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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 Rate Amendment

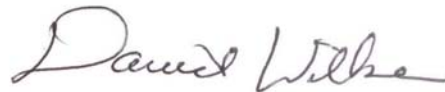
Dear Dr. Palmer:

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 Program Rate Setting State Fiscal Year 2011 and dated June 29, 2010 which was amended in the letter titled STAR Rate Amendment and dated October 13, 2010. The amended FY2011 capitation rates were developed using identical methods and assumptions as the rates described in that report and the previous amendment. 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 capitation rates. Attachment 5 - Exhibit H (revised) presents the revised provider reimbursement adjustment factors used in developing the amended capitation rates.

Sincerely,



David Wilkes

DGW:nlg

Enclosure

Actuarial Certification of Amended FY2011 STAR HMO Capitation Rates

I, David G. Wilkes, 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.

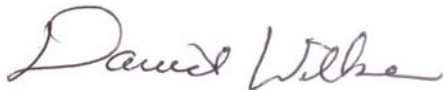
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their state fiscal year 2011 (FY2011) managed care rate-setting methodology, assumptions and resulting capitation rates and to provide the actuarial certification required under 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.

A handwritten signature in cursive script that reads "David Wilkes".

David G. Wilkes, F.S.A., M.A.A.A.

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

Health Plan	TANF Children (over age 1)	TANF Children (< 1)	TANF Adults	Pregnant Women	Newborns	Expansion Children (over age 1)	Expansion Children (< 1)	Federal Mandate Children	Delivery Supplemental Payment
Aetna - Bexar	\$ 138.41	\$ 291.33	\$ 371.94	\$ 505.11	\$ 721.57	\$ 133.16	\$ 213.62	\$ 95.85	\$ 3,266.59
CFHP - Bexar	142.35	343.56	391.15	501.05	755.49	143.23	252.61	102.55	3,266.59
Superior - Bexar	146.00	369.44	409.69	499.39	728.31	150.23	220.24	102.32	3,266.59
Americaid - Dallas	126.78	416.17	305.25	535.38	578.37	148.88	266.98	105.25	3,537.13
Parkland - Dallas	133.36	408.95	340.33	543.88	645.91	154.62	295.68	110.28	3,537.13
Unicare - Dallas	119.38	348.97	347.75	544.04	604.65	151.85	319.46	111.16	3,537.13
El Paso First - El Paso	102.82	262.27	289.86	428.97	572.79	120.70	250.12	89.07	3,443.04
Superior - El Paso	108.99	252.44	277.00	434.30	569.39	122.96	280.48	91.37	3,443.04
Americaid - Harris	128.06	368.23	478.93	560.05	678.14	124.11	288.08	97.66	3,519.20
CHC - Harris	128.23	313.55	413.91	563.88	677.11	123.36	258.53	95.24	3,519.20
Molina - Harris	122.72	360.87	400.99	483.71	738.48	117.08	259.46	96.71	3,519.20
TCHP - Harris	132.43	286.53	390.24	543.58	731.66	135.52	291.54	104.14	3,519.20
United - Harris	120.69	281.32	393.08	520.14	701.05	127.13	250.03	95.12	3,519.20
Firstcare - Lubbock	118.54	309.25	300.46	525.95	517.17	127.17	347.97	90.63	3,230.39
Superior - Lubbock	105.39	355.85	283.29	506.87	559.51	132.04	263.13	88.30	3,230.39
Americaid - Nueces	160.30	470.16	393.67	596.25	853.78	173.31	421.46	124.76	3,203.82
Driscoll - Nueces	173.12	518.28	430.48	578.06	882.81	175.87	378.85	134.06	3,203.82
Superior - Nueces	165.45	548.28	437.22	602.56	926.23	174.82	424.24	130.29	3,203.82
Aetna - Tarrant	133.11	318.85	311.58	494.71	625.21	129.46	195.60	96.81	3,635.64
Americaid - Tarrant	129.50	267.95	301.45	477.66	610.11	134.30	246.55	100.05	3,635.64
Cook - Tarrant	134.55	323.66	286.18	486.72	671.18	144.13	298.95	104.46	3,635.64
Americaid - Travis	114.06	218.27	279.30	505.83	687.91	117.93	336.60	92.46	3,247.49
Superior - Travis	118.55	245.97	322.49	521.20	719.72	122.41	311.28	92.91	3,247.49

