

**STATE OF TEXAS
MEDICAID MANAGED CARE
STAR+PLUS PROGRAM RATE SETTING
STATE FISCAL YEAR 2010**

Prepared for:
Texas Health and Human Services Commission

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop the state fiscal year 2010 (FY2010, September 1, 2009 through August 31, 2010) premium rates for HMOs participating in the Texas Medicaid STAR+PLUS program. This report presents the rating methodology and assumptions used in developing the premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 25 years. We have participated in the state's managed care rating process since its inception in 1993. This year, as in previous years, we have worked closely with HHSC in developing the FY2010 HMO premium rates.

Rudd and Wisdom has relied on the following data sources as provided by HHSC, the participating HMOs and the agency's External Quality Review Organization (EQRO):

- Monthly enrollment by risk group for each health plan. This includes historical enrollment since February 2007 and a projection of future enrollment through August 2010. These projections were prepared by HHSC System Forecasting staff.
- Claim lag reports by risk group for each health plan for the period February 2007 through March 2009. These reports include monthly paid claims by month of service.
- Financial Statistical Reports (FSR) for each participating HMO for FY2007, FY2008 and the first six months of FY2009. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the HMO.
- Reports from the EQRO summarizing their analysis of the HMO's encounter claims data.
- Reports from the health plans providing information on high volume claimants during the experience period.
- Current (FY2009) premium rates by risk group for each HMO.
- Information from both HHSC and the HMOs regarding recent changes in covered services and provider reimbursement under the Medicaid program.
- Information from the HMOs regarding current and projected payment rates for certain capitated services, such as mental health and vision.
- Information from the HMOs regarding attendant care enhanced payments, nursing facility recoupments and service coordination expenses
- FY2008 acuity risk adjustment analysis provided by the EQRO for each participating health plan.
- Information from the HMOs regarding current and projected reinsurance premium rates.
- Historical enrollment and claims experience data for the Medicaid Fee-for-Service and Primary Care Case Management (PCCM) plans.
- Information provided by HHSC regarding FY2008 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.

- Information provided by HHSC regarding proposed FY2010 Medicaid provider reimbursement rates.
- Information provided by HHSC regarding current Bariatric Supplemental Payment rates.
- Information provided by HHSC regarding the new Frew Rewards and Sanctions program.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2010 STAR+PLUS HMO premium rates relies primarily on health plan financial experience. The historical claims experience for each HMO (by area) was analyzed and estimates for the base period (FY2008) were developed. These estimates were then projected forward to FY2010 using assumed trend rates. Other plan expenditures such as capitated amounts, service coordination, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2010 cost under the health plan. These projected total cost rates were determined separately for each risk group for each health plan. The results of this analysis were then combined for all HMOs in a service area in order to develop a set of community rates for each service area.

The managed care service areas used in the analysis were as follows:

- Bexar County Service Area (San Antonio)
- Harris County Service Area (Houston)
- Nueces County Service Area (Corpus Christi)
- Travis County Service Area (Austin)

The risk groups (or rating populations) used in the analysis are as follows:

- Medicaid Only – Other Community Care (OCC)
- Medicaid Only – Community Based Alternative (CBA)
- Dual Eligible - OCC
- Dual Eligible - CBA

The services used in the analysis include the following:

Acute Care Services

- Ambulance Services
- Audiology Services
- Behavioral Health Services
- Birthing Center Services
- Chiropractic Services
- Dialysis
- Durable Medical Equipment and Supplies
- Emergency Services
- Family Planning Services
- Home Health Services
- Hospital Services - outpatient
- Lab, X-ray and Radiology Services
- Medical Check-ups and CCP Services for children under age 21
- Optometry
- Podiatry
- Prenatal Care
- Primary Care Services
- Specialty Physician Services
- Therapies – physical, occupational and speech

- Transplantation of Organs and Tissues
- Vision

Long Term Care Services

- Adult Foster Care
- Adaptive Aids and Medical Equipment
- Assisted Living
- Emergency Response Services
- Home Delivered Meals
- Medical Supplies
- Minor Home Modifications
- Nursing Services (in home)
- Personal Attendant Services
- Therapies – physical, occupational and speech
- Transition Services

Services specifically excluded from the analysis include:

- Inpatient Facility Services
- Nursing Facilities
- Prescription Drugs
- Dental and Orthodontia Services

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the HMOs, (ii) the claim amounts reported in the FSRs and (iii) the claim amounts in the encounter data files as provided by the EQRO. There was satisfactory consistency between the three claims data sources for each of the health plans.

We projected the FY2010 cost for each individual HMO by estimating their base period (FY2008) average claims cost and then applying trend and other adjustment factors. (These adjustment factors are described in Section III.) We added capitation expenses for services capitated by the HMO (such as vision and behavioral health), service coordinator expenses for care coordination services, a net cost of reinsurance, a reasonable provision for administrative expenses and a risk margin. Attachment 2 presents a description and an example of the experience analysis for a sample HMO. This type of analysis was conducted for each health plan.

The analysis of base period claims experience for each health plan attempted to identify and adjust for any distortions in the data. Significant variations in experience, including the impact from unusually large individual claims, were investigated and adjustments were made if deemed appropriate.

HHSC utilizes a community rating methodology in setting the STAR+PLUS base premium rates. The base rates vary by service area and risk group but are the same for each HMO in a service area. The community rates are developed by a weighted average of the projected FY2010 cost for each health plan in the service area. The weights used in this formula are the projected FY2010 number of clients enrolled in each health plan by risk group.

Attachment 3 presents the summary community rating exhibit for each service area along with a description of the analysis.

The acute care portion of the base community rate in each service area was adjusted to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of acuity risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective memberships. Additional information regarding risk adjustment is included in Section III below under Risk Adjustment and in Attachment 7. The final FY2010 premium rates were defined as the maximum of (a) community rates with acuity risk adjustment and (b) community rates without acuity risk adjustment.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the FY2010 STAR+PLUS rate setting process.

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. Separate trend factors were developed by type of service – acute care and long term care services. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the various HMO plans along with the Fee-for-Service (FFS) and Primary Care Case Management (PCCM) plans. A single trend assumption applied to all service areas but varies by risk group, type of service and projection year (FY2009 and FY2010).

The trend analysis included a review of HMO claims experience data through March 31, 2009. Based on this information, estimates of monthly incurred claims were made through January 2009. The claims cost and trend experience was reviewed separately by service area, risk group and type of service. The service area trends were then combined into a statewide average using a weighted average formula with estimated incurred claims as the weights.

The FY2009 trend assumptions by risk group and type of service were developed using the weighted average HMO trend for the period September 1, 2008 through January 31, 2009 (the first five months of FY2009). The FY2010 acute care trend assumptions were developed based on an average of the HMO, FFS and PCCM experience trends for the most recent three years (FY2007 through FY2009). The FY2010 long term care trend assumptions were developed based on an average of the HMO, FFS and PCCM experience trends for the most recent two years (FY2008 through FY2009).

Attachment 4 is a summary of the cost trend analysis. The chart below presents the assumed annual trend rates for FY2009 and FY2010.

	<u>FY2009</u>	<u>FY2010</u>
<u>Acute Care</u>		
Medicaid Only - OCC	7.9%	6.6%
Medicaid Only - CBA	9.4%	7.5%
Dual Eligible - OCC	N/A	N/A
Dual Eligible - CBA	N/A	N/A
<u>Long Term Care</u>		
Medicaid Only - OCC	15.5%	5.4%
Medicaid Only - CBA	0.4 %	2.5%
Dual Eligible - OCC	15.0 %	11.8 %
Dual Eligible - CBA	4.5 %	7.1 %

Provider Reimbursement Adjustments

As a component of the Frew lawsuit settlement, the Texas Medicaid program implemented significant changes in professional provider reimbursement effective September 1, 2007. As FY2008 experience forms the basis for FY2010 rate setting and the Frew-related provider reimbursement rates were in effect during FY2008, no specific Frew-related adjustment was included in this year's rating.

Medicaid provider reimbursement changes will be implemented for ambulance services for FY2010. The rating adjustment for this provider reimbursement change was calculated by applying actual health plan encounter data to the old and new reimbursement basis and the resulting impact determined. Attachment 5 presents a summary of the derivation of the adjustment factors.

Minimum Wage Increase

Effective July 24, 2009, the hourly minimum wage will increase from \$6.55 to \$7.25. \$0.70 increases in the minimum wage have also occurred in July during 2007 and 2008. Since the scheduled 2009 increase is comparable to increases that occurred during the prior two years we have determined that the impact of the minimum wage increase on the STAR+PLUS experience has been reflected in the base period experience and the resulting trend factors. No further adjustment has been made.

Nursing Facility Adjustment

Effective March 1, 2009, the cost of the first four months of a STAR+PLUS enrollees treatment in a nursing facility was carved out. The cost associated with these services was removed from the base experience.

Out-of-Network Adjustment

Effective March 1, 2010, the state will implement a change in the rules regarding STAR+PLUS HMO reimbursement to out-of-network providers. Currently, HMOs are allowed to reimbursement out-of-network providers no less than Medicaid fee-for-service (FFS) rates less 3%. Under the proposed new rule, the maximum discount will be increased to 5%. Attachment 6 presents the estimated cost impact from this revision.

Bariatric Surgery

The new Medicaid bariatric surgery benefit began July 1, 2008. The health plans will be financially responsible for bariatric surgery services provided to their Medicaid clients. Given the lack of credible experience data on which to project utilization of the benefit, HHSC has decided to fund the benefit for STAR+PLUS clients using a supplemental payment made to the health plan. For each approved bariatric surgery, the health plan will be paid \$23,000. This amount is intended to provide for all covered facility and professional costs related to the surgery including services prior to surgery, the actual surgery, counseling and after-care services.

Risk Adjustment

Several risk adjustment techniques are employed in the rate setting methodology. Premium rates are established separately by area of the state and risk group in order to recognize the inherent geographical and demographical variation in the cost of delivering care. In addition, the rating methodology includes a health status adjustment.

The acute care portion of the base community rate in each service area was adjusted to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of acuity risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective memberships. The risk analysis was performed by the University of Florida's Institute for Child Health Policy (ICHP). The methodology used to incorporate the acuity risk adjustment is the Chronic Illness and Disability Payment System (CDPS). Additional information regarding acuity risk adjustment is included in Attachment 7.

