4500 E. Cotton Center Blvd.
Phoenix, AZ 85040

September 24, 2021

Arizona Health Care Cost Containment System Administration (AHCCCS)
Procurement Office (First Floor)
Meggan LaPorte, CPPO, MSW
Chief Procurement Officer
701 E. Jefferson, MD5700
Phoenix, Arizona 85034

RE: Competitive Contract Expansion (CCE) Solicitation #YH20-0002 – C3, Actuarial Certification

ACTUARIAL CERTIFICATION

I, Jason Strandquist, am an employee of Aetna Life Insurance Company, the contracted administrator for Mercy Care. I am also a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I have reviewed the assumptions and methods used to develop the non-benefit cost proposal submitted for the CCE Solicitation No. YH20-0002. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established by the Actuarial Standards Board.

In developing the assessment, I relied upon certain data and information provided by AHCCCS and Mercy Care. I have reviewed the data without audit and have relied upon AHCCCS and Mercy Care for the accuracy of the data.

In my opinion, the assumptions used in developing the non-benefit cost proposal for CCE No. YH20-002 are actuarially sound for the purposes of 42 CFR 438.5(e), according to the following criteria:

- "*The development of the non-benefit component of the rate must include reasonable, appropriate, and attainable expenses related to MCO, PIHP, or PAHP administration, taxes, licensing and regulatory fees, contribution to reserves, risk margin, cost of capital, and other operational costs associated with the provision of services identified in § 438.3(c)(1)(ii) to the populations covered under the contract*."

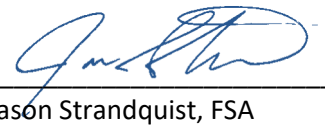
To ensure compliance with generally accepted actuarial practices and regulatory requirements, we referred to published guidance from the American Academy of Actuaries (AAA), the Actuarial Standards Board (ASB), the Centers for Medicare and Medicaid Services (CMS), and federal regulations. Specifically, the following were referenced during the rate development:

- Actuarial Standards of Practice (ASOP) applicable to Medicaid managed care rate setting: ASOP 5 (Incurred Health and Disability Claims), ASOP 23 (Data Quality), ASOP 25 (Credibility Procedures), ASOP 41 (Actuarial Communications), ASOP 45 (The Use of Health Status Based Risk Adjustment Methodologies) and ASOP 49 (Medicaid Managed Care Rate Development and Certification).

- The most recent *Medicaid Managed Care Rate Development Guide* published by CMS.

For the purposes of this attestation, and consistent with the requirements under 42 CFR § 438.4(a), "actuarial soundness" is defined as in ASOP 49:

> *"Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."*



Jason Strandquist, FSA
Member, American Academy of Actuaries

September 24, 2021
Date