

SFY 2026 Medicaid Managed Care Capitation Rate Certification Amendment

Effective for the period July 1, 2025 through June 30, 2026

South Carolina Department of Health and Human Services

December 15, 2025

Marlene T. Howard, FSA, MAAA, Principal and Consulting Actuary
Carmen L. Laudenschlager, ASA, MAAA, Principal and Consulting Actuary
Dean M. Johnson, FSA, MAAA, Consulting Actuary
Cassie Shih-Hsieh, ASA, MAAA, Associate Actuary



Table of Contents

BACKGROUND.....	1
Fiscal Impact Estimate	2
SPECIAL CONTRACT PROVISIONS RELATED TO PAYMENT	4
A. State Directed Payments	4
PROJECTED NON-BENEFIT COSTS.....	6
A. Appropriate Documentation	6
LIMITATIONS	7
APPENDIX 1: ACTUARIAL CERTIFICATION	
APPENDIX 2: CERTIFIED CAPITATION RATES	
APPENDIX 3: FISCAL IMPACT SUMMARY	
APPENDIX 4: RATE CHANGE SUMMARY	

Background

Milliman, Inc. (Milliman) has been retained by the State of South Carolina, Department of Health and Human Services (SCDHHS) to provide actuarial and consulting services related to the development of capitation rates for its Medicaid Managed Care Program during state fiscal year (SFY) 2026. This report provides a summary of the methodology used in the development of an amendment to the SFY 2026 certified capitation rates for the period of July 1, 2025 through June 30, 2026.

The previously certified capitation rates and the documentation of their development were published in the following correspondence provided by Milliman:

- SFY 2026 Medicaid Managed Care Capitation Rate Certification dated June 18, 2025 (Original)

Throughout this report we will refer to the previously published document noted above as the Original certification. We updated the capitation rates to include the following changes:

- Removal of the Physician Directed Payment Program state directed payment
- Decrease to administrative expense component
- Update of the Supplemental Teaching Physician (STP) directed payment total dollar amount consistent with final preprint approval on November 14, 2025

Unless otherwise stated, the methodology and assumptions utilized are consistent with the capitation rate certification documentation included in the Original report. The capitation rates provided under this certification are "actuarially sound" for purposes of 42 CFR 438.4(a), according to the following criteria:

- The capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the managed care plan for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 CFR 438.4(b).

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 applicable to Medicaid managed care rate setting which have been enacted as of the capitation rate certification date, including: ASOP 1 (Introductory Actuarial Standard of Practice); ASOP 5 (Incurred Health and Disability Claims); ASOP 12 (Risk Classification for All Practice Areas); 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 Capitation Rate Development and Certification); and ASOP 56 (Modeling). Actuarial soundness and rate development requirements in the Medicaid and CHIP Managed Care Final Rules, including but not limited to CMS-2390-F, CMS-2408-F, and CMS-2439-F, for the provisions effective for the SFY 2026 managed care program rating period.
- 2024-2025 Medicaid Managed Care Rate Development Guide, released by the Centers for Medicare and Medicaid Services in January 2024, consistent with the guide effective at the time of submission of the Original Certification.
- Throughout this document and consistent with the requirements under 42 CFR 438.4(a), the term "actuarially sound" will be 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."¹*

¹ <http://www.actuarialstandardsboard.org/asops/medicaid-managed-care-capitation-rate-development-and-certification/>

This letter provides documentation for the development of the actuarially sound capitation rates. The actuarial certification, signed by Marlene T. Howard, FSA, in Appendix 1. Ms. Howard meets the qualification standards established by the American Academy of Actuaries, follows the practice standards established by the Actuarial Standards Board, and certifies that the final rates meet the applicable standards in 42 CFR 438 that are effective for the SFY 2026 managed care program rating period.

FISCAL IMPACT ESTIMATE

The composite per member per month (PMPM) capitation rates for the Medicaid managed care program are illustrated in Figure 1. These rates are effective for state fiscal year (SFY) 2026 (July 1, 2025 through June 30, 2026). Figure 1 provides a comparison of the amended SFY 2026 rates relative to the Original SFY 2026 rates excluding the 438.6 Supplemental Teaching Physician (STP), Health, Access, Workforce, and Quality (HAWQ) program, Independent Community Pharmacy, Private Ambulance, and Public Ambulance state directed payments, referred to collectively as add-ons.

The composite rates illustrated for both the amended and Original SFY 2026 rates are calculated based on an estimate of projected SFY 2026 enrollment. Note that the projected enrollment is consistent with the Original capitation rate certification.