FY2011 STAR Rating

Provider Reimbursement Adjustments

1% Provider Rate Reduction - 9/1/2010 & 2/1/2011

	TANF Children Age 1+	TANF Children <1	TANF Adult	Pregnant Women	Newborn	Expansion Children Age 1+	Expansion Children <1	Federal Mandate Children	Other	Total
1% Rate Reduction Effective 9/1/2010 plus additional 1% reduction effective 2/1/2011										
Bexar	-158,106	-31,067	-158,538	-1,392,115	-1,802,596	-873,278	-45,493	-770,038	-46,252	-5,277,482
Dallas	-116,016	-23,102	-129,422	-1,798,676	-1,314,043	-889,770	-116,087	-682,168	-576,525	-5,645,809
El Paso	-95,568	-15,754	-61,749	-587,118	-646,011	-377,349	-33,879	-406,591	-9,094	-2,233,113
Harris	-204,133	-37,178	-241,123	-2,726,933	-3,123,159	-1,785,545	-210,780	-1,573,432	-54,772	-9,957,056
Lubbock	-22,965	-3,986	-23,657	-321,400	-191,483	-95,236	-5,546	-95,724	-31,471	-791,466
Nueces	-59,662	-11,892	-84,677	-537,304	-561,527	-206,659	-9,820	-243,963	-16,566	-1,732,070
Tarrant	-65,461	-8,783	-62,332	-1,296,133	-886,893	-499,037	-54,332	-443,042	-21,986	-3,337,998
Travis	-227,178	-42,148	-330,259	-499,466	-606,659	-247,323	-43,401	-185,625	-17,365	-2,199,424
Total	-949,089	-173,909	-1,091,757	-9,159,145	-9,132,371	-4,974,196	-519,337	-4,400,582	-774,030	-31,174,418
FY2009 Total Incurred Claims (2)										
Bexar	10,121,140	1,988,871	10,021,948	88,003,711	118,115,561	55,667,101	3,174,191	49,140,966	2,977,581	339,211,070
Dallas	11,877,555	2,988,195	8,188,495	114,088,812	122,408,119	102,433,344	13,764,885	78,861,912	44,996,391	499,607,708
El Paso	6,061,473	1,083,500	3,910,580	37,082,329	40,993,308	24,081,817	2,403,267	26,137,867	631,499	142,385,640
Harris	17,468,744	3,136,054	16,174,895	179,040,092	252,761,902	150,101,446	21,447,079	131,237,650	6,074,954	777,442,816
Lubbock	1,709,996	366,751	1,503,980	20,499,119	17,022,773	7,745,294	638,563	7,168,515	3,738,157	60,393,148
Nueces	5,985,293	1,296,470	5,392,802	34,308,713	50,633,090	22,628,314	1,165,007	23,596,351	3,017,728	148,023,766
Tarrant	6,061,001	887,776	3,938,903	82,038,673	88,177,785	50,025,850	5,942,852	42,262,689	2,796,835	282,132,363
Travis	19,997,537	3,605,701	21,038,866	32,045,161	46,644,970	22,220,270	5,104,489	16,317,035	2,008,900	168,982,931
Total	79,282,738	15,353,318	70,170,468	587,106,611	736,757,509	434,903,435	53,640,334	374,722,986	66,242,044	2,418,179,442
Rate Adjustment (3)										
Bexar	-1.56 %	-1.56 %	-1.58 %	-1.58 %	-1.53 %	-1.57 %	-1.43 %	-1.57 %	-1.55 %	-1.56 %
Dallas	-0.98 %	-0.77 %	-1.58 %	-1.58 %	-1.07 %	-0.87 %	-0.84 %	-0.87 %	-1.28 %	-1.13 %
El Paso	-1.58 %	-1.45 %	-1.58 %	-1.58 %	-1.58 %	-1.57 %	-1.41 %	-1.56 %	-1.44 %	-1.57 %
Harris	-1.17 %	-1.19 %	-1.49 %	-1.52 %	-1.24 %	-1.19 %	-0.98 %	-1.20 %	-0.90 %	-1.28 %
Lubbock	-1.34 %	-1.09 %	-1.57 %	-1.57 %	-1.12 %	-1.23 %	-0.87 %	-1.34 %	-0.84 %	-1.31 %
Nueces	-1.00 %	-0.92 %	-1.57 %	-1.57 %	-1.11 %	-0.91 %	-0.84 %	-1.03 %	-0.55 %	-1.17 %
Tarrant	-1.08 %	-0.99 %	-1.58 %	-1.58 %	-1.01 %	-1.00 %	-0.91 %	-1.05 %	-0.79 %	-1.18 %
Travis	-1.14 %	-1.17 %	-1.57 %	-1.56 %	-1.30 %	-1.11 %	-0.85 %	-1.14 %	-0.86 %	-1.30 %
Total	-1.20 %	-1.13 %	-1.56 %	-1.56 %	-1.24 %	-1.14 %	-0.97 %	-1.17 %	-1.17 %	-1.29 %

Footnotes:

(1) Equals the additional cost resulting from application of the FY2011 Medicaid fee schedule to the FY2009 health plans claims.

(2) Equals FY2009 health plan fee-for-service claims for all services (ICHP provided encounter data).

(3) Additional cost divided by FY2009 Total Incurred Claims.