PMPM	$331.46	$331.46	$331.46
Completion Adjustment (IBNR)	1.004	1.007	1.010
Adjusted 2017 Base Claims Experience PMPM	$332.79	$333.78	$334.77
2 Year Utilization Trend	1.020	1.030	1.066
2 Year Unit Cost Trend	1.034	1.044	1.065
Benefit Changes	1.000	1.000	1.000
ACO Efficiency	0.981	0.987	0.992
Population Adjustment	0.999	1.000	1.000
2019 Estimated Claims PMPM	$344.08	$354.14	$377.10
Administrative Cost PMPM	$6.50	$6.50	$6.50
Risk	0.25%	0.50%	0.75%
2019 Capitation Rate	$351.46	$362.44	$386.48

Child Capitation Rate Development			
Child	**Low**	**Best**	**High**
2017 Base Claims Experience PMPM	$109.70	$109.70	$109.70
Completion Adjustment (IBNR)	1.000	1.002	1.004
Adjusted 2017 Base Claims Experience PMPM	$109.70	$109.92	$110.14
2 Year Utilization Trend	1.020	1.030	1.066
2 Year Unit Cost Trend	1.034	1.044	1.065
Benefit Changes	1.000	1.000	1.000
ACO Efficiency	0.984	0.989	0.994
Population Adjustment	0.998	0.999	0.999
2019 Estimated Claims PMPM	$113.66	$116.80	$124.25
Administrative Cost PMPM	$6.50	$6.50	$6.50
Risk	0.25%	0.50%	0.75%
2019 Capitation Rate	$120.46	$123.92	$131.73

Wakely's ranges are similar to L&E's ranges. L&E's ranges are wider due to the differences in L&E's trend assumptions when compared to Wakely's. It is important to note that L&E is not recommending that Wakely's calculation or the final rates need to match L&E's estimation. This is L&E's best estimate based on the information provided by Wakely and DVHA. L&E recommends that DHVA and Wakely compare each assumption with the similar assumption used in Wakely's calculation and consider if L&E's development of the assumption is a more appropriate approach or accounts for other information that Wakely should further research.

CONCLUSIONS AND RECOMMENDATIONS

L&E has not found any material errors in the rate case development performed by Wakely for DVHA. L&E recommends that the Board send this report along to DVHA and Wakely for their consideration before the finalization of the contract between DVHA and OneCare.

L&E only notes material differences within the trend assumptions. L&E recommends that DVHA and Wakely review the historical trend data to set the unit cost trends that are applicable to mix and intensity.

DATA RELIANCE

Wakely, DVHA, and the GMCB provided all data and information utilized by L&E during this analysis.

L&E heavily relied on Wakely's assistance in order to understand the negotiation process that directly impacted the final rates. DVHA and Wakely have been working with OneCare Vermont and Milliman (OneCare's actuaries) for the past couple months, discussing most components of the rates in great detail, and these discussions did not include L&E. Therefore, L&E spent a significant amount of time reviewing overall methodologies with Wakely. Wakely provided prompt and thorough responses and was readily available via phone call on short notice to provide clarifications and explanations, as needed. Below we outline the various assumptions that were impacted by these conversations.

L&E relied on Wakely's claims exclusion logic to produce the base data and results in this report. Wakely and L&E discussed their methodology during a phone call. The data size was very large, and Wakely spent a large amount of time to scrub the data and ensure that only the appropriate claim records were included in the experience. Milliman and Wakely engaged in an extensive process to ensure that the base data was appropriate and based on the anticipated covered benefits.

For the general administrative expenses and risk corridor arrangement, L&E relied on Wakely's data analysis and presence at negotiations to provide insight into the figures and arrangements agreed upon by OneCare and DVHA.

L&E was presented with several challenges during the review. In order to better understand the methodology of the review, it is important to outline the challenges first:

- L&E received the first set of assumptions and data on November 29, 2018. Similar to last year, it was discussed that L&E would not be auditing or performing an independent scrubbing of the data. Instead, L&E discussed Wakely's methodology and process of setting the rate.
- OneCare Vermont and DVHA were in active negotiations during most of Wakely's analysis time and, therefore, L&E's analysis time.
- L&E received the last data file on December 4, 2018. Therefore, L&E's review time was limited and constrained to the information that was provided.