FIGURE 1: COMPARISON WITH ORIGINAL SFY 2026 RATES BY RATE CELL (PMPM RATES) - EXCL. ADD-ONS EXCLUDING ADD-ONS

RATE CELL	PROJECTED MEMBER MONTHS	ORIGINAL SFY 2026 RATE	AMENDED SFY 2026 RATE	INCREASE/(DECREASE)
TANF: 0-2 months old (AH3)	77,252	\$ 2,307.65	\$ 2,305.19	(0.1%)
TANF: 3-12 months old (AI3)	338,280	287.54	287.21	(0.1%)
TANF: Age 1-6 (AB3)	2,136,221	193.85	193.63	(0.1%)
TANF: Age 7-13 (AC3)	2,594,528	160.31	160.13	(0.1%)
TANF: Age 14-18, Male (AD1)	845,513	162.28	162.10	(0.1%)
TANF: Age 14-18, Female (AD2)	817,358	176.99	176.79	(0.1%)
TANF: Age 19-44, Male (AE1)	160,216	245.93	245.66	(0.1%)
TANF: Age 19-44, Female (AE2)	1,112,937	357.01	356.61	(0.1%)
TANF: Age 45+ (AF3)	201,585	625.82	625.13	(0.1%)
SSI - Children (SO3)	149,431	756.31	755.49	(0.1%)
SSI - Adults (SP3)	423,342	1,360.91	1,359.44	(0.1%)
SMI Children (W3)	158,287	727.23	726.43	(0.1%)
SMI TANF Adults (TP3)	224,772	925.11	924.10	(0.1%)
SMI SSI Adults (UP3)	156,170	1,946.60	1,944.52	(0.1%)
OCWI (WG2)	288,631	281.67	281.35	(0.1%)
DUAL	-	179.00	177.70	(0.7%)
Foster Care - Children (FG3)	42,435	1,007.26	1,006.16	(0.1%)
KICK (MG2/NG2)	22,356	7,067.30	7,060.07	(0.1%)
Composite	9,726,958	\$ 364.82	\$ 364.42	(0.1%)

Notes:

1. Original and amended SFY 2026 composite rates reflect projected SFY 2026 enrollment by rate cell.
2. Excludes state-directed payment add-ons.

Figure 2 provides a comparison of the amended SFY 2026 rates relative to the Original SFY 2026 rates consistent with Figure 1; however, illustrated PMPMs reflect the projected total capitation payment including estimated amounts for STP, HAWQ, Independent Pharmacy, Private Ambulance, and Public Ambulance state-directed payments, which are anticipated to be paid through separate payment term arrangements in SFY 2026. Note the removal of the Physician Directed Payment is reflected within the "Amended SFY 2026 Rate" column in Figure 2.

**FIGURE 2: COMPARISON WITH ORIGINAL SFY 2026 RATES BY RATE CELL (PMPM RATES) - INCL. ADD ONS
INCLUDING ADD-ONS**

RATE CELL	PROJECTED MEMBER MONTHS	ORIGINAL SFY 2026 RATE	AMENDED SFY 2026 RATE	INCREASE/ (DECREASE)
TANF: 0-2 months old (AH3)	77,252	\$ 6,170.00	\$ 6,079.95	(1.5%)
TANF: 3-12 months old (AI3)	338,280	552.98	526.65	(4.8%)
TANF: Age 1-6 (AB3)	2,136,221	313.49	302.14	(3.6%)
TANF: Age 7-13 (AC3)	2,594,528	242.16	234.68	(3.1%)
TANF: Age 14-18, Male (AD1)	845,513	269.98	265.01	(1.8%)
TANF: Age 14-18, Female (AD2)	817,358	301.97	294.75	(2.4%)
TANF: Age 19-44, Male (AE1)	160,216	445.84	440.84	(1.1%)
TANF: Age 19-44, Female (AE2)	1,112,937	709.35	696.50	(1.8%)
TANF: Age 45+ (AF3)	201,585	1,094.75	1,084.52	(0.9%)
SSI - Children (SO3)	149,431	1,130.05	1,121.43	(0.8%)
SSI - Adults (SP3)	423,342	2,629.32	2,618.67	(0.4%)
SMI Children (W3)	158,287	1,340.96	1,325.24	(1.2%)
SMI TANF Adults (TP3)	224,772	1,609.33	1,588.90	(1.3%)
SMI SSI Adults (UP3)	156,170	3,526.45	3,509.61	(0.5%)
OCWI (WG2)	288,631	946.69	916.97	(3.1%)
DUAL	-	179.00	177.70	(0.7%)
Foster Care - Children (FG3)	42,435	1,763.45	1,742.77	(1.2%)
KICK (MG2/NG2)	22,356	7,067.30	7,060.07	(0.1%)
Composite	9,726,958	\$ 661.16	\$ 649.66	(1.7%)

Notes:

1. Original and amended SFY 2026 composite rates reflect projected SFY 2026 enrollment by rate cell.
2. Includes state-directed payment add-ons.

Figure 3 presents the estimated aggregate annual expenditures under the managed care program, based on SFY 2026 projected membership. Total annual projected expenditures illustrated in Figure 3 include state directed payments. Further detail by rate cell is illustrated in Appendix 3.