Although the results of the risk adjustment analysis were reviewed for reasonableness, Rudd and Wisdom did not audit the risk adjustment data or the results of ICHP's analysis.

Frew Rewards and Sanctions

Effective September 1, 2009, HHSC will implement a new provision in the STAR, STAR+PLUS and STAR Health programs named Frew Rewards and Sanctions. Additional information regarding this provision is included in Attachment 8.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$10.00 pmpm plus 5.75% of gross premium. This amount is intended to provide for all administrative-related services performed by the HMO.

The administrative fee amounts were determined based on a review of (i) the administrative fee provision included in Medicaid HMO premium rates in other states, (ii) the reported administrative expenses of the STAR+PLUS HMOs and (iii) the fees paid for similar services for other large Texas health plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.09 pmpm) and a risk margin (2.0% of premium).

V. Summary

The chart below presents the results of the FY2010 STAR+PLUS rating analysis.

<u>Health Plan</u>	<u>Medicaid Only OCC</u>	<u>Medicaid Only CBA</u>	<u>Dual Eligible OCC</u>	<u>Dual Eligible CBA</u>
Monthly Premium Rates				
Amerigroup - Bexar	\$544.66	\$2,778.07	\$279.14	\$1,804.40
Molina - Bexar	544.66	2,778.07	279.14	1,804.40
Superior - Bexar	565.69	2,835.13	279.14	1,804.40
Amerigroup - Harris	588.77	3,224.62	221.05	1,546.72
Evercare - Harris	620.32	3,193.72	221.05	1,546.72
Molina - Harris	588.77	3,224.62	221.05	1,546.72
Evercare - Nueces	732.93	3,185.66	408.36	1,778.86
Superior - Nueces	780.96	3,212.84	408.36	1,778.86
Amerigroup - Travis	576.26	4,003.63	179.18	1,811.68
Evercare - Travis	542.99	3,945.60	179.18	1,811.68

The above premium rates include provision for 1915(b)(3) waiver services. The STAR+PLUS HMOs cover annual adult well-checks and adult inpatient hospital days in excess of thirty. The chart below presents the amount included in the FY2010 STAR+PLUS HMO premium rates for 1915(b)(3) waiver services.

<u>Health Plan</u>	<u>Medicaid Only - OCC</u>	<u>Medicaid Only - CBA</u>
Monthly Premium Rate for 1915(b)(3) Services		
All Plans/All Areas	\$ 0.44	\$ 0.44

Attachment 1 presents additional information regarding the FY2010 rates including a comparison to current (FY2009) rates.

VI. Actuarial Certification of FY2010 STAR+PLUS HMO Premium Rates

I, Evan L. Dial, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their state fiscal year 2010 (FY2010) managed care rate-setting methodology, assumptions and resulting premium rates and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the FY2010 HMO premium rates developed by HHSC and Rudd and Wisdom satisfy the following:

- (a) The premium rates have been developed in accordance with generally accepted actuarial principals and practices;
- (b) The premium rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rates are actuarially sound as defined in the regulations.

We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). Any health plan contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



Evan L. Dial, F.S.A., M.A.A.A.

VII. Attachments

Attachment 1

Summary of FY2010 STAR+PLUS Rating Analysis

The attached exhibit presents summary information regarding the FY2010 rates. Included on the exhibit are current (FY2009) premium, projected FY2010 enrollment, FY2010 premium and a comparison of FY2009 and FY2010 premium rates.

FY2010 STAR+Plus Rating Summary

Health Plan	Medicaid Only		Dual Eligible		Total	Medicaid Only		Dual Eligible		Total
	OCC	CBA	OCC	CBA		OCC	CBA	OCC	CBA	
Projected FY2010 Member Months										
Amerigroup Bexar	38,496	1,056	61,116	5,916	106,584					
Molina Bexar	28,992	828	67,836	8,616	106,272					
Superior Bexar	164,364	5,928	121,464	14,892	306,648					
Amerigroup Harris	231,228	3,900	187,344	9,456	431,928					
Evercare Harris	202,908	9,288	253,932	24,852	490,980					
Molina Harris	53,628	828	40,464	2,364	97,284					
Evercare Nueces	30,072	1,464	49,488	9,084	90,108					
Superior Nueces	51,936	3,816	50,148	14,172	120,072					
Amerigroup Travis	59,712	1,464	50,676	5,736	117,588					
Evercare Travis	23,472	1,044	41,640	5,520	71,676					
Total - All Plans	884,808	29,616	924,108	100,608	1,939,140					
FY2009 (Current) Premium Rates pmpm						Projected FY2010 Premium Based on FY2009 Rates				
Amerigroup Bexar	513.06	2,664.76	272.04	1,770.13	465.95	19,750,758	2,813,987	16,625,997	10,472,089	49,662,830
Molina Bexar	513.06	2,664.76	272.04	1,770.13	477.89	14,874,636	2,206,421	18,454,105	15,251,440	50,786,602
Superior Bexar	513.06	2,664.76	272.04	1,770.13	520.24	84,328,594	15,796,697	33,043,067	26,360,776	159,529,134
Amerigroup Harris	535.98	2,786.20	215.05	1,405.27	436.13	123,933,583	10,866,180	40,288,327	13,288,233	188,376,324
Evercare Harris	535.98	2,786.20	215.05	1,405.27	456.57	108,754,630	25,878,226	54,608,077	34,923,770	224,164,702
Molina Harris	535.98	2,786.20	215.05	1,405.27	442.77	28,743,535	2,306,974	8,701,783	3,322,058	43,074,351
Evercare Nueces	598.91	2,417.60	374.48	1,610.98	607.23	18,010,422	3,539,366	18,532,266	14,634,142	54,716,196
Superior Nueces	598.91	2,417.60	374.48	1,610.98	682.43	31,104,990	9,225,562	18,779,423	22,830,809	81,940,783
Amerigroup Travis	461.25	2,829.49	212.10	1,833.90	450.32	27,542,160	4,142,373	10,748,380	10,519,250	52,952,163
Evercare Travis	461.25	2,829.49	212.10	1,833.90	456.71	10,826,460	2,953,988	8,831,844	10,123,128	32,735,420
Total - All Plans	528.78	2,692.12	247.39	1,607.48	483.69	467,869,767	79,729,773	228,613,269	161,725,696	937,938,505

FY2010 Premium Rates pmpm (Community Rates) - Acute Care

Amerigroup Bexar	419.45	1,091.38	0.00	0.00	162.31	16,147,037	1,152,495	0	0	17,299,531
Molina Bexar	419.45	1,091.38	0.00	0.00	122.93	12,160,611	903,661	0	0	13,064,272
Superior Bexar	419.45	1,091.38	0.00	0.00	245.92	68,942,007	6,469,686	0	0	75,411,693
Amerigroup Harris	459.28	1,660.16	0.00	0.00	260.86	106,198,207	6,474,612	0	0	112,672,820
Evercare Harris	459.28	1,660.16	0.00	0.00	221.21	93,191,421	15,419,538	0	0	108,610,959
Molina Harris	459.28	1,660.16	0.00	0.00	267.31	24,630,224	1,374,610	0	0	26,004,834
Evercare Nueces	525.22	1,328.97	0.00	0.00	196.87	15,794,283	1,945,610	0	0	17,739,894
Superior Nueces	525.22	1,328.97	0.00	0.00	269.41	27,277,597	5,071,345	0	0	32,348,942
Amerigroup Travis	456.10	1,203.33	0.00	0.00	246.59	27,234,465	1,761,680	0	0	28,996,145
Evercare Travis	456.10	1,203.33	0.00	0.00	166.89	10,705,509	1,256,280	0	0	11,961,789
Total - All Plans	454.65	1,412.40	0.00	0.00	229.02	402,281,362	41,829,516	0	0	444,110,878

FY2010 Premium

FY2010 Premium Rates pmpm (Community Rates) - Long Term Care

Amerigroup Bexar	125.04	1,686.51	279.14	1,804.40	322.08	4,813,436	1,780,952	17,059,757	10,674,802	34,328,948
Molina Bexar	125.04	1,686.51	279.14	1,804.40	371.72	3,625,081	1,396,429	18,935,560	15,546,669	39,503,739
Superior Bexar	125.04	1,686.51	279.14	1,804.40	297.82	20,551,631	9,997,619	33,905,137	26,871,054	91,325,440
Amerigroup Harris	129.31	1,564.29	221.05	1,546.72	213.09	29,899,721	6,100,719	41,412,110	14,625,748	92,038,297
Evercare Harris	129.31	1,564.29	221.05	1,546.72	275.65	26,237,707	14,529,096	56,131,287	38,438,990	135,337,081
Molina Harris	129.31	1,564.29	221.05	1,546.72	214.12	6,934,550	1,295,230	8,944,506	3,656,437	20,830,723
Evercare Nueces	207.54	1,856.51	408.36	1,778.86	503.03	6,240,995	2,717,935	20,208,854	16,159,200	45,326,985
Superior Nueces	207.54	1,856.51	408.36	1,778.86	529.28	10,778,542	7,084,454	20,478,371	25,210,060	63,551,427
Amerigroup Travis	86.72	2,742.08	179.18	1,811.68	243.77	5,178,067	4,014,412	9,079,938	10,391,811	28,664,228
Evercare Travis	86.72	2,742.08	179.18	1,811.68	311.95	2,035,430	2,862,736	7,460,901	10,000,488	22,359,555
Total - All Plans	131.44	1,748.37	252.80	1,705.38	295.63	116,295,161	51,779,583	233,616,421	171,575,260	573,266,425

