

**STATE OF TEXAS
MEDICAID MANAGED CARE
STAR PROGRAM RATE SETTING
JEFFERSON SERVICE DELIVERY AREA
STATE FISCAL YEAR 2012**

Prepared for:
Texas Health and Human Services Commission

Prepared by:
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TABLE OF CONTENTS

I.	Introduction.....	1
II.	Overview of Rate Setting Methodology	2
III.	Adjustment Factors	4
IV.	Administrative Fees and Risk Margin	7
V.	Summary	8
VI.	Actuarial Certification	9
VII.	Attachments	10

I. Introduction

Effective September 1, 2011 the Medicaid STAR program will implement a new service area. The Jefferson Service Delivery Area (SDA) will include eleven counties in and around Beaumont. Medicaid clients in the Jefferson SDA will be served by the five HMOs currently serving the Harris SDA. There will be no Primary Care Case Management (PCCM) option for clients in this new service area.

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop the state fiscal year 2012 (FY2012, September 1, 2011 through August 31, 2012) premium rates for HMOs participating in the Jefferson SDA. 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 FY2012 HMO premium rates.

Rudd and Wisdom has relied on the following data sources as provided by HHSC:

- Monthly enrollment by program (FFS/PCCM/STAR) and risk group for the Jefferson SDA. This includes historical PCCM and fee-for-service (FFS) plan enrollment since September 2007 and a projection of future enrollment through August 2012. These projections were prepared by HHSC System Forecasting staff.
- PCCM and FFS claims experience reports for the Jefferson service area by risk group for the period September 2007 through February 2011. These claim reports include paid claim amounts by county, risk group, type of service and month of service. Only those services which are the financial responsibility of the health plan were included in the rating analysis.
- The FY2010 average cost of maternity deliveries in the Jefferson service area.
- Information from both HHSC and the HMOs regarding recent changes in covered services and provider reimbursement under the Medicaid program.
- Information provided by HHSC regarding FY2010 health plan claims cost by type of service for certain services. This information was obtained from the encounter database for current STAR SDAs.
- Information provided by HHSC regarding proposed FY2012 Medicaid provider reimbursement rates.
- Information provided by HHSC regarding the movement of CHIP Perinatal newborns to Medicaid effective September 1, 2010.
- Information provided by HHSC regarding the proposed DRG rebasing.

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

II. Overview of the Rate Setting Methodology

The eleven counties included in the Jefferson SDA are:

- Chambers County
- Hardin County
- Jasper County
- Jefferson County
- Liberty County
- Newton County
- Orange County
- Polk County
- San Jacinto County
- Tyler County
- Walker County

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

- TANF Children Over Age One Year
- TANF Children Under Age One Year
- TANF Adults
- Pregnant Women
- Newborns
- Expansion Children Over Age One Year
- Expansion Children Under Age One Year
- Federal Mandate Children

The services used in the analysis include the following:

- Inpatient Hospital
- Outpatient Hospital
- Physician Services
- Other Professional Services
- Lab, X-ray and Radiology Services
- Medical Supplies
- Behavioral Health Services (except in the Dallas service area)
- EPSDT Medical Services
- Family Planning and Genetics Services
- Comprehensive Care Program Services
- Vision Services
- Hearing Services
- Home Health Services
- Emergency Room Services
- Ambulance Services

Services specifically excluded from the analysis include:

- Prescription Drugs
- Dental and Orthodontia Services

The actuarial model used to derive the FY2012 Jefferson SDA premium rates relies primarily on PCCM plan financial experience from the Jefferson SDA counties. The historical PCCM claims experience by risk group was analyzed and estimates for the base period (FY2010) were developed. These estimates were then projected forward to FY2012 using assumed trend rates. Adjustments to the claim costs were made to reflect benefit and provider reimbursement changes as well as anticipated differences in cost between the PCCM and HMO models resulting from care management (managed care efficiency). These adjustment factors are discussed in more detail in Section III.

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.

An administrative expense provision and risk margin were added to the claims component in order to project total FY2012 cost. These projected total cost rates were determined separately for each risk group.

The projected FY2012 average total per-capita cost per risk group is called the unadjusted premium rate. This rate includes provision for all health care and administrative services to be provided by the HMO. This rate is then separated into two pieces – (i) non-maternity related expenses and (ii) maternity expenses. This adjustment is made on a cost neutral basis. The premium rate for non-maternity expenses is called the adjusted premium rate. These are the monthly premium rates paid to the HMO. The amount paid for maternity expenses is called the Delivery Supplemental Payment. More information on this adjustment is provided in Section III below under Risk Adjustment.

As Medicaid managed care will be new to the Jefferson area for FY2012 and no historical information is available to vary the premium rates by health plan, each participating HMO will receive the community rate.

Attachment 1 presents a summary of the FY2012 premium rate calculation for the Jefferson SDA along with a description of the analysis. Projected incurred claims are based on trended FY2010 PCCM experience for Medicaid clients in the Jefferson service area counties (see Attachment 2). Adjustments were made to recognize changes in FY2012 Medicaid provider reimbursement relative to the base period (FY2010). The anticipated difference in cost between the PCCM model and the MCO model was also recognized (see Attachment 4). Reasonable provision for administrative expenses, risk margin and taxes were included.

The bottom of the exhibit shows a summary of the projected FY2012 cost based on these assumptions. Cost projections are presented both with and without the inclusion of maternity expenses.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the FY2012 Jefferson area STAR 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. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the STAR HMO plans. The trend assumptions vary by risk group and projection year (FY2011 and FY2012).