LIMITATIONS

The contents of this report are intended for the Green Mountain Care Board to advise the Department of Vermont Health Access DVHA and its actuaries before finalizing of the all-inclusive population-based

payment arrangement effective in 2019. The Board may distribute this report to those parties stated above, in which case it will be provided in its entirety including all assumptions, caveats, and limitations. In addition, we request that the Board or any recipient notify Lewis & Ellis, Inc. to whom it was distributed.

Any distribution of this report should be made in its entirety. In addition, any third party with access to this report acknowledges, as a condition of receipt, that L&E does not make any representations or warranty as to the accuracy or completeness of the material. Any third party with access to these materials cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

To the best of our knowledge, our determinations were made in accordance with generally accepted actuarial principles and practices. The American Academy of Actuaries (Academy) requires its members to perform professional services only when qualified to do so, and to meet certain qualification standards. The Academy prescribes qualification standards for individuals who issue prescribed statements of actuarial opinion. This report is not a prescribed statement of actuarial opinion. I certify that I am a member of the Academy, that I am qualified to review this work, but this report and any recommendations should not be considered an actuarial opinion.

The Board has agreed to pay Lewis & Ellis, Inc. a fee for preparing this report. Other than with regard to that contract, L&E is financially and organizationally independent from the Board and any entity or individual related to the Board. There is nothing in our relationship with the Board that would impair or seem to impair the objectivity of our work.

EXHIBIT 1: ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[3], promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States. Each of these organizations requires its members, through its Code of Professional Conduct[4], to observe the ASOPs of the ASB when practicing in the United States.

The ASOPs are not narrowly prescriptive and neither dictates a single approach nor mandates a particular outcome. ASOPs are intended to provide actuaries with a framework for performing professional assignments and to offer guidance on relevant issues, recommended practices, documentation, and disclosure. Each ASOP articulates a process of analysis, documentation, and disclosure that, in the ASB's judgment, constitutes appropriate practice within the scope and purpose of the ASOP.

ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in this Exhibit.

Identification of the Responsible Actuary

The responsible actuary is Jacqueline B. Lee, FSA, MAAA, Vice President and Principal of Lewis & Ellis, Inc. This actuary is available to provide supplementary information and explanation.

Identification of Actuarial Documents

The date of this document is December 14, 2018, its subject is the estimation and recommendation regarding the 2018 all-inclusive population-based payment arrangement (capitation rate) for OneCare Vermont, and the document version identification is Version #1 (12/14/2018 9:58 AM).

Disclosures in Actuarial Reports

- The contents of this report are intended for the Green Mountain Care Board.
- The purpose of this engagement is to provide the Green Mountain Care Board with an estimation, recommendation, and guidance on the 2019 all-inclusive population-based payment arrangement (capitation rate) for OneCare Vermont.
- The projections included in this report involve estimates of historical PMPMs, trends, benefit changes, ACO efficiency adjustments, population adjustments, and administrative expense. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The results are not to be used for any purpose other than to provide the Board with guidance and recommendations to send to the Department of Vermont Health Access (DVHA) regarding the 2019 capitation rates for OneCare Vermont. These communications should not be relied upon for any other purpose.
- The responsible actuary identified above is qualified as specified in the *Qualification Standards* of the American Academy of Actuaries.
- The Green Mountain Care Board has agreed to pay Lewis & Ellis, Inc. a fee for preparing this report. Other than with regard to that contract, we are financially and organizationally independent from the Board. There is nothing in our relationship with the Board that would impair or seem to impair the objectivity of our work.
- The Green Mountain Care Board, Department of Vermont Health Access and Wakely Consulting provided the claims data, enrollment, and other information used to prepare our report. We have

[3] The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.
[4] These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001

reviewed the data for reasonableness but have not audited it. To the extent that there are material inaccuracies in the data, our results may be accordingly affected.
- The date through which data or other information has been considered in developing the findings included in this report is December 4, 2018.
- We are not aware of any subsequent events that may have a material effect on the actuarial findings.
- The various documents comprising this actuarial report are contained within the document to which these disclosures are attached.

Actuarial Findings

The actuarial findings of the report can be found in the body of this report, as well as the attached exhibits.

Methods, Procedures, Assumptions, and Data

The methods, procedures, assumptions and data used by the actuary can be found in body of this report, as well as the attached exhibits.

Assumptions or Methods Prescribed by Law

This actuarial memorandum was prepared in accordance with generally accepted actuarial principles.

Responsibility for Assumptions and Methods

The actuary does not disclaim responsibility for material assumptions or methods.

Deviation from the Guidance of an ASOP

The actuary has not deviated materially from the guidance set forth in an applicable ASOP.