FY2010 Premium

FY2010 Premium Rates pmpm (Community Rates) - Total

						FY2010 Premium				
Amerigroup Bexar	544.48	2,777.89	279.14	1,804.40	484.39	20,960,472	2,933,447	17,059,757	10,674,802	51,628,479
Molina Bexar	544.48	2,777.89	279.14	1,804.40	494.66	15,785,692	2,300,089	18,935,560	15,546,669	52,568,011
Superior Bexar	544.48	2,777.89	279.14	1,804.40	543.74	89,493,638	16,467,305	33,905,137	26,871,054	166,737,133
Amerigroup Harris	588.59	3,224.44	221.05	1,546.72	473.95	136,097,928	12,575,331	41,412,110	14,625,748	204,711,117
Evercare Harris	588.59	3,224.44	221.05	1,546.72	496.86	119,429,128	29,948,635	56,131,287	38,438,990	243,948,040
Molina Harris	588.59	3,224.44	221.05	1,546.72	481.43	31,564,775	2,669,840	8,944,506	3,656,437	46,835,558
Evercare Nueces	732.75	3,185.48	408.36	1,778.86	699.90	22,035,278	4,663,546	20,208,854	16,159,200	63,066,878
Superior Nueces	732.75	3,185.48	408.36	1,778.86	798.69	38,056,139	12,155,799	20,478,371	25,210,060	95,900,369
Amerigroup Travis	542.81	3,945.42	179.18	1,811.68	490.36	32,412,533	5,776,091	9,079,938	10,391,811	57,660,373
Evercare Travis	542.81	3,945.42	179.18	1,811.68	478.84	12,740,939	4,119,016	7,460,901	10,000,488	34,321,344
Total - All Plans	586.09	3,160.76	252.80	1,705.38	524.65	518,576,523	93,609,098	233,616,421	171,575,260	1,017,377,303

FY2010 Premium Rate Change Relative to Current Rates

Amerigroup Bexar	6.1%	4.2%	2.6%	1.9%	4.0%
Molina Bexar	6.1%	4.2%	2.6%	1.9%	3.5%
Superior Bexar	6.1%	4.2%	2.6%	1.9%	4.5%
Amerigroup Harris	9.8%	15.7%	2.8%	10.1%	8.7%
Evercare Harris	9.8%	15.7%	2.8%	10.1%	8.8%
Molina Harris	9.8%	15.7%	2.8%	10.1%	8.7%
Evercare Nueces	22.3%	31.8%	9.0%	10.4%	15.3%
Superior Nueces	22.3%	31.8%	9.0%	10.4%	17.0%
Amerigroup Travis	17.7%	39.4%	-15.5%	-1.2%	8.9%
Evercare Travis	17.7%	39.4%	-15.5%	-1.2%	4.8%
Total - All Plans	10.8%	17.4%	2.2%	6.1%	8.5%

FY2010 Premium Rates pmpm (Community Rates with Risk Adjustment) - Acute Care

Amerigroup Bexar	365.98	847.48	0.00	0.00	140.58	14,088,938	894,943	0	0	14,983,881
Molina Bexar	371.26	993.86	0.00	0.00	109.03	10,763,647	822,914	0	0	11,586,561
Superior Bexar	440.47	1,148.45	0.00	0.00	258.29	72,397,070	6,807,984	0	0	79,205,054
Amerigroup Harris	446.32	1,733.13	0.00	0.00	254.58	103,201,303	6,759,201	0	0	109,960,505
Evercare Harris	490.83	1,629.26	0.00	0.00	233.67	99,593,169	15,132,533	0	0	114,725,702
Molina Harris	395.79	1,663.08	0.00	0.00	232.33	21,225,380	1,377,027	0	0	22,602,407
Evercare Nueces	442.27	1,258.12	0.00	0.00	168.04	13,299,877	1,841,894	0	0	15,141,771
Superior Nueces	573.24	1,356.15	0.00	0.00	291.05	29,772,004	5,175,061	0	0	34,947,064
Amerigroup Travis	489.37	1,261.37	0.00	0.00	264.21	29,221,109	1,846,643	0	0	31,067,752
Evercare Travis	371.46	1,121.95	0.00	0.00	137.98	8,718,866	1,171,316	0	0	9,890,182
Total - All Plans	454.65	1,412.40	0.00	0.00	229.02	402,281,362	41,829,516	0	0	444,110,878

FY2010 Premium

FY2010 Premium Rates pmpm (Community Rates with Risk Adjustment) - Long Term Care

Amerigroup Bexar	125.04	1,686.51	279.14	1,804.40	322.08	4,813,436	1,780,952	17,059,757	10,674,802	34,328,948
Molina Bexar	125.04	1,686.51	279.14	1,804.40	371.72	3,625,081	1,396,429	18,935,560	15,546,669	39,503,739
Superior Bexar	125.04	1,686.51	279.14	1,804.40	297.82	20,551,631	9,997,619	33,905,137	26,871,054	91,325,440
Amerigroup Harris	129.31	1,564.29	221.05	1,546.72	213.09	29,899,721	6,100,719	41,412,110	14,625,748	92,038,297
Evercare Harris	129.31	1,564.29	221.05	1,546.72	275.65	26,237,707	14,529,096	56,131,287	38,438,990	135,337,081
Molina Harris	129.31	1,564.29	221.05	1,546.72	214.12	6,934,550	1,295,230	8,944,506	3,656,437	20,830,723
Evercare Nueces	207.54	1,856.51	408.36	1,778.86	503.03	6,240,995	2,717,935	20,208,854	16,159,200	45,326,985
Superior Nueces	207.54	1,856.51	408.36	1,778.86	529.28	10,778,542	7,084,454	20,478,371	25,210,060	63,551,427
Amerigroup Travis	86.72	2,742.08	179.18	1,811.68	243.77	5,178,067	4,014,412	9,079,938	10,391,811	28,664,228
Evercare Travis	86.72	2,742.08	179.18	1,811.68	311.95	2,035,430	2,862,736	7,460,901	10,000,488	22,359,555
Total - All Plans	131.44	1,748.37	252.80	1,705.38	295.63	116,295,161	51,779,583	233,616,421	171,575,260	573,266,425

FY2010 Premium

FY2010 Premium Rates pmpm (Community Rates with Risk Adjustment) - Total Rate

Amerigroup Bexar	491.02	2,533.99	279.14	1,804.40	462.67	18,902,374	2,675,895	17,059,757	10,674,802	49,312,828
Molina Bexar	496.30	2,680.37	279.14	1,804.40	480.75	14,388,728	2,219,343	18,935,560	15,546,669	51,090,301
Superior Bexar	565.51	2,834.95	279.14	1,804.40	556.11	92,948,701	16,805,603	33,905,137	26,871,054	170,530,494
Amerigroup Harris	575.63	3,297.42	221.05	1,546.72	467.67	133,101,024	12,859,920	41,412,110	14,625,748	201,998,802
Evercare Harris	620.14	3,193.54	221.05	1,546.72	509.31	125,830,876	29,661,629	56,131,287	38,438,990	250,062,782
Molina Harris	525.10	3,227.36	221.05	1,546.72	446.46	28,159,931	2,672,256	8,944,506	3,656,437	43,433,130
Evercare Nueces	649.80	3,114.64	408.36	1,778.86	671.07	19,540,871	4,559,830	20,208,854	16,159,200	60,468,755
Superior Nueces	780.78	3,212.66	408.36	1,778.86	820.33	40,550,546	12,259,515	20,478,371	25,210,060	98,498,492
Amerigroup Travis	576.08	4,003.45	179.18	1,811.68	507.98	34,399,176	5,861,055	9,079,938	10,391,811	59,731,980
Evercare Travis	458.18	3,864.04	179.18	1,811.68	449.94	10,754,296	4,034,053	7,460,901	10,000,488	32,249,738
Total - All Plans	586.09	3,160.76	252.80	1,705.38	524.65	518,576,523	93,609,098	233,616,421	171,575,260	1,017,377,303

FY2010 Premium

FY2010 Premium Rate Change Relative to Current Rates

Amerigroup Bexar	-4.3%	-4.9%	2.6%	1.9%	-0.7%
Molina Bexar	-3.3%	0.6%	2.6%	1.9%	0.6%
Superior Bexar	10.2%	6.4%	2.6%	1.9%	6.9%
Amerigroup Harris	7.4%	18.3%	2.8%	10.1%	7.2%
Evercare Harris	15.7%	14.6%	2.8%	10.1%	11.6%
Molina Harris	-2.0%	15.8%	2.8%	10.1%	0.8%
Evercare Nueces	8.5%	28.8%	9.0%	10.4%	10.5%
Superior Nueces	30.4%	32.9%	9.0%	10.4%	20.2%
Amerigroup Travis	24.9%	41.5%	-15.5%	-1.2%	12.8%
Evercare Travis	-0.7%	36.6%	-15.5%	-1.2%	-1.5%
Total - All Plans	10.8%	17.4%	2.2%	6.1%	8.5%

Maximum of Adjusted Community Rate with Risk Adjustment and Adjusted Community Rate without Risk Adjustment

Amerigroup Bexar	544.48	2,777.89	279.14	1,804.40	484.39	20,960,472	2,933,447	17,059,757	10,674,802	51,628,479
Molina Bexar	544.48	2,777.89	279.14	1,804.40	494.66	15,785,692	2,300,089	18,935,560	15,546,669	52,568,011
Superior Bexar	565.51	2,834.95	279.14	1,804.40	556.11	92,948,701	16,805,603	33,905,137	26,871,054	170,530,494
Amerigroup Harris	588.59	3,224.44	221.05	1,546.72	473.95	136,097,928	12,575,331	41,412,110	14,625,748	204,711,117
Evercare Harris	620.14	3,193.54	221.05	1,546.72	509.31	125,830,876	29,661,629	56,131,287	38,438,990	250,062,782
Molina Harris	588.59	3,224.44	221.05	1,546.72	481.43	31,564,775	2,669,840	8,944,506	3,656,437	46,835,558
Evercare Nueces	732.75	3,185.48	408.36	1,778.86	699.90	22,035,278	4,663,546	20,208,854	16,159,200	63,066,878
Superior Nueces	780.78	3,212.66	408.36	1,778.86	820.33	40,550,546	12,259,515	20,478,371	25,210,060	98,498,492
Amerigroup Travis	576.08	4,003.45	179.18	1,811.68	507.98	34,399,176	5,861,055	9,079,938	10,391,811	59,731,980
Evercare Travis	542.81	3,945.42	179.18	1,811.68	478.84	12,740,939	4,119,016	7,460,901	10,000,488	34,321,344
Total - All Plans	602.29	3,168.86	252.80	1,705.38	532.17	532,914,384	93,849,070	233,616,421	171,575,260	1,031,955,135

