

**Summary of Molina Complete Care's (MCC) Update to the Actuarial Certification of the  
Administrative Cost Bid for Arizona Health Care Cost Containment System Administration (AHCCCS)  
Solicitation #YH20-0002  
Effective October 1, 2022**

This Actuarial Certification and the accompanying Section F bid have been adjusted from MCC's previous submission. The updates reflect a lowering of our administrative cost bid in response to the AHCCCS request for best and final offer. The reduction in the MCC rate bid was done by reviewing ranges of assumptions and inputs into our models and made no adjustments to the planned offerings or administrative functions. MCC believes in the transformative commitments made in our technical bid. We have designed an approach to the ACC-RBHA contract that invests in new technologies and staffing to drive transformation, improved accountability and true integration throughout the system. Our approach, supported by key stakeholders across the system, builds on an integrated center of excellence model that is grounded in recovery values, member and family voice, value-based care, and true community ownership and engagement.

In support of the new administrative cost bid, MCC has made the following updates to the submission:

- The tables showing numerical information in this Actuarial Certification have been adjusted downward and
- A new Section F reflecting a reduction in projected costs has been submitted.

The updated administrative bid is within an actuarially certifiable range and is neither excessive nor deficient.

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**Actuarial Certification of the Administrative Cost Bid for Arizona Health Care Cost Containment  
System Administration (AHCCCS) Solicitation #YH20-0002  
Effective October 1, 2022**

The purpose of this document is to provide information related to Molina Healthcare of Arizona, Inc.'s (dba Molina Complete Care) actuarial certification of the administrative cost bid for AHCCCS solicitation #YH20-0002.

Molina Healthcare of Arizona, Inc. is a managed care organization that provides healthcare services for over 44,000 individuals primarily eligible for Medicaid throughout the State of Arizona. Molina Healthcare of Arizona, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 18 states across the nation, Molina Healthcare, Inc. serves more than 4.6 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.



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## Administrative Cost Bid

MCC submits the following as the administrative cost bid for the Regional Behavioral Health Agreement (RBHA). MCC's proposal is for the Central geographic service area (GSA).

Population	Administrative Cost	Enrollment	PMPM
SMI	\$ 57,073,038.11	330,705	\$ 172.58
Crisis	\$ 4,768,820.97	13,625,203	\$ 0.35

This cost excludes anticipated startup costs and premium taxes. Further detail is included in the submitted Section F – Administrative Cost Bid Submission.

### Data, Assumptions, and Methodology

MCC reviewed the following in developing the administrative cost bid:

- Molina anticipated labor, non-labor, and general corporate overhead,
- The administrative cost assumed in the current and prior capitation rates for the central GSA, and
- Administrative expenses for other populations served by Molina

In addition, MCC considered the anticipated enrollment and PMPM revenue for the SMI and Crisis populations.

MCC developed the administrative cost bid by anticipating the labor costs, non-labor costs, and corporate overhead.

Labor costs were determined by projecting the salaries, benefits, and bonuses for the staff required to operate a plan of this size and complexity. In development of the corporate overhead, the total shared service costs attributable to MCC's Medicaid line of business was allocated using established cost accounting practices modeled after the Federal Cost Accounting Standards, which are consistently applied across Molina Healthcare, Inc. The allocation practices rely on projected RBHA enrollment and revenue relative to Molina Healthcare, Inc.'s total book of business. Non-labor costs were generated using estimated costs for travel, supplies, association dues, interpreting costs, professional services, provider outreach, pharmacy benefit manager services, and other vendor services. The table below outlines the expected costs by category.

Category	Administrative Cost
Labor	\$ 17,626,520.00
Non-Labor	\$ 14,856,209.10
Corporate Overhead	\$ 29,359,129.98

The administrative cost was then converted to both a PMPM and a percent of revenue and compared to the current and historical administrative cost built into the capitation rate and the administrative cost observed in Molina Healthcare, Inc.'s current populations. The resulting administrative costs were determined to be reasonable, appropriate, and attainable.

Total projected administrative costs are expected to increase 2% per year. Administrative costs were allocated to the categories listed in Section F based on a review of MCC's current population covered under the existing ACC contract and a review of the existing expenses for the incumbent RBHA contractor in the Central GSA.

## Reliance

In support of this administrative bid development, various data and analyses were provided by other members of Molina Healthcare, Inc.'s staff. I have reviewed the data and analyses and found them to be reasonable and consistent.

## Actuarial Certification

I, Jack Pierce, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

The administrative cost bid is:

- a. Actuarially sound
- b. In compliance with all applicable State and Federal Statutes and Regulations, including 42 CFR § 438.5(e) and 42 CFR § 438.7(b)(3)
- c. Developed in compliance with the applicable Actuarial Standards of Practice
- d. Reasonable in relation to the benefits provided and the population anticipated to be covered
- e. Neither excessive nor deficient



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Jack Pierce, FSA, MAAA  
AVP, Actuarial Services  
Molina Healthcare Inc.

November 1, 2021

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Date