

# Rudd and Wisdom, Inc.

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December 13, 2010

Dr. David Palmer  
Chief Actuary  
Health and Human Services Commission  
1100 W. 49th Street  
Austin, Texas 78756

Re: STAR+PLUS Rate Amendment

Dear Dr. Palmer:

The Health and Human Services Commission (HHSC) has made further revisions to Medicaid provider reimbursement effective February 1, 2011. Provider reimbursement will be reduced by an additional 1% for most acute care services except for TEFRA facilities, Federal Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs). This reduction in provider reimbursement will impact the current capitation rates. As a result, we have re-determined the FY2011 capitation rates based on the new Medicaid provider reimbursement schedule.

This letter amends the report titled State of Texas Medicaid Managed Care STAR+PLUS Program Rate Setting State Fiscal Year 2011 and dated June 15, 2010. The amended FY2011 capitation rates were developed using identical methods and assumptions as the rates described in that report. The amended rates are assumed to be payable for the period February 1, 2011 through August 31, 2011.

The attached Exhibit A presents the amended FY2011 STAR+PLUS capitation rates. Attachment 5 - Exhibit C (revised) presents the revised provider reimbursement adjustment factors used in developing the amended capitation rates.

Sincerely,



Evan Dial

Actuarial Certification of FY2011 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 2011 (FY2011) managed care rate-setting methodology, assumptions and resulting capitation 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 amended FY2011 HMO capitation rates developed by HHSC and Rudd and Wisdom satisfy the following:

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



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

FY2011 STAR+PLUS Capitation Rates - Amended  
Adjusted Per Member Per Month Rates  
Effective February 1, 2011

Health Plan	Medicaid Only		Dual Eligible	
	OCC	CBA	OCC	CBA
Amerigroup - Bexar	\$ 528.09	\$ 2,960.76	\$ 270.12	\$ 1,672.83
Molina - Bexar	501.84	2,673.82	270.12	1,672.83
Superior - Bexar	595.57	2,834.14	270.12	1,672.83
Amerigroup - Harris	630.97	3,371.40	227.94	1,488.08
Evercare - Harris	698.41	3,183.79	227.94	1,488.08
Molina - Harris	606.83	3,391.79	227.94	1,488.08
Evercare - Nueces	749.33	2,666.38	357.31	1,606.63
Superior - Nueces	813.20	2,905.47	357.31	1,606.63
Amerigroup - Travis	628.28	3,814.44	175.39	1,803.90
Evercare - Travis	586.00	3,318.62	175.39	1,803.90

FY2011 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 1% Provider Rate Reduction - 9/1/2010 & 2/1/2011

	Medicaid Only		Dual Eligible		Other	Grand Total
	OCC	CBA	OCC	CBA		
Cost Impact of Provider Reimbursement Reduction (2)						
Bexar	-1,032,458	-103,729	0	0	0	-1,136,187
Harris	-2,596,115	-284,916	0	0	0	-2,881,031
Nueces	-524,933	-76,857	0	0	0	-601,790
Travis	-481,868	-41,021	0	0	0	-522,888
Total	-4,635,374	-506,523	0	0	0	-5,141,896
FY2009 Total Acute Care Claims Paid (3)						
Bexar	67,368,743	7,838,156	0	0	0	75,206,899
Harris	176,410,437	17,619,114	0	0	0	194,029,551
Nueces	33,695,841	4,902,763	0	0	0	38,598,604
Travis	30,951,497	2,281,762	0	0	0	33,233,259
Total	308,426,518	32,641,795	0	0	0	341,068,313
Rate Adjustment Factor (4)						
Bexar	-1.53%	-1.32%	0.00%	0.00%	0.00%	-1.51%
Harris	-1.47%	-1.62%	0.00%	0.00%	0.00%	-1.48%
Nueces	-1.56%	-1.57%	0.00%	0.00%	0.00%	-1.56%
Travis	-1.56%	-1.80%	0.00%	0.00%	0.00%	-1.57%
Total	-1.50%	-1.55%	0.00%	0.00%	0.00%	-1.51%

Footnotes

- (1) Effective 9/1/2010 reimbursement for most acute care services were reduced 1%. Reimbursement will be reduced an additional 1% effective 2/1/2011
- (2) Equals estimated impact of 1% reductions on FY2009 encounter data.
- (3) Equals FY2009 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reduction divided by FY2009 Total Acute Care Claims Paid.