FY2010 Premium Rate Change Relative to Current Rates

Amerigroup Bexar	6.1%	4.2%	2.6%	1.9%	4.0%
Molina Bexar	6.1%	4.2%	2.6%	1.9%	3.5%
Superior Bexar	10.2%	6.4%	2.6%	1.9%	6.9%
Amerigroup Harris	9.8%	15.7%	2.8%	10.1%	8.7%
Evercare Harris	15.7%	14.6%	2.8%	10.1%	11.6%
Molina Harris	9.8%	15.7%	2.8%	10.1%	8.7%
Evercare Nueces	22.3%	31.8%	9.0%	10.4%	15.3%
Superior Nueces	30.4%	32.9%	9.0%	10.4%	20.2%
Amerigroup Travis	24.9%	41.5%	-15.5%	-1.2%	12.8%
Evercare Travis	17.7%	39.4%	-15.5%	-1.2%	4.8%
Total - All Plans	13.9%	17.7%	2.2%	6.1%	10.0%

Maximum of Adjusted Community Rate with Risk Adjustment and Adjusted Community Rate without Risk Adjustment - with Frew Rewards and Sanctions

Amerigroup Bexar	544.66	2,778.07	279.14	1,804.40	484.46	20,967,231	2,933,642	17,059,920	10,674,830	51,635,624
Molina Bexar	544.66	2,778.07	279.14	1,804.40	494.71	15,790,783	2,300,242	18,935,741	15,546,710	52,573,476
Superior Bexar	565.69	2,835.13	279.14	1,804.40	556.22	92,979,071	16,806,651	33,905,461	26,871,125	170,562,308
Amerigroup Harris	588.77	3,224.62	221.05	1,546.72	474.05	136,140,110	12,576,018	41,412,391	14,625,784	204,754,303
Evercare Harris	620.32	3,193.72	221.05	1,546.72	509.39	125,867,891	29,663,271	56,131,669	38,439,085	250,101,916
Molina Harris	588.77	3,224.62	221.05	1,546.72	481.53	31,574,558	2,669,985	8,944,567	3,656,446	46,845,556
Evercare Nueces	732.93	3,185.66	408.36	1,778.86	699.97	22,040,671	4,663,806	20,208,920	16,159,164	63,072,561
Superior Nueces	780.96	3,212.84	408.36	1,778.86	820.41	40,559,939	12,260,197	20,478,437	25,210,004	98,508,577
Amerigroup Travis	576.26	4,003.63	179.18	1,811.68	508.07	34,409,637	5,861,314	9,080,126	10,391,796	59,742,874
Evercare Travis	542.99	3,945.60	179.18	1,811.68	478.90	12,745,061	4,119,206	7,461,055	10,000,474	34,325,796
Total - All Plans	602.48	3,169.04	252.80	1,705.39	532.26	533,074,951	93,854,334	233,618,287	171,575,420	1,032,122,991

FY2010 Premium Rate Change Relative to Current Rates

Amerigroup Bexar	6.2%	4.3%	2.6%	1.9%	4.0%
Molina Bexar	6.2%	4.3%	2.6%	1.9%	3.5%
Superior Bexar	10.3%	6.4%	2.6%	1.9%	6.9%
Amerigroup Harris	9.8%	15.7%	2.8%	10.1%	8.7%
Evercare Harris	15.7%	14.6%	2.8%	10.1%	11.6%
Molina Harris	9.8%	15.7%	2.8%	10.1%	8.8%
Evercare Nueces	22.4%	31.8%	9.0%	10.4%	15.3%
Superior Nueces	30.4%	32.9%	9.0%	10.4%	20.2%
Amerigroup Travis	24.9%	41.5%	-15.5%	-1.2%	12.8%
Evercare Travis	17.7%	39.4%	-15.5%	-1.2%	4.9%
Total - All Plans	13.9%	17.7%	2.2%	6.1%	10.0%

Attachment 2

Individual HMO Experience Analysis

The following exhibits present a summary of the experience analysis performed for each health plan. The exhibits in this section use hypothetical experience data from a sample HMO. The actual analysis is based on experience data provided by each health plan. This data was checked for reasonableness by comparing to other data sources provided by HHSC, the EQRO and the HMO. Below is a brief description of each of the exhibits contained in this attachment.

Exhibit A. This exhibit shows monthly enrollment and earned premium by risk group for the period February 2007 through March 2009. All of this information was provided by HHSC.

Exhibit B. This exhibit shows a sample of a claim lag report for one risk group. This report includes claim amounts by payment month and month of service. We analyzed claims experience for the period February 2007 through January 2009.

Exhibit C. This exhibit shows the calculation of estimated monthly incurred claims for one risk group. The report includes the following information: (i) monthly enrollment, (ii) claim amounts incurred in that month and paid through March 31, 2009, (iii) estimated proportion of that month's incurred claims paid through March 31, 2009 (completion factor), (iv) estimated incurred claims, (v) estimated incurred claims pmpm and (vi) the ratio of this month's incurred claims pmpm to the same statistic from one year ago (trend factor). The assumed completion factors and estimated incurred claims were derived based on the actual historical claims payment pattern of the HMO.

Exhibit D. This exhibit is a summary of the sample HMO's projected FY2010 cost based on the HMO's actual experience. The top of the exhibit shows summary base period (FY2008) enrollment, premium and claims experience. Next are projected FY2010 enrollment and premium based on current (FY2009) rates. Trend assumptions for FY2009 and FY2010 are used to project the average base period claims cost to FY2010. Adjustment factors are used to recognize the cost impact of benefit and provider reimbursement changes. Combining these factors results in projected FY2010 incurred claims.

In addition to incurred claims, provision is also made for services that are capitated by the HMO, such as vision and behavioral health services. Other expenses such as those related to the coordination of care are included. The cost of reinsurance is also considered. In developing the cost of reinsurance, an assumption is made regarding how much the HMO is expected to receive in reinsurance recoveries (reimbursements from the reinsurance company for large claims). We have assumed that the net cost of reinsurance (reinsurance premium less reinsurance recoveries) is the minimum of (a) the actual reinsurance premium rate and (b) \$1.50 pmpm.

A provision for administrative expenses is included in the amount of \$10.00 pmpm and 5.75% of gross premium. Additional provisions are also included for premium tax (1.75% of premium), maintenance tax (\$0.09 pmpm) and risk margin (2.0% of premium).

At the bottom of Exhibit D is a summary of the projected FY2010 cost based on the above assumptions. Cost projections are presented separately for acute care and long term care services.

Sample HMO
 Enrollment and Premium Experience
 Number of Members

Month	Medicaid Only		Dual Eligible		Total Members
	OCC	CBA	OCC	CBA	
Feb-07	445	57	1,091	519	2,112
Mar-07	2,776	49	6,744	509	10,078
Apr-07	2,592	47	6,659	484	9,782
May-07	2,466	42	6,533	467	9,508
Jun-07	2,393	41	6,497	462	9,393
Jul-07	2,351	41	6,489	444	9,325
Aug-07	2,305	39	6,435	433	9,212
Sep-07	2,325	38	6,453	423	9,239
Oct-07	2,322	37	6,426	424	9,209
Nov-07	2,322	37	6,371	416	9,146
Dec-07	2,300	40	6,236	428	9,004
Jan-08	2,289	44	6,253	452	9,038
Feb-08	2,290	43	6,217	475	9,025
Mar-08	2,254	42	6,142	492	8,930
Apr-08	2,226	44	6,058	520	8,848
May-08	2,233	44	5,999	537	8,813
Jun-08	2,226	44	5,938	567	8,775
Jul-08	2,255	46	5,937	591	8,829
Aug-08	2,243	47	5,921	610	8,821
Sep-08	2,281	44	5,833	661	8,819
Oct-08	2,287	47	5,827	673	8,834
Nov-08	2,262	60	5,734	744	8,800
Dec-08	2,260	63	5,640	738	8,701
Jan-09	2,299	66	5,669	746	8,780
Feb-09	2,345	66	5,645	738	8,794
Mar-09	2,368	66	5,626	724	8,784
Apr-09	2,395	68	5,644	728	8,835
May-09	2,416	69	5,653	718	8,856
FY2007	15,328	316	40,448	3,318	59,410
FY2008	27,285	506	73,951	5,935	107,677
FY2009	20,913	549	51,271	6,470	79,203

Sample
HMO
Enrollment and Premium Experience
Premium Amount

Month	Medicaid Only		Dual Eligible		Total Premium
	OCC	CBA	OCC	CBA	
Feb-07	173,074	157,087	273,841	884,765	1,488,768
Mar-07	1,079,670	135,040	1,692,744	867,718	3,775,172
Apr-07	1,008,107	129,528	1,671,409	825,099	3,634,143
May-07	959,101	115,749	1,639,783	796,118	3,510,751
Jun-07	930,709	112,993	1,630,747	787,595	3,462,044
Jul-07	914,374	112,993	1,628,739	756,909	3,413,015
Aug-07	896,484	107,481	1,615,185	738,157	3,357,306
Sep-07	1,075,824	119,268	1,744,698	817,012	3,756,802
Oct-07	1,074,436	116,130	1,737,398	818,943	3,746,906
Nov-07	1,074,436	116,130	1,722,527	803,492	3,716,584
Dec-07	1,064,256	125,546	1,686,027	826,669	3,702,498
Jan-08	1,059,166	138,100	1,690,624	873,024	3,760,914
Feb-08	1,059,629	134,962	1,680,890	917,448	3,792,929
Mar-08	1,042,971	131,823	1,660,613	950,283	3,785,690
Apr-08	1,030,015	138,100	1,637,901	1,004,364	3,810,381
May-08	1,033,254	138,100	1,621,950	1,037,199	3,830,503
Jun-08	1,030,015	138,100	1,605,457	1,095,143	3,868,715
Jul-08	1,043,434	144,377	1,605,187	1,141,499	3,934,497
Aug-08	1,037,881	147,516	1,600,861	1,178,197	3,964,455
Sep-08	1,200,969	120,932	1,675,588	1,219,545	4,217,034
Oct-08	1,204,128	129,178	1,673,864	1,241,685	4,248,855
Nov-08	1,190,966	164,908	1,647,149	1,372,680	4,375,702
Dec-08	1,189,913	173,153	1,620,146	1,361,610	4,344,822
Jan-09	1,210,446	181,398	1,628,477	1,376,370	4,396,692
Feb-09	1,234,666	181,398	1,621,583	1,361,610	4,399,257
Mar-09	1,214,926	175,874	1,530,497	1,281,574	4,202,871
Apr-09	1,228,779	181,204	1,535,394	1,288,655	4,234,031
May-09	1,239,553	183,868	1,537,842	1,270,953	4,232,217
FY2007	5,961,519	870,871	10,152,448	5,656,361	22,641,198
FY2008	12,625,315	1,588,152	19,994,132	11,463,274	45,670,873
FY2009	10,914,346	1,491,913	14,470,539	11,774,682	38,651,481