FIGURE 3: ESTIMATED ANNUAL FISCAL IMPACT (MILLIONS)

PROJECTED MEMBERSHIP	<u>ANNUAL PROJECTED EXPENDITURES</u>		DOLLAR INCREASE/ (DECREASE)	PERCENTAGE INCREASE/ (DECREASE)
	ORIGINAL SFY 2026	AMENDED SFY 2026		
Composite	\$ 6,431.1	\$ 6,319.2	(\$ 111.9)	(1.7%)
Total Federal Only	\$ 4,473.8	\$ 4,395.9	(\$ 77.9)	(1.7%)
Total State	\$ 1,957.3	\$ 1,923.2	(\$ 34.1)	(1.7%)

Notes:

1. Original and Amended SFY 2026 aggregate annual expenditures were developed based on SFY 2026 projected enrollment and estimated SFY 2026 deliveries.
2. State expenditures based on a composite of Federal Fiscal Year 2025 FMAP (3 months) and Federal Fiscal Year 2026 FMAP (9 months) for an estimated SFY composite FMAP of 69.57%.
3. Values have been rounded.

Special contract provisions related to payment

A. STATE DIRECTED PAYMENTS

i. Rate Development Standards

(a) Description of Managed Care Plan Requirement

Consistent with guidance in 42 CFR §438.6(c), this section is updated to reflect changes in the following delivery system and provider payment initiatives included in the South Carolina managed care capitation rates:

- **Physician Directed Payment Program.** Physician state directed payment for in-network primary care and pediatric subspecialist providers (control name: SC_Fee_PC.Oth_New_20250701-20260630). **Per SCDHHS guidance, this program will not be implemented during SFY 2026.** As such, all references to the Physician Directed Payment Program in the Original certification, including references within Figures 22, 25, and 26, are no longer applicable.
- **Supplemental Teaching Physician (STP) Program.** State directed payment for all services performed by qualifying rendering teaching physicians billing through a qualified teaching academic facility (control name: SC_Fee_AMC_Renewal_20250701-20260630). The total dollar amount in the final approved STP preprint increased from the amount included in the initially submitted preprint, which was referenced in the Original SFY 2026 rate certification. The final amount is \$160,028,404. The following updates in this section are related to this change.

ii. Appropriate Documentation

(a) Description of State-Directed Payments

The figure below, which corresponds to Figure 25 in the Original certification, illustrates the effect on the capitation rates of payments incorporated as a separate payment term. The only changes from the Original certification are the increase in the STP total payment amount and the removal of the Physician Directed Payment.

FIGURE 4 - EFFECT OF STATE DIRECTED PAYMENTS AS SEPARATE PAYMENT TERMS

CONTROL NAME OF THE STATE DIRECTED PAYMENT	AGGREGATE AMOUNT INCLUDED IN THE RATE CERTIFICATION	STATEMENT THAT THE ACTUARY IS CERTIFYING THE SEPARATE PAYMENT TERM	THE MAGNITUDE ON A PMPM BASIS	CONFIRMATION THE RATE DEVELOPMENT IS CONSISTENT WITH THE PREPRINT	CONFIRMATION THAT THE STATE ACTUARY WILL SUBMIT REQUIRED DOCUMENTATION AT THE END OF THE RATE PERIOD
SC_Fee_AMC_Renewal_20 250701-20260630 (Supplemental Teaching Physician Program)	\$ 160,028,404	The actuary certifies the amount of the separate payment term disclosed in this certification	Approx \$16.45 PMPM	Consistent with approved preprint	Confirmed
SC_FeeIPH.OPH_Renewal_20 250701-20260630 (Health, Access, Workforce, and Quality Program)	\$ 2,575,731,483	The actuary certifies the amount of the separate payment term disclosed in this certification	Approx \$264.80 PMPM	Consistent with approved preprint	Confirmed
SC_Fee_Oth_Renewal_20 50701-20260630 (Independent Pharmacy Dispensing Fee Payment)	\$ 9,500,000	The actuary certifies the amount of the separate payment term disclosed in this certification	Approx \$0.98 PMPM	Consistent with approved preprint	Confirmed
SC_Fee_Oth2_Renewal_20 250701-20260630 (Public Ambulance)	\$ 13,062,198	The actuary certifies the amount of the separate payment term disclosed in this certification	Approx \$1.34 PMPM	Consistent with approved preprint	Confirmed
SC_Fee_Oth3_Renewal_20 250701-20260630 (Private Ambulance)	\$ 16,226,538	The actuary certifies the amount of the separate payment term disclosed in this certification	Approx \$1.67 PMPM	Consistent with approved preprint	Confirmed

The estimated PMPMs for each state directed payment program incorporated as a separate payment term during the SFY 2026 rating period are provided by rate cell in the figure below, which corresponds to Figure 26 in the Original certification. The only changes from the Original certification are STP and the removal of the Physician Directed Payment.

