

# Rudd and Wisdom, Inc.

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January 16, 2012

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:

This letter amends the report titled State of Texas Medicaid Managed Care STAR+PLUS Program Rate Setting State Fiscal Year 2012 and dated July 1, 2011 which was amended in the letter titled STAR+PLUS Rate Amendment and dated November 10, 2011. The amended FY2012 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 March 1, 2012 through August 31, 2012. The reasons for these revisions are included below:

### **1. Capitation of previously non capitated services**

Effective March 1, 2012 certain hearing and audiology services for children and early childhood intervention services will be capitated under the STAR+PLUS Program. Previously these services were carved out and paid on a fee-for-services basis. The impact of capitating these services is included in Attachment 5 (revised) Exhibits G and H.

### **2. Reimbursement Revisions**

HHSC has made further revisions to Medicaid provider reimbursement effective March 1, 2012. Provider reimbursement will be adjusted for the following services: (i) non emergent services provided in an emergency room, (ii) therapy services and (iii) durable medical equipment. These changes in provider reimbursement will impact the capitation rates currently in effect for FY2012. Attachment 5 Exhibits I, J and K present the revised provider reimbursement factors used in developing the amended capitation rates.

### **3. Carve-in of Inpatient Hospital Services**

Prior to March 1, 2012 inpatient hospital services for STAR+PLUS members were carved out of the STAR+PLUS program and paid by TMHP on a fee-for-service basis. Effective March 1, 2012 inpatient hospital services will be carved into the STAR+PLUS program and paid by the managed care organizations. A description of the method used to develop the rates associated with inpatient hospital services and the respective rates can be found in the report titled State of Texas Medicaid Managed Care STAR+PLUS Inpatient Carve-in March 1, 2012 and dated January 16, 2012.

### **4. Carve-in of Prescription Drug Benefit**

Prior to March 1, 2012 the prescription drug benefit for STAR+PLUS members was carved out of the STAR+PLUS program and paid by the vendor drug program. Effective March 1, 2012 prescription drugs will be carved into the STAR+PLUS program and paid by the managed care organizations. A description of the method used to develop the rates associated with prescription drugs and the respective rates can be found in the report titled State of Texas Medicaid Managed Care Pharmacy Carve-in March 1, 2012 and dated January 16, 2012.

The attached Exhibit A presents the amended FY2012 capitation rates.

Sincerely,

A handwritten signature in black ink that reads "Evan Dial". The signature is written in a cursive style with a large, sweeping "E" and a long, horizontal stroke for the "l" in "Dial".

Evan Dial

## Actuarial Certification of Amended FY2012 STAR+PLUS HMO Capitation 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 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 STAR+PLUS 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.



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

FY2012 STAR+PLUS Capitation Rates - Amended  
Per Member Per Month Rates

Health Plan	Medicaid Only		Dual Eligible	
	OCC	CBA	OCC	CBA
Effective March 1, 2012				
Amerigroup - Bexar	\$ 527.05	\$ 2,938.26	\$ 265.80	\$ 1,677.33
Molina - Bexar	515.06	2,799.81	265.80	1,677.33
Superior - Bexar	583.17	2,807.99	265.80	1,677.33
Amerigroup - Harris	614.78	3,486.75	236.95	1,473.24
Evercare - Harris	676.02	3,197.96	236.95	1,473.24
Molina - Harris	598.27	3,405.78	236.95	1,473.24
Evercare - Nueces	713.86	2,855.21	385.79	1,577.31
Superior - Nueces	778.92	2,935.30	385.79	1,577.31
Amerigroup - Travis	610.63	3,430.90	179.87	1,714.91
Evercare - Travis	564.37	3,180.65	179.87	1,714.91

FY2012 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 Capitation of Hearing and Audiology Services (1)

