

APPENDIX D

Actuarial Certification



Government Human Services Consulting

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June 6, 2024

Subject: Calendar Year 2025 Platino Wrap-around Premium

Dear Roxanna:

Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, was retained by the Administración de Seguros de Salud (ASES) to develop actuarially sound capitation rates for the Medicare Platino Program (Platino). The Platino program is a dually eligible special needs plan that provides "wrap-around" coverage for Medicaid State Plan services not covered by Medicare. The "wrap-around" services consist mainly of the member cost sharing for the prescribed drugs under Medicare Part D. Mercer's recommended Platino premium for calendar year (CY) 2025 is \$80.00 per member per month (PMPM).

Program History

The Platino program began on January 1, 2006, after the passage of the Medicare Modernization Act. It allows dual eligible individuals residing in a Medicare Advantage Organization's (MAO) service area to enroll with a Medicare Advantage plan with prescription drug coverage. The Platino program was originally intended to assist dual eligible individuals with the cost of prescription drug benefits, but it may also include other wrap-around services. Wrap-around services in general are a "non-covered benefit under the MAO supplementary benefit coverage and included as covered services in the Medicaid State Plan.

There are four MAOs serving the Platino population in Puerto Rico:

- Humana Health Plans of Puerto Rico, INC. (Humana)
- MCS Advantage, INC. (MCS)
- Medicare y Mucho Mas Healthcare, LLC. (MMM)
- Triple-S Advantage, INC. (Triple-S)

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Historically, ASES has reimbursed the MAOs less than the actual cost of the Medicaid wrap-around services. The remaining amount not funded by Medicaid is covered using the Medicare rebates, which can be used to pay for supplemental Medicare benefits, or margin on the Medicare component. With the recent cuts in the Medicare Part B fee schedule in recent years, ASES is reevaluating how much it would cost to reimburse the MAOs for the full cost of wrap-around services.

Data

To determine the cost of the wrap-around services, Mercer relied on the following data provided by ASES:

- Member Rate Cell eligibility data
- CLM prescribed drug claims for the Platino population incurred in CY 2023 paid through February 29, 2024
- Report 42 submitted by the MAOs

Mercer intended to use the allowed amount in the Platino prescribed drugs claims data to determine the member cost sharing component of the drug claims. However, the allowed amount was not available, and Mercer had to rely on the amount paid. Applying the Medicare Part D cost sharing provisions to the amount paid generated wrap-around cost PMPMs that were comparable to the PMPMs the MAOs submitted in the 2024 Medicare bids. For that reason, Mercer was comfortable with utilizing the amount paid to determine the wrap-around cost.

Methodology

To determine the cost of the Medicaid wraparound services, Mercer developed a claim probability distribution (CPD) table to evaluate the member cost sharing component of the Medicare Part D drugs. Mercer utilized experience from CY 2023 paid through February 2024. The CPD table was created by determining enrollee expenses during CY 2023 and stratifying them into different cost bands. The probability of falling within a band is the number of enrollees who had expenditures within each band divided by the total number of eligible members during CY 2023. The CPD table also captures the average cost of the members within each cost band. The average cost of the members within each band was trended forward 24 months to get to the midpoint of the CY 2025 rating period at 8% per annum for the low-end estimate and 10% per annum for the high-end estimate. Next, the CY 2025 Part D cost sharing parameters were applied.

For CY 2025, the Inflation Reduction Act capped the member out of pocket (OOP) max at \$2,000 and eliminated the coverage gap phase. The member cost sharing component is expected to decrease from CY 2024 to CY 2025 due to the lower OOP max. The CY 2025 member cost sharing component and Medicaid wrap-around cost is subject to the following parameters:

- Deductible Phase: \$590 Deductible

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- Initial Coverage Limit Phase
 - 25% member cost share between \$590 and \$6,230
 - \$6,230 is where the member OOP max would reach \$2,000
 - While the Manufacturer Discount Program (MDP) considers a 10% discount in determining the plan liability, "...the IRA specifically amends the definition of incurred costs that count toward True-Out-of-Pocket (TrOOP) cost for CY 2025 to include payments for previously excluded supplemental benefits provided by Part D sponsors and Employer Group Waiver Plans (EGWPs) and **exclude payments under the new Discount Program**¹."
- Coverage Gap Phase
 - No longer exists
- Catastrophic Coverage Phase
 - 0% member cost share once the member OOP spend reaches \$2,000

Based on these parameters, Mercer determined the expected wrap-around cost by using the following formula.