FIGURE 5: STATE DIRECTED PAYMENT PMPM BY RATE CELL

RATE CELL	STP	HAWQ	INDEPENDENT PHARMACY	PUBLIC AMBULANCE	PRIVATE AMBULANCE
TANF: 0-2 months old (AH3)	\$ 191.87	\$ 3,579.58	\$ 0.29	\$ 1.35	\$ 1.67
TANF: 3-12 months old (AI3)	\$ 33.47	\$ 204.03	\$ 0.50	\$ 0.64	\$ 0.80
TANF: Age 1-6 (AB3)	\$ 9.70	\$ 97.46	\$ 0.54	\$ 0.36	\$ 0.45
TANF: Age 7-13 (AC3)	\$ 6.37	\$ 66.97	\$ 0.62	\$ 0.26	\$ 0.33
TANF: Age 14-18, Male (AD1)	\$ 8.84	\$ 92.31	\$ 0.53	\$ 0.55	\$ 0.68
TANF: Age 14-18, Female (AD2)	\$ 10.44	\$ 105.37	\$ 0.73	\$ 0.63	\$ 0.79
TANF: Age 19-44, Male (AE1)	\$ 6.77	\$ 182.93	\$ 0.88	\$ 2.05	\$ 2.55
TANF: Age 19-44, Female (AE2)	\$ 17.63	\$ 317.41	\$ 1.08	\$ 1.68	\$ 2.09
TANF: Age 45+ (AF3)	\$ 22.71	\$ 429.98	\$ 2.48	\$ 1.88	\$ 2.34
SSI - Children (SO3)	\$ 31.64	\$ 330.30	\$ 1.49	\$ 1.12	\$ 1.39
SSI - Adults (SP3)	\$ 45.87	\$ 1,197.11	\$ 2.58	\$ 6.10	\$ 7.57
SMI Children (WV3)	\$ 18.38	\$ 569.88	\$ 2.41	\$ 3.63	\$ 4.51
SMI TANF Adults (TP3)	\$ 35.86	\$ 613.23	\$ 3.44	\$ 5.47	\$ 6.80
SMI SSI Adults (UP3)	\$ 61.51	\$ 1,462.35	\$ 4.66	\$ 16.31	\$ 20.26
OCWI (WG2)	\$ 34.36	\$ 596.21	\$ 1.33	\$ 1.66	\$ 2.06
DUAL	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Foster Care - Children (FG3)	\$ 16.21	\$ 710.66	\$ 1.98	\$ 3.46	\$ 4.30
KICK (MG2/NG2)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Actual final payments will be calculated and reconciled on a retrospective basis.

Projected non-benefit costs

A. APPROPRIATE DOCUMENTATION

i. Non-benefit costs, by cost category

Upon removal of the Physician Directed Payment Program from the SFY 2026 capitation rates, we have removed 0.1% from the administrative expenses for each rate cell, based on SCDHHS guidance. The amended SFY 2026 non-benefit cost allowance assumptions by rate cell are illustrated in Figure 6 below.

FIGURE 6: NON-BENEFIT COST ALLOWANCE ASSUMPTIONS BY RATE CELL

RATE CELL	ADMINISTRATIVE EXPENSES	INTENSIVE CASE MANAGEMENT	RISK MARGIN
TANF: 0-2 months old (AH3)	6.25%	\$ 0.00	1.00%
TANF: 3-12 months old (AI3)	11.50%	\$ 0.00	1.00%
TANF: Age 1-6 (AB3)	11.75%	\$ 0.00	1.00%
TANF: Age 7-13 (AC3)	12.25%	\$ 0.00	1.00%
TANF: Age 14-18, Male (AD1)	12.25%	\$ 0.00	1.00%
TANF: Age 14-18, Female (AD2)	12.25%	\$ 0.00	1.00%
TANF: Age 19-44, Male (AE1)	10.00%	\$ 0.00	1.00%
TANF: Age 19-44, Female (AE2)	10.00%	\$ 0.00	1.00%
TANF: Age 45+ (AF3)	10.00%	\$ 0.00	1.00%
SSI - Children (SO3)	7.75%	\$ 0.00	1.00%
SSI - Adults (SP3)	7.75%	\$ 0.00	1.00%
SMI Children (W3)	12.00%	\$ 25.45	1.00%
SMI TANF Adults (TP3)	10.25%	\$ 25.45	1.00%
SMI SSI Adults (UP3)	7.25%	\$ 25.45	1.00%
OCWI (WG2)	10.25%	\$ 0.00	1.00%
DUAL ¹	N/A	N/A	N/A
Foster Care - Children (FG3)	10.25%	\$ 25.45	1.00%
KICK (MG2/NG2)	2.25%	\$ 0.00	1.00%

Notes:

1. The non-benefit cost allowance for the DUAL rate cell is estimated as a weighted average of the non-benefit cost allowance PMPM for the SSI-Children and SSI-Adult rate cells.
2. There are no taxes, licensing or regulatory fees attributed to the South Carolina Medicaid managed care program.

The benefit expense and non-benefit cost allowance components of the SFY 2026 capitation rates are illustrated by rate cell in Appendix 4.

Limitations

The information contained in this letter was prepared for SCDHHS as documentation of the development of an amendment to the certified SFY 2026 capitation rates for the Medicaid managed care program in the State of South Carolina. The information may not be appropriate for any other purpose.

The information contained in this letter, including the enclosures, has been prepared for SCDHHS and their consultants and advisors. It is our understanding that the information contained in this letter will be distributed to CMS and each of the MCOs participating in the SC Medicaid managed care program. These results may not be distributed to any other party without the prior consent of Milliman. To the extent that the information contained in this letter is provided to third parties, the letter should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for SCDHHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this letter must rely upon their own experts in drawing conclusions about the capitation rates, assumptions, and trends.