Sample HMO
 Claims Lag Report

Month
 Incurred Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07 Nov-07 Dec-07 Jan-08 Feb-08 Mar-08 Apr-08

Acute Care - Medicaid Only OCC

Feb-07	1,293	9,430	26,461	17,692	21,532	14,313	4,290	3,219	994	377	263	489		214	
Mar-07		1,775	152,508	167,895	121,375	60,078	36,797	24,035	20,538	2,195	6,037	(1,734)	1,728	2,452	(4,504)
Apr-07			26,461	217,981	125,529	58,421	27,430	6,186	14,916	7,321	2,271	7,096	275	(1,335)	(5,581)
May-07				69,487	308,848	68,886	75,976	7,578	6,643	8,853	1,577	12,189	5,544	1,770	(1,794)
Jun-07					77,686	190,323	80,274	27,277	45,265	14,124	8,045	14,808	3,778	(358)	(138)
Jul-07						82,339	220,618	75,929	50,291	41,732	11,852	12,567	10,515	(93)	192
Aug-07							57,365	262,711	95,620	28,570	28,761	8,363	12,139	5,545	1,937
Sep-07								68,659	355,599	67,844	20,909	7,038	4,265	5,874	126
Oct-07									130,597	269,258	144,028	39,166	4,266	5,712	3,488
Nov-07										66,239	237,981	192,925	10,470	16,866	6,745
Dec-07											64,549	278,522	77,888	21,871	10,569
Jan-08												117,270	280,512	89,185	13,635
Feb-08													62,732	318,583	73,307
Mar-08														88,637	281,742
Apr-08															79,080
May-08															
Jun-08															
Jul-08															
Aug-08															
Sep-08															
Oct-08															
Nov-08															
Dec-08															
Jan-09															
Feb-09															
Mar-09															
	1,293	11,206	205,430	473,054	654,970	474,360	502,749	475,594	720,463	506,515	526,274	688,700	474,112	554,923	458,804

Sample HMO
 Estimated Claims Experience

Month	Acute Care - Medicaid Only OCC					Trend
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	
Feb-07	445	100,586	1.000	100,586	226.04	
Mar-07	2,776	597,387	1.000	597,387	215.20	
Apr-07	2,592	492,289	1.000	492,289	189.93	
May-07	2,466	568,342	1.000	568,342	230.47	
Jun-07	2,393	463,061	0.999	463,524	193.70	
Jul-07	2,351	516,136	0.999	516,652	219.76	
Aug-07	2,305	498,552	0.999	499,051	216.51	
Sep-07	2,325	529,654	0.999	530,184	228.04	
Oct-07	2,322	603,413	0.999	604,017	260.13	
Nov-07	2,322	535,827	0.998	536,901	231.22	
Dec-07	2,300	468,515	0.999	468,984	203.91	
Jan-08	2,289	534,963	0.997	536,573	234.41	
Feb-08	2,290	538,087	0.997	539,706	235.68	1.043
Mar-08	2,254	505,647	0.998	506,660	224.78	1.045
Apr-08	2,226	542,952	0.997	544,585	244.65	1.288
May-08	2,233	536,475	0.998	537,550	240.73	1.045
Jun-08	2,226	570,372	0.995	573,238	257.52	1.329
Jul-08	2,255	554,763	0.995	557,551	247.25	1.125
Aug-08	2,243	566,249	0.991	571,391	254.74	1.177
Sep-08	2,281	637,776	0.989	644,870	282.71	1.240
Oct-08	2,287	587,425	0.980	599,414	262.10	1.008
Nov-08	2,262	498,771	0.961	519,012	229.45	0.992
Dec-08	2,260	494,543	0.928	532,912	235.80	1.156
Jan-09	2,299	548,182	0.874	627,211	272.82	1.164
FY2007	15,328	3,236,353		3,237,832	211.24	
FY2008	27,285	6,486,917		6,507,341	238.50	1.129
FY2009	11,389	2,766,697		2,923,419	256.69	1.076

Sample HMO
 Experienced Based Renewal
 Rating

	Medicaid Only - OCC		Medicaid Only - CBA	
	Amount	pmpm	Amount	pmpm
FY2008 Experience Period				
Member Months	27,285		506	
Premium Revenue	12,625,315	462.72	1,588,152	3,138.64
Adjusted Premium	13,998,842	513.06	1,348,369	2,664.76
Estimated FY2008 Incurred Claims				
Acute Care	6,507,341	238.50	275,207	543.89
Long Term Care	1,585,376	58.10	692,918	1,369.40
Attendant Care Enhanced				
Payment	0	0.00	0	0.00
Nursing Facility Recoupment	0	0.00	0	0.00
Total	8,092,717	296.60	968,124	1,913.29
Projected FY2010 Member Months	28,992		828	
Projected FY2010 Premium				
At Current Rates	14,874,636	513.06	2,206,421	2,664.76
Annual Cost Trend Assumptions				
Acute Care				
FY2009	7.9 %		9.4 %	
FY2010	6.6 %		7.5 %	
Long Term Care				
FY2009	15.5 %		0.4 %	
FY2010	5.4 %		2.5 %	
Provider Reimbursement Adjustment				
Acute Care		1.0008		1.0014
Long Term Care		1.0000		1.0000
Inpatient Reimbursement Adjustment				
		1.0000		1.0000
Out of Network Adjustment				
		0.9983		0.9983
Projected Incurred Claims				
Acute Care	7,945,534	274.06	529,434	639.41
LTC	2,050,732	70.73	1,166,861	1,409.25
Total	9,996,266	344.79	1,696,295	2,048.66
Capitation Expenses				
Vision	0	0.00	0	0.00
Behavioral Health	775,536	26.75	41,094	49.63
PCP	0	0.00	0	0.00
Other	0	0.00	0	0.00
Total	775,536	26.75	41,094	49.63

Other Expenses				
Service Coordination	287,601	9.92	8,214	9.92
Other	0	0.00	0	0.00
Total	287,601	9.92	8,214	9.92
Reinsurance Expenses				
Gross Premium	0	0.00	0	0.00
Projected Reinsurance Recoveries	0	0.00	0	0.00
Net Reinsurance Cost	0	0.00	0	0.00
Administrative Expenses				
Fixed Amount	289,920	10.00	8,280	10.00
Percentage of Premium	721,255	5.75%	111,439	5.75%
Total	1,011,175		119,719	
Risk Margin	250,871	2.0%	38,761	2.0%
Premium Tax		1.75%		1.75%
Maintenance Tax	2,609	0.09	75	0.09
Investment Income Adjustment		1.0000		1.0000
Projected Total Cost				
Acute Care	9,893,466	341.25	633,298	764.85
LTC	2,650,105	91.41	1,304,775	1,575.82
Total	12,543,571	432.66	1,938,073	2,340.67

Attachment 3

Community Experience Analysis

The following exhibits present a summary of the experience analysis performed for each managed care service area. HHSC utilizes an adjusted community rating methodology in setting the STAR+PLUS premium rates. The base community rates by risk group vary by service area but are the same for each HMO in a service area. The community rates are developed by a weighted average of the projected FY2010 cost for each health plan in the service area. The weights used in this formula are the projected number of FY2010 clients enrolled in each health plan.

Below is a brief description of the exhibits contained in this attachment. The exhibits present the derivation of the FY2010 STAR+PLUS HMO community rates for the following service areas:

- Exhibit A – Bexar Service Area
- Exhibit B – Harris Service Area
- Exhibit C – Nueces Service Area
- Exhibit D – Travis Service Area

These exhibits show projected FY2010 experience for each of the service areas. These amounts were derived by summing amounts from each individual health plan in the service area. The experience analysis for individual HMOs is described in Attachment 2. The top portion of the exhibit shows summary base period (FY2008) experience and projected FY2010 enrollment, premium and incurred claims experience.

In addition to incurred claims, provision is also made for services that are capitated by the HMOs, such as vision and behavioral health services. Other expenses such as those related to the coordination of care are included. The cost of reinsurance is also considered. In developing the cost of reinsurance we make an assumption regarding how much the HMO is expected to receive in reinsurance recoveries (reimbursements from the reinsurance company for large claims). We have assumed that the net cost of reinsurance (reinsurance premium less reinsurance recoveries) is the minimum of (a) the actual reinsurance premium rate and (b) \$1.50 pmpm.

A provision for administrative expenses is included in the amount of \$10.00 pmpm and 5.75% of gross premium. Additional provisions are also included for premium tax (1.75% of premium), maintenance tax (\$0.09 pmpm) and risk margin (2.0% of premium).

The bottom of the exhibit shows a summary of the projected FY2010 cost based on these assumptions. Cost projections are presented separately for acute care and long term care services. The cost projections do not include the Frew Rewards and Sanctions. Additional information on Frew Rewards and Sanctions can be found in Attachment 8.