	Medicaid Only		Dual Eligible		Other	Grand Total
	OCC	CBA	OCC	CBA		
Cost Impact of Capitating Hearing and Audiology (2)						
Bexar	13,461	2,367	0	0	0	15,828
Harris	141,491	21,304	0	0	0	162,795
Nueces	3,801	730	0	0	0	4,531
Travis	4,474	398	0	0	0	4,872
Total	163,227	24,799	0	0	0	188,026
FY2010 Total Acute Care Claims Paid (3)						
Bexar	73,291,646	12,888,376	0	0	0	86,180,022
Harris	198,243,661	29,848,526	0	0	0	228,092,186
Nueces	36,561,415	7,025,836	0	0	0	43,587,252
Travis	34,992,928	3,111,929	0	0	0	38,104,856
Total	343,089,649	52,874,666	0	0	0	395,964,316
Rate Adjustment Factor (4)						
Bexar	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Harris	0.04%	0.04%	0.00%	0.00%	0.00%	0.04%
Nueces	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Travis	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Total	0.02%	0.02%	0.00%	0.00%	0.00%	0.02%

Footnotes

- (1) Effective 3/1/2012 hearing and audiology services will become capitated under STAR+PLUS program. Previously reimbursed by TMHP on a FFS basis.
- (2) Equals estimated impact of legislative reductions on FY2010 encounter data.
- (3) Equals FY2010 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reductions divided by FY2010 Total Acute Care Claims Paid. Effective 3/1/2012

FY2012 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 Capitation of Early Childhood Intervention Services (1)

	<u>Medicaid Only</u>		<u>Dual Eligible</u>		<u>Other</u>	<u>Grand Total</u>
	<u>OCC</u>	<u>CBA</u>	<u>OCC</u>	<u>CBA</u>		
<b>Cost Impact of Capitating ECI Services (2)</b>						
Bexar	4,777	840	0	0	0	5,617
Harris	22,530	3,392	0	0	0	25,922
Nueces	2,066	397	0	0	0	2,463
Travis	3,610	321	0	0	0	3,932
Total	32,983	4,950	0	0	0	37,933
<b>FY2010 Total Acute Care Claims Paid (3)</b>						
Bexar	73,291,646	12,888,376	0	0	0	86,180,022
Harris	198,243,661	29,848,526	0	0	0	228,092,186
Nueces	36,561,415	7,025,836	0	0	0	43,587,252
Travis	34,992,928	3,111,929	0	0	0	38,104,856
Total	343,089,649	52,874,666	0	0	0	395,964,316
<b>Rate Adjustment Factor (4)</b>						
Bexar	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Harris	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Nueces	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Travis	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Footnotes

- (1) Effective 3/1/2012 select ECI services will become capitated under STAR+PLUS program. Previously reimbursed by TMHP on a FFS basis.
- (2) Equals estimated impact of legislative reductions on FY2010 encounter data.
- (3) Equals FY2010 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reductions divided by FY2010 Total Acute Care Claims Paid. Effective 3/1/2012

FY2012 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 Non Emergent Emergency Room Reimbursement Reduction (1)

	Medicaid Only		Dual Eligible		Other	Grand Total
	OCC	CBA	OCC	CBA		
Cost Impact of Reimbursement Reduction (2)						
Bexar	-194,836	-11,280	0	0	0	-206,116
Harris	-692,056	-33,681	0	0	0	-725,737
Nueces	-169,442	-9,860	0	0	0	-179,302
Travis	-369,092	-7,705	0	0	0	-376,797
Total	-1,425,425	-62,527	0	0	0	-1,487,952
FY2010 Total Acute Care Claims Paid (3)						
Bexar	73,291,646	12,888,376	0	0	0	86,180,022
Harris	198,243,661	29,848,526	0	0	0	228,092,186
Nueces	36,561,415	7,025,836	0	0	0	43,587,252
Travis	34,992,928	3,111,929	0	0	0	38,104,856
Total	343,089,649	52,874,666	0	0	0	395,964,316
Rate Adjustment Factor (4)						
Bexar	-0.13%	-0.04%	0.00%	0.00%	0.00%	-0.12%
Harris	-0.17%	-0.06%	0.00%	0.00%	0.00%	-0.16%
Nueces	-0.23%	-0.07%	0.00%	0.00%	0.00%	-0.21%
Travis	-0.53%	-0.12%	0.00%	0.00%	0.00%	-0.49%
Total	-0.21%	-0.06%	0.00%	0.00%	0.00%	-0.19%