Milliman has developed certain models to estimate the values included in this presentation. The intent of the models was to estimate adjustments in the development of the amended SFY 2026 Medicaid managed care capitation rates. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by SCDHHS and the participating MCOs for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.

Although the capitation rates have been certified as actuarially sound, the capitation rates may not be appropriate for any individual MCO. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses contained herein.

Appendix 1: Actuarial Certification

South Carolina Department of Health and Human Services
Medicaid Managed Care Program
July 1, 2025 through June 30, 2026 Capitation Rate Amendment

Actuarial Certification

I, Marlene T. Howard, am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the standards of practice established by the Actuarial Standards Board. I have been contracted by the State of South Carolina and am generally familiar with the state-specific Medicaid program, eligibility rules, and benefit provisions.

The capitation rates provided with this certification are considered "actuarially sound" for purposes of 42 CFR 438.4(a), according to the following criteria:

- the capitation rates provide for all reasonable, appropriate, and attainable costs that are required under terms of the contract and for the operation of the MCO for the time period and population covered under the terms of the contract, and such capitation rates were developed in accordance with the requirements under 42 CFR 438.4(b).

For the purposes of this certification 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."

The assumptions used in the development of the "actuarially sound" capitation rates have been documented in my correspondence with the State of South Carolina. The "actuarially sound" capitation rates that are associated with this certification are effective for the rate period July 1, 2025 through June 30, 2026. I acknowledge that the State may elect to increase or decrease the capitation rates up to 1.5% per rate cell as allowed under 42 CFR 438.7(c)(3) of CMS 2390-F.

The capitation rates are considered actuarially sound after adjustment for the amount of the withhold not expected to be earned. The "actuarially sound" capitation rates are based on a projection of future events. Actual experience may be expected to vary from the experience assumed in the rates. In developing the "actuarially sound" capitation rates, I have relied upon data and information provided by the State. I have relied upon the State for audit of the data. However, I did review the data for reasonableness and consistency.

The capitation rates developed may not be appropriate for any specific health plan. An individual health plan will need to review the rates in relation to the benefits that it will be obligated to provide. The health plan should evaluate the rates in the context of its own experience, expenses, capital and surplus, and profit requirements prior to agreeing to contract with the State. The health plan may require rates above, equal to, or below the "actuarially sound" capitation rates that are associated with this certification.

I acknowledge the unique nature of the COVID-19 Public Health Emergency and the associated resumption of eligibility redeterminations that occurred between the base data period and rating period. The assumptions documented in this certification report reflect our best estimate based on information known to us at the time of this report.



Marlene T. Howard
Signature

Marlene T. Howard, FSA
Member, American Academy of Actuaries

December 15, 2025

Date

Appendix 2: Certified Capitation Rates

South Carolina Department of Health and Human Services
Medicaid Managed Care Program
State Fiscal Year 2026 Capitation Rate Development
Comparison to Original SFY 2026 Capitation Rates

Rate Cell Description	Rate Cell Code	SFY 2026 Projected Exposure	Excluding Add-Ons			Including Add-Ons		
			Original SFY 2026 Rates	Amended SFY 2026 Rates	Total Rate Change	Original SFY 2026 Rates	Amended SFY 2026 Rates	Total Rate Change
TANF Children								
TANF - 0 - 2 Months, Male & Female	AH3	77,252	\$ 2,307.65	\$ 2,305.19	(0.1%)	\$ 6,170.00	\$ 6,079.95	(1.5%)
TANF - 3 - 12 Months, Male & Female	AI3	338,280	287.54	287.21	(0.1%)	552.98	526.65	(4.8%)
TANF - Age 1 - 6, Male & Female	AB3	2,136,221	193.85	193.63	(0.1%)	313.49	302.14	(3.6%)
TANF - Age 7 - 13, Male & Female	AC3	2,594,528	160.31	160.13	(0.1%)	242.16	234.68	(3.1%)
TANF - Age 14 - 18, Male	AD1	845,513	162.28	162.10	(0.1%)	269.98	265.01	(1.8%)
TANF - Age 14 - 18, Female	AD2	817,358	176.99	176.79	(0.1%)	301.97	294.75	(2.4%)
Subtotal TANF Children		6,809,152	\$ 203.76	\$ 203.53	(0.1%)	\$ 357.87	\$ 347.64	(2.9%)
TANF Adult								
TANF - Age 19 - 44, Male	AE1	160,216	\$ 245.93	\$ 245.66	(0.1%)	\$ 445.84	\$ 440.84	(1.1%)
TANF - Age 19 - 44, Female	AE2	1,112,937	357.01	356.61	(0.1%)	709.35	696.50	(1.8%)
TANF - Age 45+, Male & Female	AF3	201,585	625.82	625.13	(0.1%)	1,094.75	1,084.52	(0.9%)
Subtotal TANF Adult		1,474,738	\$ 381.69	\$ 381.26	(0.1%)	\$ 733.40	\$ 721.76	(1.6%)
Disabled								
SSI - Children	SO3	149,431	\$ 756.31	\$ 755.49	(0.1%)	\$ 1,130.05	\$ 1,121.43	(0.8%)
SSI - Adults	SP3	423,342	1,360.91	1,359.44	(0.1%)	2,629.32	2,618.67	(0.4%)
Subtotal Disabled		572,773	\$ 1,203.18	\$ 1,201.88	(0.1%)	\$ 2,238.17	\$ 2,228.05	(0.5%)
SMI								
SMI Children	VV3	158,287	\$ 727.23	\$ 726.43	(0.1%)	\$ 1,340.96	\$ 1,325.24	(1.2%)
SMI TANF Adults	TP3	224,772	925.11	924.10	(0.1%)	1,609.33	1,588.90	(1.3%)
SMI SSI Adults	UP3	156,170	1,946.60	1,944.52	(0.1%)	3,526.45	3,509.61	(0.5%)
Subtotal SMI		539,229	\$ 1,162.86	\$ 1,161.61	(0.1%)	\$ 2,085.78	\$ 2,067.78	(0.9%)
OCWI	WG2	288,631	\$ 281.67	\$ 281.35	(0.1%)	\$ 946.69	\$ 916.97	(3.1%)
DUAL		-	\$ 179.00	\$ 177.70	(0.7%)	\$ 179.00	\$ 177.70	(0.7%)
Foster Care Children	FG3	42,435	\$ 1,007.26	\$ 1,006.16	(0.1%)	\$ 1,763.45	\$ 1,742.77	(1.2%)
KICK	MG2/NG2	22,356	\$ 7,067.30	\$ 7,060.07	(0.1%)	\$ 7,067.30	\$ 7,060.07	(0.1%)
Total		9,726,958	\$ 364.82	\$ 364.42	(0.1%)	\$ 661.16	\$ 649.66	(1.7%)

