



***Sent by e-mail***

October 28, 2019

Gary Priem  
Chief Financial Officer  
Care Wisconsin Health Plan  
1617 Sherman Avenue  
Madison, WI 53704

Re: Engagement Letter – 2020 Actuarial Services

Dear Gary:

This letter is to confirm Care Wisconsin Health Plan's engagement of Cirdan to provide actuarial services related to the NAIC Annual Statement, Medicare Advantage bid development, and Medicare Minimum Loss Ratio Reporting. The terms of service are summarized in the following attached exhibit describing the proposal and costs:

- Exhibit A – NAIC Statement of Actuarial Opinion
- Exhibit B – Medicare Advantage Bid Development
- Exhibit C – Medicare Minimum Loss Ratio Reporting
- Exhibit D – Cirdan Billing Rates

Please confirm by email reply or by initialing and returning a copy of this letter that the terms as described in this engagement letter and exhibit are satisfactory. If you have any questions, please call me at 651-389-4570. Thank you for the opportunity to be of service to Care Wisconsin Health Plan.

Sincerely,

A handwritten signature in black ink that reads "Alexander M. Tava".

Alexander M. Tava  
Cirdan Health Systems and Consulting

Enclosure

**EXHIBIT A**  
**NAIC STATEMENT OF ACTUARIAL OPINION**

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**Background**

The Wisconsin Office of the Commissioner of Insurance (OCI) requires health insurance companies and HMOs operating in Wisconsin to report financial results annually in a format prescribed by the National Association of Insurance Commissioners (NAIC). The liabilities held by Care Wisconsin Health Plan (CWHP) for claims unpaid and other actuarial items and reported in the Annual Statement are to be analyzed and opined on by a credentialed actuary.

**Services**

Cirdan will complete analysis and review documentation in order to prepare a Statement of Actuarial Opinion in support of the liabilities held as December 31, 2019. The Actuarial Opinion is to be included in the NAIC Annual Statement and audited financial statements submitted by CWHP.

Cirdan will independently prepare incurred but not reported (IBNR) estimates for each Care Wisconsin program. The independent estimates of IBNR will be compared to CWHP internal estimates and material differences will be analyzed further. Draft estimates of IBNR will be completed with claims lag data through December 2019 and final estimates will be completed with claims lag data through January 2020.

Cirdan will independently prepare estimates of liabilities relating to Medicare Part D. Cirdan's estimates will be compared to CWHP internal estimates and material differences will be analyzed further. Estimates of Medicare Part D liabilities will be prepared based on PDE data available as February 1, 2020.

Cirdan will review the CWHP budget for 2020 and test reasonable claims projection scenarios to determine if a premium deficiency reserve is warranted.

**CWHP Obligations**

In order for Cirdan to perform the above services, CWHP will provide various information about claims and enrollment data and processes including:

- A. Incurred But Not Reported (IBNR) model, including claims lag data, as of January 2020.
- B. Medicare PDE response and cumulative beneficiary files for dates of service in 2019 with runout through January 2020.
- C. Pharmacy rebate summaries for Medicare Part D or estimated direct and indirect remuneration (DIR) to be reported to CMS.

- D. Medicare MMR files for January 2019 through February 2020.
- E. Summary and detailed budget information for 2020.
- F. Draft NAIC Annual Statement with completed Underwriting and Investments exhibits.
- G. NAIC quarterly statements for 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarters.
- H. Information regarding material changes to programs and internal operations.

### **Costs**

For services relating to the Statement of Actuarial Opinion, Cirdan will invoice monthly for services provided in the previous month. Cirdan's hourly billing rates for 2020 are shown in Exhibit D below. Travel related expenses are not expected for the completion of services related to the Statement of Actuarial Opinion. Cirdan does not charge for minor out-of-pocket expenses. We expect our fees for preparation of the Statement of Actuarial Opinion to be in the range of \$15,000-\$20,000.

### **Deliverables**

Cirdan will prepare a draft Statement of Actuarial Opinion by Tuesday February 18, 2020. The completion of the final Statement of Actuarial Opinion is dependent on completion and actuarial review of certain schedules and exhibits within the Annual Statement. Given the OCI due date of March 1, 2020 for the Annual Statement, it is expected the final Statement of Actuarial Opinion will be delivered on approximately Wednesday February 26, 2020.

**EXHIBIT B**  
**MEDICARE ADVANTAGE BID DEVELOPMENT**

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## **Background**

Care Wisconsin Health Plan (CWHP) currently operates two Medicare Advantage Dual-Eligible Special Needs Plans (D-SNPs). The Centers for Medicare and Medicaid Services (CMS) requires Medicare Advantage organizations to annually submit a bid for services for each plan that includes a completed Bid Pricing Tool (BPT), Plan Benefit Package (PBP), and supporting documentation.

## **Services**

Cirdan will complete the actuarial analysis for CWHP's Medicare Advantage D-SNP bids as required to complete the contract year 2021 Medicare bids. Assumptions for the bid will be developed using Cirdan's proprietary rating manual, information developed from CWHP medical and pharmacy claims experience, and information provided from CWHP regarding administrative costs and target margin. If revenue and cost projections support the possible inclusion of supplemental benefits, Cirdan will work with CWHP staff to develop the necessary assumptions to support the benefits.