Expected Wrap-around Claim Cost = $E(X^{\$590}) + 25\% * ((E(X^{\$6,230}) - E(X^{\$590}))$, where $E(X^x)$ represents the expected value subject to a limit of x.

Mercer then grossed up the Expected Wrap-around Claim Cost by 8% for administrative cost and underwriting gain. The low and high end of the CY 2025 Platino wrap-around premium can be found in Table 1 below.

The claim probability distribution tables used to calculate the values in Table 1 can be found in Appendix A below.

Mercer did not include other wrap-around services such as Dental in determining the cost of the wrap-around Platino premium. The responses varied by MAO on whether other services are considered to be wrap-around services which are to be covered by Medicaid. Mercer is assuming the Medicare rebates will be used to pay for other supplemental benefits. Since Medicare premiums are being used to pay for those supplemental benefits, Medicaid should not be paying again to avoid double payment for the same service.



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¹ <https://www.cms.gov/newsroom/fact-sheets/final-cy-2025-part-d-redesign-program-instructions-fact-sheet>



Results

Table 1: CY 2025 Platino Premium Range

Description	CY 2025 Rates	CY 2025 Rates	Row	Formula
	Low Estimate	High Estimate		
Deductible = $E(X^{\$590})$	\$420.12	\$422.42	A	
Initial Coverage Limit = $25\% * ((E(X^{\$6,230}) - E(X^{\$590}))$	\$407.07	\$415.01	B	
Coverage Gap (No Longer Exists)	\$0.00	\$0.00	C	
CY 2025 Expected Wrap-around Claim Cost Per Member Per Year	\$827.18	\$837.43	D	$D = A + B + C$
Number of Members	325,922	325,922	E	
Expected Wrap-around Claim Dollars	\$269,596,842	\$272,936,428	F	$F = D * E$
Member Months	3,674,409	3,674,409	G	
CY 2025 Expected Wrap-around Claim Cost PMPM	\$73.37	\$74.28	H	$H = F / G$
Administration and Underwriting Gain at 8%	\$6.38	\$6.46	I	$I = H / (1 - 0.08) * 0.08$
Total	\$79.75	\$80.74	J	$J = H + I$

Actuarial Statement and Caveats

All estimates are based upon the information available at a point in time and are not a guarantee of results which may be achieved. The projections are subject to unforeseen and random events and so must be interpreted as having a potentially wide range of variability from the estimates. Mercer relied on data provided by ASES to perform this analysis. If the data and information are incomplete or inaccurate, the values in this analysis may differ significantly from values that would be obtained with accurate and complete information, which may require a later revision to this analysis. Mercer has prepared this analysis exclusively for ASES to evaluate the cost of wrap-around services for the Platino population in CY 2025. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

Lastly, ASES understands that Mercer is not engaged in the practice of law and this report, which may include commenting on legal issues or regulations, does not constitute and is not suitable for legal advice. Accordingly, Mercer recommends that ASES secure the advice of competent legal counsel with respect to any legal matters related to this report or otherwise.

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Puerto Rico Health Insurance Administration

If you have any questions, or would like to discuss this information further, please contact An Danh at +1 404 277 4194 or an.danh@mercer.com.

Sincerely,



An Danh, FSA, MAAA
Principal



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Appendix A: Claim Probability Distribution Table