Note:
Original SFY 2026 and Amended SFY 2026 composite rates reflect projected SFY 2026 enrollment by rate cell.

Appendix 3: Fiscal Impact Summary

South Carolina Department of Health and Human Services
Medicaid Managed Care Program
State Fiscal Year 2026 Capitation Rate Development
Fiscal Impact Summary (\$ Millions)

Rate Cell	SFY 2026 Projected Exposure	Original SFY 2026 Capitation Rates			Amended SFY 2026 Capitation Rates			Increase/(Decrease)	
		Capitation Rate	Projected Expenditures	FMAP (69.57%)	Capitation Rate	Projected Expenditures	FMAP (69.57%)	Projected Expenditures	FMAP (69.57%)
				Federal Expenditures			Federal Expenditures		Federal Expenditures
TANF Children									
TANF - 0 - 2 Months, Male & Female	77,252	\$ 6,170.00	\$ 476.6	\$ 331.6	\$ 6,079.95	\$ 469.7	\$ 326.7	(\$ 7.0)	(\$ 4.8)
TANF - 3 - 12 Months, Male & Female	338,280	552.98	187.1	130.1	526.65	178.2	123.9	(8.9)	(6.2)
TANF - Age 1 - 6, Male & Female	2,136,221	313.49	669.7	465.9	302.14	645.4	449.0	(24.2)	(16.9)
TANF - Age 7 - 13, Male & Female	2,594,528	242.16	628.3	437.1	234.68	608.9	423.6	(19.4)	(13.5)
TANF - Age 14 - 18, Male	845,513	269.98	228.3	158.8	265.01	224.1	155.9	(4.2)	(2.9)
TANF - Age 14 - 18, Female	817,358	301.97	246.8	171.7	294.75	240.9	167.6	(5.9)	(4.1)
Subtotal TANF Children	6,809,152	\$ 357.87	\$ 2,436.8	\$ 1,695.1	\$ 347.64	\$ 2,367.2	\$ 1,646.7	(\$ 69.6)	(\$ 48.4)
TANF Adult									
TANF - Age 19 - 44, Male	160,216	\$ 445.84	\$ 71.4	\$ 49.7	\$ 440.84	\$ 70.6	\$ 49.1	(\$ 0.8)	(\$ 0.6)
TANF - Age 19 - 44, Female	1,112,937	709.35	789.5	549.2	696.50	775.2	539.2	(14.3)	(9.9)
TANF - Age 45+, Male & Female	201,585	1,094.75	220.7	153.5	1,084.52	218.6	152.1	(2.1)	(1.4)
Subtotal TANF Adult	1,474,738	\$ 733.40	\$ 1,081.6	\$ 752.4	\$ 721.76	\$ 1,064.4	\$ 740.5	(\$ 17.2)	(\$ 11.9)
Disabled									
SSI - Children	149,431	\$ 1,130.05	\$ 168.9	\$ 117.5	\$ 1,121.43	\$ 167.6	\$ 116.6	(\$ 1.3)	(\$ 0.9)
SSI - Adults	423,342	2,629.32	1,113.1	774.3	2,618.67	1,108.6	771.2	(4.5)	(3.1)
Subtotal Disabled	572,773	\$ 2,238.17	\$ 1,282.0	\$ 891.8	\$ 2,228.05	\$ 1,276.2	\$ 887.8	(\$ 5.8)	(\$ 4.0)
SMI									
SMI Children	158,287	\$ 1,340.96	\$ 212.3	\$ 147.7	\$ 1,325.24	\$ 209.8	\$ 145.9	(\$ 2.5)	(\$ 1.7)
SMI TANF Adults	224,772	1,609.33	361.7	251.6	1,588.90	357.1	248.4	(4.6)	(3.2)
SMI SSI Adults	156,170	3,526.45	550.7	383.1	3,509.61	548.1	381.3	(2.6)	(1.8)
Subtotal SMI	539,229	\$ 2,085.78	\$ 1,124.7	\$ 782.4	\$ 2,067.78	\$ 1,115.0	\$ 775.7	(\$ 9.7)	(\$ 6.8)
OCWI	288,631	\$ 946.69	\$ 273.2	\$ 190.1	\$ 916.97	\$ 264.7	\$ 184.1	(\$ 8.6)	(\$ 6.0)
DUAL	-	\$ 179.00	-	-	\$ 177.70	-	-	-	-
Foster Care Children	42,435	\$ 1,763.45	\$ 74.8	\$ 52.1	\$ 1,742.77	\$ 74.0	\$ 51.4	(\$ 0.9)	(\$ 0.6)
KICK	22,356	\$ 7,067.30	\$ 158.0	\$ 109.9	\$ 7,060.07	\$ 157.8	\$ 109.8	(\$ 0.2)	(\$ 0.1)
Total	9,726,958	\$ 661.16	\$ 6,431.1	\$ 4,473.8	\$ 649.66	\$ 6,319.2	\$ 4,395.9	(\$ 111.9)	(\$ 77.9)