Cirdan will prepare the Part C and Part D BPTs and prepare the necessary supporting documentation to accompany the bids. CWHP will prepare the PBP and CWHP will be responsible for uploading the finalized versions of the BPTs to HPMS. Cirdan will upload supporting documentation and exhibits for the bid and provide a copy to CWHP. Cirdan will be responsible for responding to CMS reviewers during the desk review period and will prepare the required actuarial certifications of the bids.

## **CWHP Obligations**

In order for Cirdan to perform the above services, CWHP will provide various information about the plan benefits, claims and enrollment data, and administrative expense projections including:

- A. Medical and pharmacy claims data for 2019, with runout through March 2020.
- B. Enrollment data by county for 2019.
- C. Medicare PDE response files, PDE cumulative beneficiary files, and Plan-to-Plan reconciliation files for dates of service in 2019 with runout through March 2020.
- D. Medicare MMR files for January 2019 through March 2020.
- E. Medicare Low-Income Subsidy (LIS) data files for January 2019 through March 2020.

- F. Incurred But Not Reported (IBNR) model, including claims lag data, as of March 2020.
- G. Information regarding pharmacy contracts including discounts from average wholesale price (“AWP”) and dispensing fees.
- H. Estimates of expected 2019 Medicare Part D pharmacy rebates.
- I. Medicare Part C and Part D risk score files.
- J. Annual budgets for contract year 2020 and other assumptions regarding administrative expenses to be used in the bid.
- K. The targeted profit margin and supporting documentation.
- L. Data extract of the final PBP to compare to the final BPT.

### **Costs**

For Medicare Advantage bid services, Cirdan will invoice monthly for services provided in the previous month. Cirdan’s hourly billing rates for 2020 are shown in Exhibit D below. Travel related expenses are not expected for the completion of the Medicare Advantage bid services. Cirdan does not charge for minor out-of-pocket expenses. We expect our fees related to the completion of Medicare Advantage bids to be in the range of [REDACTED].

### **Deliverables**

Cirdan will provide completed and finalized BPTs to CWHP by Friday May 29, 2020. Cirdan will upload actuarial documentation and substantiation files to HPMS by Monday June 1, 2020. Upon release of the Medicare National Average Benchmark data by CMS, Cirdan will provide updated finalized BPTs. The benchmark data is expected to be released Friday July 31, 2020 and, if so, the BPTs will be updated by Wednesday August 5, 2020.

**EXHIBIT C**  
**MEDICARE MINIMUM LOSS RATIO REPORTING**

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## **Background**

The Centers for Medicare and Medicaid Services (CMS) requires all Medicare Advantage organizations to submit a medical loss ratio (MLR) report on an annual basis. The statutory requirement is for Medicare Advantage organizations to have an MLR of at least 85 percent. The calculation of the MLR is completed at the contract level. Similar to Medicare Advantage bids, the completed MLR report is subject to desk review by CMS contracted organizations.

## **Services**

Cirdan will complete the analysis for CWHP's MLR report to be submitted to CMS as required by 42 CFR §§ 422.2460 and 423.2460. The development of inputs to the MLR form will be completed by Cirdan based on data provided by CWHP. The inputs include information developed from CWHP medical and pharmacy claims experience, the final Payment Reconciliation Summary Reports, and information provided from CWHP regarding quality improvement and other administrative costs.

Cirdan will prepare the MLR report and provide a finalized version to CWHP. CWHP will be responsible for uploading the finalized version of the MLR report to HPMS and for completion of the report attestation. Cirdan will support the development of responses to CMS reviewers during the desk review period.

## **CWHP Obligations**

In order for Cirdan to perform the above services, CWHP will provide various information about claims and enrollment data, and administrative expense projections including:

- I. Medical and pharmacy claims data for 2019, with runout through September 2020.
- J. Enrollment data 2019.
- K. Medicare Payment Reconciliation Summary (PRS) reports.
- L. Medicare MMR files for January 2019 through September 2020.
- M. Incurred But Not Reported (IBNR) model, including claims lag data, as of September 2020.
- N. Quality improvement expenses as defined by CMS.

## **Costs**

For MLR report services, Cirdan will invoice monthly for services provided in the previous month. Cirdan's hourly billing rates for 2020 are shown in Exhibit D below. Travel related expenses are not expected for the completion of the Medicare Advantage bid services. Cirdan does not charge for minor out-of-pocket expenses. We expect our fees for completion of the MLR report to be in the range of [REDACTED].

## **Deliverables**

Cirdan will provide completed and finalized MLR report to CWHP by Wednesday December 2, 2020. Historically, the MLR report is due the first Friday in December.

**EXHIBIT D**  
**CIRDAN BILLING RATES**

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**Background**

For Care Wisconsin Health Plan (CWHP) actuarial services, Cirdan will bill using our hourly billing rates. Cirdan does not charge for minor out-of-pocket expenses. Our practice is to send invoices monthly for work performed in the previous month. Cirdan's 2019 hourly rates for staff classifications are shown in the table below.

<b>2019 Billing Rates *</b>	
<b>Staff</b>	<b>Hourly Rate</b>
Principal	██████████
Managing Consultant / Managing Actuary	██████████
Consultant / Consulting Actuary	██████████
Analyst / Actuarial Associate	██████████
Administrative Support	██
* Rates subject to change in January 2020 and annually	