CY 2023 Expenditure Range	Probability	Low Trend Cost PMPY	X ^ Deductible (\$590)	X ^ Amount to reach 2025 TrOOP (\$6,230)	High Trend Cost PMPY	X ^ Deductible (\$590)	X ^ Amount to reach 2025 TrOOP (\$6,230)
0	18.3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0 - 500	20.9%	\$ 294.35	\$ 294.35	\$ 294.35	\$ 305.36	\$ 305.36	\$ 305.36
500 - 1,000	16.6%	\$ 850.26	\$ 590.00	\$ 850.26	\$ 882.04	\$ 590.00	\$ 882.04
1,000 - 1500	8.5%	\$ 1,422.27	\$ 590.00	\$ 1,422.27	\$ 1,475.44	\$ 590.00	\$ 1,475.44
1,500 - 2000	4.6%	\$ 2,019.76	\$ 590.00	\$ 2,019.76	\$ 2,095.25	\$ 590.00	\$ 2,095.25
2,000 - 2500	3.1%	\$ 2,610.48	\$ 590.00	\$ 2,610.48	\$ 2,708.06	\$ 590.00	\$ 2,708.06
2,500 - 3000	2.5%	\$ 3,200.95	\$ 590.00	\$ 3,200.95	\$ 3,320.60	\$ 590.00	\$ 3,320.60
3,000 - 3500	2.0%	\$ 3,781.39	\$ 590.00	\$ 3,781.39	\$ 3,922.74	\$ 590.00	\$ 3,922.74
3,500 - 4000	1.7%	\$ 4,366.21	\$ 590.00	\$ 4,366.21	\$ 4,529.42	\$ 590.00	\$ 4,529.42
4,000 - 4500	1.4%	\$ 4,950.03	\$ 590.00	\$ 4,950.03	\$ 5,135.06	\$ 590.00	\$ 5,135.06
4,500 - 5000	1.3%	\$ 5,533.55	\$ 590.00	\$ 5,533.55	\$ 5,740.40	\$ 590.00	\$ 5,740.40
5,000 - 5500	1.3%	\$ 6,122.71	\$ 590.00	\$ 6,122.71	\$ 6,351.57	\$ 590.00	\$ 6,230.00
5,500 - 6000	1.2%	\$ 6,710.18	\$ 590.00	\$ 6,230.00	\$ 6,961.01	\$ 590.00	\$ 6,230.00
6,000 - 6500	1.2%	\$ 7,284.67	\$ 590.00	\$ 6,230.00	\$ 7,556.97	\$ 590.00	\$ 6,230.00
6,500 - 7000	1.2%	\$ 7,879.06	\$ 590.00	\$ 6,230.00	\$ 8,173.58	\$ 590.00	\$ 6,230.00
7,000 - 7500	1.2%	\$ 8,455.04	\$ 590.00	\$ 6,230.00	\$ 8,771.09	\$ 590.00	\$ 6,230.00
7,500 - 8000	1.0%	\$ 9,030.96	\$ 590.00	\$ 6,230.00	\$ 9,368.54	\$ 590.00	\$ 6,230.00
8,000 - 8500	0.9%	\$ 9,615.50	\$ 590.00	\$ 6,230.00	\$ 9,974.93	\$ 590.00	\$ 6,230.00
8,500 - 9000	0.8%	\$ 10,195.27	\$ 590.00	\$ 6,230.00	\$ 10,576.37	\$ 590.00	\$ 6,230.00
9,000 - 9500	0.6%	\$ 10,776.77	\$ 590.00	\$ 6,230.00	\$ 11,179.60	\$ 590.00	\$ 6,230.00
9,500 - 10k	0.6%	\$ 11,361.91	\$ 590.00	\$ 6,230.00	\$ 11,786.62	\$ 590.00	\$ 6,230.00
10k - 11k	1.0%	\$ 12,227.95	\$ 590.00	\$ 6,230.00	\$ 12,685.03	\$ 590.00	\$ 6,230.00
11k - 12k	0.8%	\$ 13,400.91	\$ 590.00	\$ 6,230.00	\$ 13,901.84	\$ 590.00	\$ 6,230.00
12k - 13k	0.7%	\$ 14,566.23	\$ 590.00	\$ 6,230.00	\$ 15,110.71	\$ 590.00	\$ 6,230.00
13k - 14k	0.6%	\$ 15,739.25	\$ 590.00	\$ 6,230.00	\$ 16,327.58	\$ 590.00	\$ 6,230.00
14k - 15k	0.5%	\$ 16,891.17	\$ 590.00	\$ 6,230.00	\$ 17,522.56	\$ 590.00	\$ 6,230.00