Note:

Original SFY 2026 and Amended SFY 2026 composite rates reflect projected SFY 2026 enrollment by rate cell.

Appendix 4: Rate Change Summary

South Carolina Department of Health and Human Services Medicaid Managed Care Program State Fiscal Year 2026 Capitation Rate Development Rate Change Summary																	
	Projected Exposure	Base Benefit Expense						Amended 2026 Capitation Rate w/o Add-Ons	SFY 2026 Capitation Rate w/o Add-Ons	% Change	State Directed Payments (separate payment terms)						
			Admin Expense	Care Management	Intensive Case Management	Risk Margin	Non-Benefit Expense				Health, Access, Workforce, and Quality	Independent Community Pharmacy	Supplemental Teaching Physician	Private Ambulance Providers	Public Ambulance Providers		
TANF Children																	
TANF - 0 - 2 Months, Male & Female	77,252	\$ 2,139.50	\$ 119.81	\$ 22.82	\$ 0.00	\$ 23.06	\$ 165.69	\$ 2,305.19	\$ 2,307.65 (0.1%)		\$ 3,579.58	\$ 0.29	\$ 191.87	\$ 1.67	\$ 1.35	\$ 6,079.95	\$ 6,170.00 (1.5%)
TANF - 3 - 12 Months, Male & Female	338,280	251.64	27.72	4.98	-	2.87	35.57	287.21	287.54 (0.1%)		204.03	0.50	33.47	0.80	0.64	526.65	552.98 (4.8%)
TANF - Age 1 - 6, Male & Female	2,136,221	169.17	19.17	3.35	-	1.94	24.46	193.63	193.85 (0.1%)		97.46	0.54	9.70	0.45	0.36	302.14	313.49 (3.6%)
TANF - Age 7 - 13, Male & Female	2,594,528	139.11	17.04	2.38	-	1.60	21.02	160.13	160.31 (0.1%)		66.97	0.62	6.37	0.33	0.26	234.68	242.16 (3.1%)
TANF - Age 14 - 18, Male	845,513	140.82	17.25	2.41	-	1.62	21.28	162.10	162.28 (0.1%)		92.31	0.53	8.84	0.68	0.55	265.01	269.98 (1.8%)
TANF - Age 14 - 18, Female	817,358	153.58	18.81	2.63	-	1.77	23.21	176.79	176.99 (0.1%)		105.37	0.73	10.44	0.79	0.63	294.75	301.97 (2.4%)
Subtotal TANF Children	6,809,152	\$ 178.78	\$ 19.64	\$ 3.08	\$ 0.00	\$ 2.04	\$ 24.76	\$ 203.53	\$ 203.76 (0.1%)		\$ 130.95	\$ 0.59	\$ 11.66	\$ 0.50	\$ 0.40	\$ 347.64	\$ 357.87 (2.9%)
TANF Adult																	
TANF - Age 19 - 44, Male	160,216	\$ 218.88	\$ 21.28	\$ 3.04	\$ 0.00	\$ 2.46	\$ 26.78	\$ 245.66	\$ 245.93 (0.1%)		\$ 182.93	\$ 0.88	\$ 6.77	\$ 2.55	\$ 2.05	\$ 440.84	\$ 445.84 (1.1%)
TANF - Age 19 - 44, Female	1,112,937	317.74	30.89	4.41	-	3.57	38.87	356.61	357.01 (0.1%)		317.41	1.08	17.63	2.09	1.68	696.50	709.35 (1.8%)
TANF - Age 45+, Male & Female	201,585	556.99	54.15	7.74	-	6.25	68.14	625.13	625.82 (0.1%)		429.98	2.48	22.71	2.34	1.88	1,084.52	1,094.75 (0.9%)
Subtotal TANF Adult	1,474,738	\$ 339.70	\$ 33.03	\$ 4.72	\$ 0.00	\$ 3.82	\$ 41.56	\$ 381.26	\$ 381.69 (0.1%)		\$ 318.19	\$ 1.25	\$ 17.14	\$ 2.17	\$ 1.75	\$ 721.76	\$ 733.40 (1.6%)
Disabled																	