FY2010 STAR+Plus Rating Summary

Bexar SDA Total

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2008 Experience Period										
Member Months	215,562		4,919		251,516		22,934		494,931	
Premium Revenue	99,744,849	462.72	15,438,970	3,138.64	68,002,381	270.37	44,296,333	1,931.47	227,482,533	459.62
Adjusted Premium	110,596,240	513.06	13,107,954	2,664.76	68,422,413	272.04	40,596,161	1,770.13	232,722,768	470.21
Estimated FY2008 Incurred Claims										
Acute Care	60,588,317	281.07	3,890,685	790.95	0	0.00	0	0.00	64,479,003	130.28
Long Term Care	18,318,334	84.98	7,226,798	1,469.16	45,233,406	179.84	33,001,037	1,438.96	103,779,576	209.68
Attendant Care Enhanced Payment	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Nursing Facility Recoupment	-472,189	-2.19	-10,837	-2.20	-486,225	-1.93	-42,168	-1.84	-1,011,418	-2.04
Total	78,434,462	363.86	11,106,647	2,257.91	44,747,182	177.91	32,958,870	1,437.12	167,247,160	337.92
Projected FY2010 Member Months	231,852		7,812		250,416		29,424		519,504	
Projected FY2010 Premium										
Current Rates	118,953,987	513.06	20,817,105	2,664.76	68,123,169	272.04	52,084,305	1,770.13	259,978,566	500.44
Annual Cost Trend Assumptions										
Acute Care										
FY2009	7.9 %		9.4 %		7.9 %		9.4 %			
FY2010	6.6 %		7.5 %		6.6 %		7.5 %			
Long Term Care										
FY2009	15.5 %		0.4 %		15.0 %		4.5 %			
FY2010	5.4 %		2.5 %		11.8 %		7.1 %			
Provider Reimbursement Adjustment										
Acute Care		1.0008		1.0014		1.0000		1.0000		
Long Term Care		1.0000		1.0000		1.0000		1.0000		
Inpatient Reimbursement Adjustment										
		1.0000		1.0000		1.0000		1.0000		
Out of Network Adjustment										
		0.9983		0.9983		1.0000		1.0000		
Projected Incurred Claims										
Acute Care	74,884,649	322.98	7,264,140	929.87	0	0.00	0	0.00	82,148,789	158.13
LTC	23,367,144	100.78	11,793,350	1,509.65	57,279,839	228.74	47,326,019	1,608.42	139,766,352	269.04
Total	98,251,793	423.77	19,057,490	2,439.51	57,279,839	228.74	47,326,019	1,608.42	221,915,141	427.17

Capitation Expenses	11,330,188	48.87	421,342	53.94	1,263,226	5.04	154,877	5.26	13,169,632	25.35
Service Coordination and Other Expenses	2,312,565	9.97	81,247	10.40	2,169,370	8.66	268,940	9.14	4,832,122	9.30
Net Reinsurance Cost	13,089	0.06	359	0.05	20,779	0.08	2,011	0.07	36,239	0.07
Administrative Expenses										
Fixed Amount	2,318,520	10.00	78,120	10.00	2,504,160	10.00	294,240	10.00	5,195,040	10.00
Percentage of Premium	7,258,789	5.75%	1,247,798	5.75%	4,019,276	5.75%	3,052,820	5.75%	15,578,683	5.75 %
Total	9,577,309		1,325,918		6,523,436		3,347,060		20,773,723	39.99
Risk Margin	2,524,796	2.0%	434,017	2.0%	1,398,009	2.0%	1,061,851	2.0%	5,418,672	2.0 %
Premium Tax	2,209,197	1.75%	379,765	1.75%	1,223,258	1.75%	929,119	1.75%	4,741,338	1.75 %
Maintenance Tax	20,867	0.09	703	0.09	22,537	0.09	2,648	0.09	46,755	0.09
Investment Income Adjustment		1.000		1.000		1.000		1.000		1.000
Projected Total Cost										
Acute Care	97,249,655	419.45	8,525,841	1,091.38	1,418,790	5.67	173,357	5.89	107,367,643	206.67
LTC	28,990,148	125.04	13,175,000	1,686.51	68,481,664	273.47	52,919,168	1,798.50	163,565,980	314.85
Total	126,239,803	544.48	21,700,841	2,777.89	69,900,454	279.14	53,092,525	1,804.40	270,933,623	521.52
Experience Rate Increase		6.1 %		4.2 %		2.6 %		1.9 %		4.2 %

FY2010 STAR+Plus Rating
Summary
Harris SDA Total

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2008 Experience Period										
Member Months	470,523		10,515		469,292		31,243		981,573	
Premium Revenue	262,504,782	557.90	29,257,567	2,782.46	96,819,633	206.31	51,232,271	1,639.80	439,814,253	448.07
Adjusted Premium	252,190,918	535.98	29,296,893	2,786.20	100,921,245	215.05	43,904,851	1,405.27	426,313,906	434.32
Estimated FY2008 Incurred Claims										
Acute Care	164,250,127	349.08	13,329,768	1,267.69	0	0.00	0	0.00	177,579,895	180.91
Long Term Care	41,046,368	87.24	13,932,886	1,325.05	64,636,975	137.73	37,241,910	1,192.01	156,858,139	159.80
Attendant Care Enhanced Payment	741,072	1.57	377,302	35.88	1,638,402	3.49	1,255,478	40.18	4,012,253	4.09
Nursing Facility Recoupment	-238,669	-0.51	-3,131	-0.30	-195,278	-0.42	-8,620	-0.28	-445,698	-0.45
Total	205,798,899	437.38	27,636,826	2,628.32	66,080,098	140.81	38,488,768	1,231.92	338,004,590	344.35
Projected FY2010 Member Months	487,764		14,016		481,740		36,672		1,020,192	
Projected FY2010 Premium										
Current Rates	261,431,749	535.98	39,051,379	2,786.20	103,598,187	215.05	51,534,061	1,405.27	455,615,376	446.60
Annual Cost Trend Assumptions										
Acute Care										
FY2009	7.9 %		9.4 %		7.9 %		9.4 %			
FY2010	6.6 %		7.5 %		6.6 %		7.5 %			
Long Term Care										
FY2009	15.5 %		0.4 %		15.0 %		4.5 %			
FY2010	5.4 %		2.5 %		11.8 %		7.1 %			
Provider Reimbursement Adjustment										
Acute Care		1.0006		1.0015		1.0000		1.0000		
Long Term Care		1.0000		1.0000		1.0000		1.0000		
Inpatient Reimbursement Adjustment		1.0000		1.0000		1.0000		1.0000		
Out of Network Adjustment		0.9981		0.9981		1.0000		1.0000		
Projected Incurred Claims										
Acute Care	195,580,723	400.97	20,886,537	1,490.19	0	0.00	0	0.00	216,467,260	212.18
LTC	52,433,599	107.50	19,625,590	1,400.23	87,212,730	181.04	50,561,696	1,378.75	209,833,615	205.68
Total	248,014,322	508.47	40,512,127	2,890.42	87,212,730	181.04	50,561,696	1,378.75	426,300,875	417.86

Capitation Expenses	3,197,567	6.56	97,454	6.95	0	0.00	0	0.00	3,295,021	3.23
Service Coordination and Other Expenses	3,606,062	7.39	148,065	10.56	4,234,368	8.79	397,732	10.85	8,386,228	8.22
Net Reinsurance Cost	78,618	0.16	1,326	0.09	63,697	0.13	3,215	0.09	146,856	0.14
Administrative Expenses										
Fixed Amount	4,877,640	10.00	140,160	10.00	4,817,400	10.00	366,720	10.00	10,201,920	10.00
Percentage of Premium	16,507,780	5.75%	2,598,644	5.75%	6,123,054	5.75%	3,261,468	5.75%	28,490,946	5.75 %
Total	21,385,420		2,738,804		10,940,454		3,628,188		38,692,866	37.93
Risk Margin	5,741,837	2.0%	903,876	2.0%	2,129,758	2.0%	1,134,424	2.0%	9,909,894	2.0 %
Premium Tax	5,024,107	1.75%	790,892	1.75%	1,863,538	1.75%	992,621	1.75%	8,671,158	1.75 %
Maintenance Tax	43,899	0.09	1,261	0.09	43,357	0.09	3,300	0.09	91,817	0.09
Investment Income Adjustment		1.000		1.000		1.000		1.000		1.000
Projected Total Cost										
Acute Care	224,019,852	459.28	23,268,761	1,660.16	70,383	0.15	3,553	0.10	247,362,549	242.47
LTC	63,071,979	129.31	21,925,044	1,564.29	106,417,519	220.90	56,717,623	1,546.62	248,132,166	243.22
Total	287,091,831	588.59	45,193,805	3,224.44	106,487,903	221.05	56,721,176	1,546.72	495,494,715	485.69
Experience Rate Increase		9.8 %		15.7 %		2.8 %		10.1 %		8.8 %

FY2010 STAR+Plus Rating Summary											
Nueces SDA Total											
	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total		
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	
FY2008 Experience Period											
Member Months	80,505		2,572		102,593		16,843		202,513		
Premium Revenue	42,955,053	533.57	7,876,956	3,062.58	34,587,178	337.13	31,793,015	1,887.61	117,212,202	578.79	
Adjusted Premium	48,215,250	598.91	6,218,067	2,417.60	38,419,027	374.48	27,133,736	1,610.98	119,986,080	592.49	
Estimated FY2008 Incurred Claims											
Acute Care	29,698,959	368.91	2,513,297	977.18	0	0.00	0	0.00	32,212,257	159.06	
Long Term Care	11,240,188	139.62	4,060,455	1,578.71	26,270,250	256.06	23,197,441	1,377.27	64,768,334	319.82	
Attendant Care Enhanced Payment	293,513	3.65	98,287	38.21	1,060,286	10.33	613,926	36.45	2,066,012	10.20	
Nursing Facility Recoupment	-166,208	-2.06	-6,060	-2.36	-168,334	-1.64	-33,461	-1.99	-374,063	-1.85	
Total	41,066,452	510.11	6,665,979	2,591.75	27,162,201	264.76	23,777,907	1,411.74	98,672,540	487.24	
Projected FY2010 Member Months	82,008		5,280		99,636		23,256		210,180		
Projected FY2010 Premium											
Current Rates	49,115,411	598.91	12,764,928	2,417.60	37,311,689	374.48	37,464,951	1,610.98	136,656,979	650.19	
Annual Cost Trend Assumptions											
Acute Care											
FY2009	7.9 %		9.4 %		7.9 %		9.4 %				
FY2010	6.6 %		7.5 %		6.6 %		7.5 %				
Long Term Care											
FY2009	15.5 %		0.4 %		15.0 %		4.5 %				
FY2010	5.4 %		2.5 %		11.8 %		7.1 %				
Provider Reimbursement Adjustment											
Acute Care		1.0006		1.0013		1.0000		1.0000			
Long Term Care		1.0000		1.0000		1.0000		1.0000			
Inpatient Reimbursement Adjustment		1.0000		1.0000		1.0000		1.0000			
Out of Network Adjustment		0.9983		0.9983		1.0000		1.0000			
Projected Incurred Claims											
Acute Care	34,759,604	423.86	6,065,378	1,148.75	0	0.00	0	0.00	40,824,982	194.24	
LTC	14,096,803	171.90	8,773,022	1,661.56	33,915,886	340.40	36,744,721	1,580.01	93,530,432	445.00	
Total	48,856,407	595.75	14,838,400	2,810.30	33,915,886	340.40	36,744,721	1,580.01	134,355,414	639.24	