15k - 16k	0.5%	\$ 18,050.26	\$ 590.00	\$ 6,230.00	\$ 18,724.98	\$ 590.00	\$ 6,230.00
16k - 17k	0.3%	\$ 19,223.35	\$ 590.00	\$ 6,230.00	\$ 19,941.92	\$ 590.00	\$ 6,230.00
17k - 18k	0.3%	\$ 20,388.07	\$ 590.00	\$ 6,230.00	\$ 21,150.18	\$ 590.00	\$ 6,230.00
18k - 19k	0.3%	\$ 21,580.32	\$ 590.00	\$ 6,230.00	\$ 22,386.99	\$ 590.00	\$ 6,230.00
19k - 20k	0.2%	\$ 22,718.69	\$ 590.00	\$ 6,230.00	\$ 23,567.91	\$ 590.00	\$ 6,230.00
20k-30k	1.2%	\$ 28,087.60	\$ 590.00	\$ 6,230.00	\$ 29,137.51	\$ 590.00	\$ 6,230.00
30k-40k	0.5%	\$ 40,325.78	\$ 590.00	\$ 6,230.00	\$ 41,833.16	\$ 590.00	\$ 6,230.00
40k-50k	0.4%	\$ 52,176.23	\$ 590.00	\$ 6,230.00	\$ 54,126.57	\$ 590.00	\$ 6,230.00
50k-60k	0.3%	\$ 63,956.04	\$ 590.00	\$ 6,230.00	\$ 66,346.71	\$ 590.00	\$ 6,230.00
60k-70k	0.2%	\$ 75,757.48	\$ 590.00	\$ 6,230.00	\$ 78,589.29	\$ 590.00	\$ 6,230.00
70k-80k	0.2%	\$ 87,437.64	\$ 590.00	\$ 6,230.00	\$ 90,706.06	\$ 590.00	\$ 6,230.00
80k-90k	0.2%	\$ 98,766.03	\$ 590.00	\$ 6,230.00	\$ 102,457.90	\$ 590.00	\$ 6,230.00
90k-100k	0.1%	\$ 110,312.75	\$ 590.00	\$ 6,230.00	\$ 114,436.24	\$ 590.00	\$ 6,230.00
100k-110k	0.1%	\$ 121,828.77	\$ 590.00	\$ 6,230.00	\$ 126,382.73	\$ 590.00	\$ 6,230.00
110k-120k	0.1%	\$ 134,248.03	\$ 590.00	\$ 6,230.00	\$ 139,266.22	\$ 590.00	\$ 6,230.00
120k-130k	0.0%	\$ 145,621.32	\$ 590.00	\$ 6,230.00	\$ 151,064.64	\$ 590.00	\$ 6,230.00
130k-140k	0.0%	\$ 157,365.37	\$ 590.00	\$ 6,230.00	\$ 163,247.68	\$ 590.00	\$ 6,230.00
140k-150k	0.0%	\$ 168,967.54	\$ 590.00	\$ 6,230.00	\$ 175,283.54	\$ 590.00	\$ 6,230.00
150k-200k	0.2%	\$ 200,220.57	\$ 590.00	\$ 6,230.00	\$ 207,704.81	\$ 590.00	\$ 6,230.00
200k-250k	0.1%	\$ 256,607.22	\$ 590.00	\$ 6,230.00	\$ 266,199.19	\$ 590.00	\$ 6,230.00
250k-300k	0.0%	\$ 317,894.35	\$ 590.00	\$ 6,230.00	\$ 329,777.23	\$ 590.00	\$ 6,230.00
300k-350k	0.0%	\$ 371,778.62	\$ 590.00	\$ 6,230.00	\$ 385,675.70	\$ 590.00	\$ 6,230.00
350k-400k	0.0%	\$ 431,475.37	\$ 590.00	\$ 6,230.00	\$ 447,603.91	\$ 590.00	\$ 6,230.00
400k-450k	0.0%	\$ 498,654.93	\$ 590.00	\$ 6,230.00	\$ 517,294.63	\$ 590.00	\$ 6,230.00
450k-500k	0.0%	\$ 541,405.23	\$ 590.00	\$ 6,230.00	\$ 561,642.94	\$ 590.00	\$ 6,230.00
500k-750k	0.0%	\$ 699,056.02	\$ 590.00	\$ 6,230.00	\$ 725,186.71	\$ 590.00	\$ 6,230.00
750k-1m	0.0%	\$ 1,047,057.75	\$ 590.00	\$ 6,230.00	\$ 1,086,196.74	\$ 590.00	\$ 6,230.00
Total	100.0%	\$ 5,110.64	\$ 420.12	\$ 2,048.38	\$ 5,301.67	\$ 422.42	\$ 2,082.46

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