SSI - Children	149,431	\$ 689.97	\$ 48.62	\$ 9.35	\$ 0.00	\$ 7.55	\$ 65.52	\$ 755.49	\$ 756.31 (0.1%)		\$ 330.30	\$ 1.49	\$ 31.64	\$ 1.39	\$ 1.12	\$ 1,121.43	\$ 1,130.05 (0.8%)
SSI - Adults	423,342	1,241.54	87.48	16.82	-	13.60	117.90	1,359.44	1,360.91 (0.1%)		1,197.11	2.58	45.87	7.57	6.10	2,618.67	2,629.32 (0.4%)
Subtotal Disabled	572,773	\$ 1,097.64	\$ 77.34	\$ 14.87	\$ 0.00	\$ 12.02	\$ 104.23	\$ 1,201.88	\$ 1,203.18 (0.1%)		\$ 970.97	\$ 2.30	\$ 42.16	\$ 5.96	\$ 4.80	\$ 2,228.05	\$ 2,238.17 (0.5%)
SMI																	
SMI Children	158,287	\$ 610.47	\$ 58.97	\$ 24.28	\$ 25.45	\$ 7.26	\$ 115.96	\$ 726.43	\$ 727.23 (0.1%)		\$ 569.88	\$ 2.41	\$ 18.38	\$ 4.51	\$ 3.63	\$ 1,325.24	\$ 1,340.96 (1.2%)
SMI TANF Adults	224,772	798.25	60.04	31.13	25.45	9.23	125.85	924.10	925.11 (0.1%)		613.23	3.44	35.86	6.80	5.47	1,588.90	1,609.33 (1.3%)
SMI SSI Adults	156,170	1,761.91	104.48	33.24	25.45	19.44	182.61	1,944.52	1,946.60 (0.1%)		1,462.35	4.66	61.51	20.26	16.31	3,509.61	3,526.45 (0.5%)
Subtotal SMI	539,229	\$ 1,022.22	\$ 72.60	\$ 29.73	\$ 25.45	\$ 11.61	\$ 139.39	\$ 1,161.61	\$ 1,162.86 (0.1%)		\$ 846.42	\$ 3.49	\$ 38.16	\$ 10.03	\$ 8.07	\$ 2,067.78	\$ 2,085.78 (0.9%)
OCWI	288,631	\$ 249.99	\$ 24.37	\$ 4.18	\$ 0.00	\$ 2.81	\$ 31.36	\$ 281.35	\$ 281.67 (0.1%)		\$ 596.21	\$ 1.33	\$ 34.36	\$ 2.06	\$ 1.66	\$ 916.97	\$ 946.69 (3.1%)
DUAL	-	\$ 73.47	\$ 77.34	\$ 14.87	\$ 0.00	\$ 12.02	\$ 104.23	\$ 177.70	\$ 179.00 (0.7%)		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 177.70	\$ 179.00 (0.7%)
Foster Care Children	42,435	\$ 871.16	\$ 63.09	\$ 36.40	\$ 25.45	\$ 10.06	\$ 135.00	\$ 1,006.16	\$ 1,007.26 (0.1%)		\$ 710.66	\$ 1.98	\$ 16.21	\$ 4.30	\$ 3.46	\$ 1,742.77	\$ 1,763.45 (1.2%)
KICK	22,356	\$ 6,832.21	\$ 139.79	\$ 17.47	\$ 0.00	\$ 70.60	\$ 227.86	\$ 7,060.07	\$ 7,067.30 (0.1%)		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,060.07	\$ 7,067.30 (0.1%)
Total	9,726,958	\$ 324.88	\$ 28.66	\$ 5.72	\$ 1.52	\$ 3.64	\$ 39.54	\$ 364.42	\$ 364.82 (0.1%)		\$ 264.80	\$ 0.98	\$ 16.45	\$ 1.67	\$ 1.34	\$ 649.66	\$ 661.16 (1.7%)

Note:
Original SFY 2026 and Amended SFY 2026 composite rates reflect projected SFY 2026 enrollment by rate cell.

Solutions for a world at risk™

Milliman leverages deep expertise, actuarial rigor, and advanced technology to develop solutions for a world at risk. We help clients in the public and private sectors navigate urgent, complex challenges—from extreme weather and market volatility to financial insecurity and rising health costs—so they can meet their business, financial, and social objectives. Our solutions encompass insurance, financial services, healthcare, life sciences, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