Capitation Expenses	3,631,739	44.29	263,189	49.85	547,616	5.50	154,758	6.65	4,597,302	21.87
Service Coordination and Other Expenses	1,067,126	13.01	66,642	12.62	1,353,109	13.58	305,048	13.12	2,791,926	13.28
Net Reinsurance Cost	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Administrative Expenses										
Fixed Amount	820,080	10.00	52,800	10.00	996,360	10.00	232,560	10.00	2,101,800	10.00
Percentage of Premium	3,455,256	5.75%	967,112	5.75%	2,339,515	5.75%	2,378,732	5.75%	9,140,617	5.75 %
Total	4,275,336		1,019,912		3,335,875		2,611,292		11,242,417	53.49
Risk Margin	1,201,828	2.0%	336,387	2.0%	813,744	2.0%	827,385	2.0%	3,179,345	2.0 %
Premium Tax	1,051,600	1.75%	294,339	1.75%	712,026	1.75%	723,962	1.75%	2,781,927	1.75 %
Maintenance Tax	7,381	0.09	475	0.09	8,967	0.09	2,093	0.09	18,916	0.09
Investment Income Adjustment		1.000		1.000		1.000		1.000		1.000
Projected Total Cost										
Acute Care	43,071,880	525.22	7,016,955	1,328.97	605,101	6.07	171,004	7.35	50,864,940	242.01
LTC	17,019,537	207.54	9,802,390	1,856.51	40,082,124	402.29	41,198,257	1,771.51	108,102,308	514.33
Total	60,091,417	732.75	16,819,345	3,185.48	40,687,225	408.36	41,369,260	1,778.86	158,967,247	756.34
Experience Rate Increase		22.3 %		31.8 %		9.0 %		10.4 %		16.3 %

FY2010 STAR+Plus Rating
Summary
Travis SDA Total

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2008 Experience Period										
Member Months	73,165		1,559		89,393		10,328		174,445	
Premium Revenue	30,700,034	419.60	4,924,429	3,158.71	21,331,852	238.63	20,066,271	1,942.90	77,022,586	441.53
Adjusted Premium	33,747,356	461.25	4,411,175	2,829.49	18,960,255	212.10	18,940,519	1,833.90	76,059,306	436.01
Estimated FY2008 Incurred Claims										
Acute Care	25,589,872	349.76	1,437,767	922.24	0	0.00	0	0.00	27,027,639	154.94
Long Term Care	4,539,224	62.04	3,668,383	2,353.04	10,104,516	113.03	14,572,472	1,410.97	32,884,596	188.51
Attendant Care Enhanced Payment	75,193	1.03	77,732	49.86	332,201	3.72	440,961	42.70	926,087	5.31
Nursing Facility Recoupment	-120,271	-1.64	-2,084	-1.34	-112,374	-1.26	-12,052	-1.17	-246,781	-1.41
Total	30,084,018	411.18	5,181,798	3,323.80	10,324,343	115.49	15,001,381	1,452.50	60,591,540	347.34
Projected FY2010 Member Months	83,184		2,508		92,316		11,256		189,264	
Projected FY2010 Premium										
Current Rates	38,368,620	461.25	7,096,361	2,829.49	19,580,224	212.10	20,642,378	1,833.90	85,687,583	452.74
Annual Cost Trend Assumptions										
Acute Care										
FY2009	7.9 %		9.4 %		7.9 %		9.4 %			
FY2010	6.6 %		7.5 %		6.6 %		7.5 %			
Long Term Care										
FY2009	15.5 %		0.4 %		15.0 %		4.5 %			
FY2010	5.4 %		2.5 %		11.8 %		7.1 %			
Provider Reimbursement Adjustment										
Acute Care		1.0007		1.0006		1.0000		1.0000		
Long Term Care		1.0000		1.0000		1.0000		1.0000		
Inpatient Reimbursement Adjustment										
		1.0000		1.0000		1.0000		1.0000		
Out of Network Adjustment										
		0.9979		0.9979		1.0000		1.0000		
Projected Incurred Claims										
Acute Care	33,417,511	401.73	2,716,085	1,082.97	0	0.00	0	0.00	36,133,596	190.92
LTC	6,220,227	74.78	6,198,383	2,471.44	13,708,045	148.49	18,298,052	1,625.63	44,424,708	234.72
Total	39,637,739	476.51	8,914,468	3,554.41	13,708,045	148.49	18,298,052	1,625.63	80,558,304	425.64

Capitation Expenses	190,250	2.29	6,960	2.78	0	0.00	0	0.00	197,210	1.04
Service Coordination and Other Expenses	176,275	2.12	7,840	3.13	312,716	3.39	41,455	3.68	538,287	2.84
Net Reinsurance Cost	20,302	0.24	498	0.20	17,230	0.19	1,950	0.17	39,980	0.21
Administrative Expenses										
Fixed Amount	831,840	10.00	25,080	10.00	923,160	10.00	112,560	10.00	1,892,640	10.00
Percentage of Premium	2,596,325	5.75%	568,969	5.75%	951,098	5.75%	1,172,557	5.75%	5,288,949	5.75 %
Total	3,428,165		594,049		1,874,258		1,285,117		7,181,589	37.94
Risk Margin	903,069	2.0%	197,902	2.0%	330,817	2.0%	407,846	2.0%	1,839,634	2.0 %
Premium Tax	790,186	1.75%	173,164	1.75%	289,465	1.75%	356,865	1.75%	1,609,680	1.75 %
Maintenance Tax	7,487	0.09	226	0.09	8,308	0.09	1,013	0.09	17,034	0.09
Investment Income Adjustment		1.000		1.000		1.000		1.000		1.000
Projected Total Cost										
Acute Care	37,939,975	456.10	3,017,959	1,203.33	19,038	0.21	2,155	0.19	40,979,127	216.52
LTC	7,213,497	86.72	6,877,148	2,742.08	16,521,801	178.97	20,390,144	1,811.49	51,002,590	269.48
Total	45,153,472	542.81	9,895,107	3,945.42	16,540,839	179.18	20,392,299	1,811.68	91,981,718	486.00
Experience Rate Increase		17.7 %		39.4 %		-15.5 %		-1.2 %		7.3 %

Attachment 4

Trend Analysis

The FY2010 rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. Separate trend factors were developed by type of service – acute care and long term care services. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the various HMO plans along with the Fee-for-Service (FFS) and Primary Care Case Management (PCCM) plans. A single trend assumption applied to all service areas but varies by type of service, risk group and year.

The trend analysis included a review of HMO claims experience data through March 31, 2009. Based on this information, estimates of monthly incurred claims were made through January 2009. The claims cost and trend experience was reviewed separately by service area, type of service and risk group. The service area trends were then combined into a statewide average using a weighted average formula with estimated incurred claims as the weights.

The FY2009 trend assumptions by risk group were developed using the weighted average HMO trend for the period September 1, 2008 through January 31, 2009 (the first five months of FY2009). The FY2010 acute care trend assumptions were developed based on an average of the HMO, FFS and PCCM experience trends for the most recent three years (FY2007 through FY2009). The FY2010 long term care trend assumptions were developed based on an average of the HMO, FFS and PCCM experience trends for the most recent two years (FY2008 through FY2009).

In analyzing the FY2008-FY2009 long term care trends, no adjustments were made to remove the impact of the minimum wage increases that have occurred in July of 2007 and 2008. The minimum wage will increase again on July 24, 2009, and by making no adjustments to the trend we are assuming that the impact of the upcoming change will be comparable to the impact experienced due to the prior increases. Thus we have assumed that the developed trend factors recognize the cost increases resulting from the minimum wage increases.

The attached exhibits present recent trend experience under the HMO plans (Exhibit A), the FFS and PCCM plans (Exhibit B) and the trend assumptions used in the rating analysis (Exhibit C). The chart below presents the assumed annual trend rates for FY2009 and FY2010.

	<u>FY2009</u>	<u>FY2010</u>
<u>Acute Care</u>		
Medicaid Only - OCC	7.9%	6.6%
Medicaid Only - CBA	9.4%	7.5%
Dual Eligible - OCC	N/A	N/A
Dual Eligible - CBA	N/A	N/A
<u>Long Term Care</u>		
Medicaid Only - OCC	15.5%	5.4%
Medicaid Only - CBA	0.4 %	2.5%
Dual Eligible - OCC	15.0 %	11.8 %
Dual Eligible - CBA	4.5 %	7.1 %

FY2010 STAR+Plus Rating
 Analysis of FY2009 HMO Cost Trend Factors

	<u>Bexar</u>	<u>Harris</u>	<u>Nueces</u>	<u>Travis</u>	<u>STAR+ Total</u>
Acute Care					
Medicaid Only OCC	1.065	1.064	1.104	1.193	1.079
Medicaid Only CBA	1.297	1.051	1.087	1.341	1.094
Long Term Care					
Medicaid Only OCC	1.149	1.191	1.060	1.156	1.155
Medicaid Only CBA	0.987	1.035	0.963	0.946	1.004
Dual Eligible OCC	1.198	1.186	1.035	1.107	1.150
Dual Eligible CBA	0.975	1.074	1.057	1.101	1.045

FY2010 STAR+Plus Rating
 Analysis of FFS & PCCM Cost Trend Factors

<u>Risk Group</u>	<u>FFS</u>	<u>PCCM</u>	<u>FFS & PCCM</u>
Medicaid Only - Acute Care			
FY2007	1.010	1.081	1.046
FY2008	1.164	1.118	1.141
FY2009	1.189	1.080	1.134
Medicaid Only - Long Term Care			
FY2007			0.979
FY2008			0.971
FY2009			1.075
Dual Eligible - Long Term Care			
FY2007			1.064
FY2008			1.093
FY2009			1.128

FY2010 STAR+Plus Rating
Trend Assumptions for FY2010 Managed Care Rating

	<u>FY2009</u>	<u>FY2010</u>
Acute Care		
Medicaid Only OCC	7.9 %	6.6 %
Medicaid Only CBA	9.4 %	7.5 %
Dual Eligible OCC	N/A	N/A
Dual Eligible CBA	N/A	N/A
Long Term Care		
Medicaid Only OCC	15.5 %	5.4 %
Medicaid Only CBA	0.4 %	2.5 %
Dual Eligible OCC	15.0 %	11.8 %
Dual Eligible CBA	4.5 %	7.1 %

Attachment 5

Provider Reimbursement and Benefit Revisions Effective During FY2009 and FY2010

This attachment presents information regarding rating adjustments for the provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting (FY2008) and before the end of FY2010.