Footnotes

- (1) Effective 3/1/2012 reimbursement for non emergent services provided in an emergency room will be reduced by 40%.
- (2) Equals estimated impact of legislative reductions on FY2010 encounter data.
- (3) Equals FY2010 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reductions divided by FY2010 Total Acute Care Claims Paid. Effective 3/1/2012

FY2012 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 Therapy Reimbursement Reduction (1)

	<u>Medicaid Only</u>		<u>Dual Eligible</u>		<u>Other</u>	<u>Grand Total</u>
	<u>OCC</u>	<u>CBA</u>	<u>OCC</u>	<u>CBA</u>		
<b>Cost Impact of Reimbursement Reduction (2)</b>						
Bexar	-13,786	-394	0	0	0	-14,181
Harris	-42,411	-3,228	0	0	0	-45,639
Nueces	30,815	1,800	0	0	0	32,615
Travis	-4,567	-197	0	0	0	-4,763
Total	-29,949	-2,019	0	0	0	-31,968
<b>FY2010 Total Acute Care Claims Paid (3)</b>						
Bexar	73,291,646	12,888,376	0	0	0	86,180,022
Harris	198,243,661	29,848,526	0	0	0	228,092,186
Nueces	36,561,415	7,025,836	0	0	0	43,587,252
Travis	34,992,928	3,111,929	0	0	0	38,104,856
Total	343,089,649	52,874,666	0	0	0	395,964,316
<b>Rate Adjustment Factor (4)</b>						
Bexar	-0.01%	0.00%	0.00%	0.00%	0.00%	-0.01%
Harris	-0.01%	-0.01%	0.00%	0.00%	0.00%	-0.01%
Nueces	0.04%	0.01%	0.00%	0.00%	0.00%	0.04%
Travis	-0.01%	0.00%	0.00%	0.00%	0.00%	-0.01%
Total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Footnotes

- (1) Effective 3/1/2012 therapy fee schedule will be revised.
- (2) Equals estimated impact of legislative reductions on FY2010 encounter data.
- (3) Equals FY2010 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reductions divided by FY2010 Total Acute Care Claims Paid. Effective 3/1/2012



FY2012 STAR+PLUS Rating  
 Provider Reimbursement Adjustments  
 Durable Medical Equipment Reimbursement Changes (1)

	Medicaid Only		Dual Eligible		Other	Grand Total
	OCC	CBA	OCC	CBA		
Cost Impact of Reimbursement Changes (2)						
Bexar	78,799	105,191	0	0	0	183,990
Harris	226,055	180,557	0	0	0	406,612
Nueces	22,077	30,003	0	0	0	52,080
Travis	34,162	31,717	0	0	0	65,880
Total	361,094	347,468	0	0	0	708,562
FY2010 Total Acute Care Claims Paid (3)						
Bexar	73,291,646	12,888,376	0	0	0	86,180,022
Harris	198,243,661	29,848,526	0	0	0	228,092,186
Nueces	36,561,415	7,025,836	0	0	0	43,587,252
Travis	34,992,928	3,111,929	0	0	0	38,104,856
Total	343,089,649	52,874,666	0	0	0	395,964,316
Rate Adjustment Factor (4)						
Bexar	0.05%	0.41%	0.00%	0.00%	0.00%	0.11%
Harris	0.06%	0.30%	0.00%	0.00%	0.00%	0.09%
Nueces	0.03%	0.21%	0.00%	0.00%	0.00%	0.06%
Travis	0.05%	0.51%	0.00%	0.00%	0.00%	0.09%
Total	0.05%	0.33%	0.00%	0.00%	0.00%	0.09%

Footnotes

- (1) Effective 3/1/2012 DME fee schedule will be revised.
- (2) Equals estimated impact of legislative reductions on FY2010 encounter data.
- (3) Equals FY2010 health plan fee-for-service claims for all acute care services (from Encounter database).
- (4) Equals Cost Impact of Reimbursement Reductions divided by FY2010 Total Acute Care Claims Paid. Effective 3/1/2012