

November 10, 2011

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

Re: STAR Jefferson Rate Amendment

Dear Dr. Palmer:


The Health and Human Services Commission (HHSC) has made further revisions to the Medicaid fee schedules used to reimburse durable medical equipment providers, physical/occupational/speech therapists (PT/OT/ST) and the Diagnosis-related Group (DRG) system used to reimburse many of the state's inpatient facilities. These changes went into effect September 1, 2011. The current FY2012 STAR Jefferson capitation rates were developed using previous versions of the reimbursement schedules for these providers which were assumed to be effective September 1, 2011. After a comparison of the old and new reimbursement factors it was determined that the new factors would materially impact the capitation rates. As a result, we have re-determined the FY2012 capitation rates based on these new factors.

This letter amends the report titled State of Texas Medicaid Managed Care STAR Program Rate Setting Jefferson Service Delivery Area State Fiscal Year 2012 and dated July 1, 2011. The amended FY2012 capitation rates were developed using identical methods and assumptions as the rates described in that report (current rates), except for the revised DME, PT/OT/ST and DRG rebasing factors. The capitation rates payable for the two-month period January 1, 2012 through February 29, 2012 have been adjusted to recognize that the current capitation rates will be payable for the period September 1, 2011 through December 31, 2011, i.e., the rates have been adjusted in order to produce the amended capitation amounts for the September 1, 2011 through February 29, 2012 period. Effective March 1, 2012, the capitation rates will be set at the FY2012 amended rates.

The attached Exhibit A presents both (i) the FY2012 capitation rates to be payable for the two-month period January 1, 2012 through February 29, 2012 and (ii) the amended FY2012 STAR Jefferson capitation rates to be payable for the period March 1, 2012 through August 31, 2012.

The revised adjustment factors used for the DME and PT/OT/ST reimbursement changes were the statewide average of the factors used in developing the amended STAR rates. Please see the report titled "State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal

Year 2012” and dated July 1, 2011 which was amended in the letter titled “STAR Rate Amendment” and dated November 10, 2011 for additional information regarding these factors. Attachment 3 (revised) presents the revised DRG rebasing adjustment factors used in developing the amended capitation rates.

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

David Wilkes

Actuarial Certification of Amended FY2012 STAR Jefferson 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.

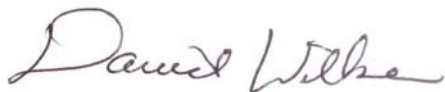
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their state fiscal year 2012 (FY2012) managed care rate-setting methodology, assumptions and resulting capitation rates and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the amended FY2012 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.



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

FY2012 STAR Jefferson Expansion Capitation Rates - Amended
Adjusted Per Member Per Month Rates

<u>Health Plan</u>	<u>TANF Children (over age 1)</u>	<u>TANF Children (< 1)</u>	<u>TANF Adults</u>	<u>Pregnant Women</u>	<u>Newborns</u>	<u>Expansion Children (over age 1)</u>	<u>Expansion Children (< 1)</u>	<u>Federal Mandate Children</u>	<u>Delivery Supplemental Payment</u>
Effective January 1, 2012									
Jefferson	\$ 96.58	\$ 447.13	\$ 244.73	\$ 305.32	\$ 567.87	\$ 90.72	\$ 237.95	\$ 79.11	\$ 3,394.58
Effective March 1, 2012									
Jefferson	\$ 95.68	\$ 444.28	\$ 240.11	\$ 289.13	\$ 559.85	\$ 90.20	\$ 228.77	\$ 78.59	\$ 3,394.58

FY2012 STAR Rating

Jefferson SDA

Provider Reimbursement Adjustments

	<u>TANF Children Age 1+</u>	<u>TANF Children <1</u>	<u>TANF Adult</u>	<u>Pregnant Women</u>	<u>Newborn</u>	<u>Expansion Children Age 1+</u>	<u>Expansion Children <1</u>	<u>Federal Mandate Children</u>	<u>Total</u>
Cost Impact of Reimbursement Change on FY2010 Experience (1)									
2% Provider Cuts	-76,457	-13,161	-57,747	-497,733	-788,875	-327,893	-28,117	-394,236	-2,184,219
Inpatient Hospital	-55,163	-27,006	40,837	-463,910	-1,873,184	-93,611	-132,212	-143,633	-2,747,882
FY2010 Incurred Claims (2)	3,395,066	1,234,996	3,397,133	26,662,480	39,769,863	16,177,184	1,592,624	19,955,167	112,184,513
Rate Adjustment Factors (3)									
2% Provider Cuts	-2.00 %	-1.07 %	-1.70 %	-1.87 %	-1.98 %	-2.00 %	-1.77 %	-1.98 %	-1.95 %
Inpatient Hospital (4)	-1.35 %	-1.82 %	1.00 %	-1.45 %	-3.93 %	-0.48 %	-6.92 %	-0.60 %	-2.04 %

Footnotes:

- (1) Equals the additional cost resulting from application of the FY2012 Medicaid fee schedule to the FY2010 encounter data.
- (2) Equals FY2010 PCCM incurred and paid claims for the Jefferson SDA counties for all STAR capitated services.
- (3) Cost Impact divided by FY2010 Incurred Claims.
- (4) Assumes implementation date 11/1/2011.