As a component of the Frew lawsuit settlement, the Texas Medicaid program implemented significant changes in professional provider reimbursement effective September 1, 2007. As FY2008 experience forms the basis for FY2010 rate setting and the Frew-related provider reimbursement rates were in effect during FY2008, no specific Frew-related adjustment was included in the rating.

Effective September 1, 2009, Medicaid will implement a 2% rate increase for ambulance services. The attached exhibit presents the estimated cost impact of this change.

FY2010 STAR+PLUS Rating

Provider Reimbursement Adjustments

Ambulance Reimbursement Increase Adjustment (1)

	Medicaid Only		Dual Eligible			Grand Total
	OCC	CBA	OCC	CBA	Other	
FY2008 Ambulance Paid Claims (2)						
Bexar	2,297,413	254,156	26,994	12,716	23,646	2,614,925
Harris	4,835,721	807,454	193,161	53,293	34,294	5,923,922
Nueces	837,477	131,440	5,559	4,286	5,173	983,934
Travis	792,235	32,648	28,128	10,978	3,524	867,514
Total	8,762,846	1,225,698	253,842	81,272	66,637	10,390,295
Cost Impact of 2% Reimbursement Increase for Ambulance Services (3)						
Bexar	45,948	5,083	540	254	473	52,298
Harris	96,714	16,149	3,863	1,066	686	118,478
Nueces	16,750	2,629	111	86	103	19,679
Travis	15,845	653	563	220	70	17,350
Total	175,257	24,514	5,077	1,625	1,333	207,806
FY2008 Total Acute Care Claims Paid (4)						
Bexar	58,159,206	3,512,656	-	-	-	61,671,863
Harris	153,283,252	10,673,812	-	-	-	163,957,064
Nueces	26,136,185	1,956,764	-	-	-	28,092,949
Travis	23,115,740	1,106,426	-	-	-	24,222,166
Total	260,694,383	17,249,658	-	-	-	277,944,042
Rate Adjustment Factor (5)						
Bexar	0.08%	0.14%	0.00%	0.00%	0.00%	0.08%
Harris	0.06%	0.15%	0.00%	0.00%	0.00%	0.07%
Nueces	0.06%	0.13%	0.00%	0.00%	0.00%	0.07%
Travis	0.07%	0.06%	0.00%	0.00%	0.00%	0.07%
Total	0.07%	0.14%	0.00%	0.00%	0.00%	0.07%

Footnotes

(1) Ambulance service reimbursement will be increased 2% effective 9/1/2009.

(2) Equals FY2008 health plan fee-for-service claims paid for ambulance services (from Encounter database).

(3) Equals 2% of FY2008 Ambulance Claims Paid.

(4) Equals FY2008 health plan fee-for-service claims for all acute care services (from Encounter database).

(5) Equals Cost Impact of 2% Reimbursement Increase for Ambulance Services divided by FY2008 Total Acute Care Claims Paid.

Attachment 6

Out-of-Network Reimbursement Adjustment

Effective March 1, 2010, the state will implement a change in the rules regarding STAR+PLUS HMO reimbursement to out-of-network providers. Currently HMOs are allowed to reimburse out-of-network providers no less than Medicaid fee-for-service (FFS) rates less 3%. Under the proposed new rule, the maximum discount will be increased to 5%.

The attached exhibit presents the estimated cost impact from this revision. The exhibit shows FY2008 in-network and out-of-network claims experience as reported by the HMOs. Based on this information, the FY2008 cost impact of the proposed program change was estimated. In estimating the cost impact we assumed that 20% of the out-of-network claims cost are out-of-area and, therefore, are reimbursed at 100% of Medicaid. The resulting percentage impact for each service delivery area was then used in the FY2010 rating analysis.

FY2010 STAR+PLUS Rating
 Analysis of Out-of-Network Reimbursement

Service Area	FY2008 Experience Cost			Out-of-Net as % of Total	Current Out-of-Net Reimb.	New Rule	Cost Impact (1)	Rate Adjust.	Mid- Year Rate Adjust. (2)
	In-Net Claims	Out-of-Net Claims	Total Claims						
Bexar	51,227,255	14,528,422	65,755,677	22.09%	M-3%	M-5%	-232,455	0.9965	0.9982
Harris	132,912,890	42,842,469	175,755,359	24.38%	M-3%	M-5%	-685,480	0.9961	0.9980
Nueces	25,854,986	6,995,003	32,849,989	21.29%	M-3%	M-5%	-111,920	0.9966	0.9983
Travis	19,656,699	7,015,716	26,672,415	26.30%	M-3%	M-5%	-112,251	0.9958	0.9979
Total - STAR+PLUS	229,651,829	71,381,610	301,033,439	23.71%			- 1,142,106	0.9962	0.9981

Footnotes:

- (1) Cost impact of reducing OON discount from 3% to 5%. Assume 20% of OON claims are out-of-area and do not have discount applied.
- (2) Assumes OON rule change will become effective 3/1/2010.

Attachment 7

Acuity Risk Adjustment

The rate setting methodology incorporates a risk adjustment technique that is designed to adjust the base community rate in each service area to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of acuity risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective memberships. The risk analysis was performed by the University of Florida's Institute for Child Health Policy (ICHP). The methodology used to incorporate the risk adjustment is the Chronic Illness and Disability Payment System (CDPS). The attached exhibits (provided by ICHP) present a summary of the risk adjustment analysis. There is a separate exhibit for each risk group.

The column titled Case Mix on the chart is the risk adjustment factor. It is the ratio of the predicted average cost of the individual health plan's membership divided by the predicted average cost of the entire service area's membership. The risk adjustment factor is applied to the acute care portion of the community rate for each health plan and risk group. If necessary, an additional adjustment was made to the risk adjusted community rates to ensure that, in total, they produce the same premium as the community rates.

For FY2010, 100% of the risk adjustment factors were recognized if the plan had an overall positive acuity factor.

TEXAS STAR+PLUS CDPS Health Plan Risk
Reporting Period: September 1, 2007 to August 31, 2008

Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio
CDPS					
STAR+PLUS--Medicaid-Only OCC	100.00	395.30	395.30	1.000	1.000
Travis	100.00	375.54	374.14	1.000	1.004
Evercare	24.90	283.05	302.16	0.808	0.937
AMERIGROUP	75.10	406.30	398.07	1.064	1.021
Bexar	100.00	379.80	419.42	1.000	0.906
AMERIGROUP	15.15	300.18	364.59	0.869	0.823
Molina	12.05	281.42	369.85	0.882	0.761
Superior	72.79	412.24	438.79	1.046	0.940
Harris	100.00	390.58	380.70	1.000	1.026
Evercare	42.36	460.08	406.01	1.066	1.133
AMERIGROUP	47.73	346.95	369.19	0.970	0.940
Molina	9.91	302.84	327.39	0.860	0.925
Nueces	100.00	481.10	433.88	1.000	1.109
Evercare	34.05	406.28	362.95	0.837	1.119
Superior	65.95	519.65	470.43	1.084	1.105

TEXAS STAR+PLUS CDPS Health Plan Risk
Reporting Period: September 1, 2007 to August 31, 2008

Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio
CDPS					
STAR+PLUS--Medicaid-Only, CBA	100.00	2,094.21	2,094.21	1.000	1.000
Travis	100.00	2,009.49	1,781.63	1.000	1.128
Evercare	38.82	1,495.05	1,656.18	0.930	0.903
AMERIGROUP	61.18	2,338.97	1,861.98	1.045	1.256
Bexar	100.00	2,201.92	1,993.38	1.000	1.105
AMERIGROUP	12.20	1,786.20	1,539.68	0.772	1.160
Molina	9.55	2,132.67	1,805.61	0.906	1.181
Superior	78.25	2,274.63	2,086.46	1.047	1.090
Harris	100.00	2,083.67	2,158.70	1.000	0.965
Evercare	55.68	2,024.60	2,102.60	0.974	0.963
AMERIGROUP	40.49	2,152.20	2,236.65	1.036	0.962
Molina	3.83	2,222.43	2,146.24	0.994	1.035
Nueces	100.00	2,005.22	2,246.07	1.000	0.893
Evercare	33.18	1,918.56	2,134.41	0.950	0.899
Superior	66.82	2,047.63	2,300.71	1.024	0.890

Attachment 8

Frew Rewards and Sanctions

Effective September 1, 2009, HHSC will implement a new provision in the STAR+PLUS program named Frew Rewards and Sanctions. This benefit is part of the corrective actions order under the Frew lawsuit settlement. The benefit is intended to provide strong incentives for the health plans to invest in THSteps check-up compliance. Those health plans that satisfy HHSC-specified performance targets will retain their full allotment of Frew Rewards and Sanctions funding. Those plans that do not meet the targets will be required to return a portion of their funding.

The attached exhibit presents the calculation of the Frew Rewards and Sanctions monthly amount paid to each health plan. The rate applies to all Medicaid Only clients because STAR+PLUS does not have separate children's risk groups. Based on historical enrollment information, approximately 12.4% of Medicaid Only clients are under age 21.

FY2010 Rating Analysis
 Frew Rewards and Sanctions

	<u>STAR</u>	<u>STAR+ PLUS (4)</u>	<u>STAR Health</u>	<u>Total</u>
Projected FY2010 Member Months Under Age 21 (1)	13,478,147	123,431	361,035	13,962,613
Frew Rewards and Sanctions Amount (2)				20,000,000
Rate Adjustment (3)	\$ 1.43	\$ 0.18	\$ 1.43	\$ 1.43

Footnotes:

- (1) For STAR, includes TANF Children, Newborns, Expansion Children and Federal Mandate Children risk groups. Excludes those Pregnant Women under age 21. For STAR+PLUS, caseload provided by System Forecasting.
- (2) Amount provided by Managed Care Operations.
- (3) Equals Frew Rewards and Sanctions amount divided by member months.
- (4) For STAR+PLUS, applies to Medicaid Only risk group only. Also, because STAR+PLUS does not have separate children's risk groups, the rate applies to all Medicaid Only clients including those age 21 and over. Approximately 12.4% of Medicaid Only clients are under age 21 so the STAR+PLUS add-on factor is adjusted from \$1.43 pmpm to \$0.18 pmpm (equals \$1.43 times 12.4%).