The Jefferson area rating analysis uses the same trend assumptions as those used in the FY2012 STAR rate setting project. Additional information regarding the assumed trends is available from the report titled "State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012". The chart below presents the assumed annual trend rates for FY2011 and FY2012.

	<u>FY2011</u>	<u>FY2012</u>
TANF Children Over Age 1	8.7 %	11.5 %
TANF Children Under Age 1	8.7 %	11.5 %
TANF Adults	5.5 %	8.8 %
Pregnant Women	1.2 %	3.7 %
Newborns	1.2 %	3.3 %
Expansion Children Over Age 1	3.3 %	6.5 %
Expansion Children Under Age 1	3.3 %	6.5 %
Federal Mandate Children	3.1 %	6.5 %

Provider Reimbursement Adjustments

Medicaid provider reimbursement changes were provided for the following services: hearing and vision screenings (effective January 1, 2010), digestive system surgery and female genital surgery. The adjustment factors used for the Jefferson SDA were the statewide average of the factors used in developing the STAR rates. Please see the report titled "State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012" for additional information regarding these factors.

Other Reimbursement Changes

The legislative mandated provider rate reductions included the following:

- 8% hospital rate reduction (Outpatient facility is included in this section. Inpatient is included elsewhere.)
- 10.5% laboratory rate reduction (excludes DSHS and physician lab)
- 10.5% durable medical equipment reduction. Achieve via targeted rate reductions that vary by service

- 5% reduction for all other providers excluding ambulance, private duty nursing (children only), home health (children only), dental, orthodontics, physicians (includes psychiatrists, optometrists, radiologists, podiatrists and orthodontists), FQHCs, Rural Health Centers and TEFRA reimbursed hospitals.

Medicaid provider reimbursement changes were also recognized for the two one percent provider rate cuts effective 9/1/2010 and 2/1/2011 and the transition of outpatient imaging services to a fee schedule. The adjustment factors used for the Jefferson SDA for legislative reductions and outpatient imaging were the statewide average of the factors used in developing the STAR rates. Please see the report titled “State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012” for additional information regarding these factors. The adjustment factors for the two one percent provider rate cuts were based on actual Jefferson area experience and their calculation is presented in Attachment 3.

Inpatient Reimbursement Changes

This adjustment factor includes the 8% inpatient facility rate reduction (does not apply to TEFRA hospitals) and DRG rebasing. Effective September 1, 2011, HHSC is rebasing the DRG reimbursement system. This rebasing effort is intended to update the Standard Dollar Amounts and Relative Weights used in the Medicaid DRG payment system. HHSC staff has utilized the FY2010 encounter data to determine the cost impact from DRG Rebasing on each service area and risk group. The final Standard Dollar Amounts are not expected to be made available to the MCOs until around August 1, 2011. As a result, we have assumed, for purposes of these rate calculations, that the revised reimbursement level will not be incorporated into MCO provider contracts until November 1, 2011. Attachment 3 presents additional information regarding inpatient hospital rate adjustments.

Out-of-Network Adjustment

There is no out-of-network adjustment for the Jefferson SDA.

Managed Care Savings Factor

The basic premise regarding the future cost of current PCCM clients is that their FY2012 gross cost under the MCO model (including administrative expenses and risk margin) will be the same as the projected FY2012 gross cost under the PCCM model. Since administrative expenses and risk margin are significantly higher under the HMO model, in order for the gross cost to be the same as the PCCM it is necessary for the medical claims cost to be lower than that under the PCCM. We prepared an analysis which considered all of the cost factors (including PCCM case management fees and TMHP costs) and concluded that the managed care efficiency under the HMO model would need to be 10.2%, relative to the PCCM, in order for the gross cost for the two models to be equal. Therefore, we have applied a 10.2% managed care efficiency (or claims adjustment factor) to the FY2010 PCCM claims experience. Our analysis is presented in Attachment 4.

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 an attempt to treat the health plans more equitably regarding maternity expenses, the methodology includes a separate rate for maternity services.

The rate setting methodology incorporates a risk adjustment technique that is designed to provide uniform treatment of the health plans for costs related to maternity services. Maternity cases occur in several risk groups – Pregnant Women, TANF Adults, TANF Children and Federal Mandate Children. As a result, it is possible for one health plan to enroll a higher percentage of TANF Adults, for example, who are pregnant and therefore generally more expensive. In order to recognize the potential inequity that may arise between health plans, HHSC developed this risk adjustment methodology. The goal is to reimburse the plans uniformly for maternity delivery costs.

The State pays a delivery supplemental payment (DSP) for each delivery in a managed care plan. The amount of the payment is a function of the average delivery cost in the service area. The FY2012 DSP amount for the Jefferson area will be \$3,394.58 per delivery.

In order to achieve cost neutrality, the projected cost of maternity expenses is subtracted from the unadjusted premium rates. The resulting adjusted premium rates are the rates actually paid to the HMOs, in addition to any DSP amounts.

As the Jefferson SDA is a new service area, there is no acuity risk adjustment included in the FY012 rate setting methodology.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$8.00 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 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 (\$0.105 pmpm) and a risk margin (2.0% of premium).

V. Summary

The chart below presents the results of the FY2012 Jefferson SDA STAR rating analysis.

	<u>Monthly Adjusted Premium Rates</u>
TANF Children Over Age One Year	\$ 95.23
TANF Children Under Age One Year	\$ 442.86
TANF Adults	\$ 237.80
Pregnant Women	\$ 281.03
Newborns	\$ 555.83
Expansion Children Over Age One Year	\$ 89.94
Expansion Children Under Age One Year	\$ 224.17
Federal Mandate Children	\$ 78.33

In addition, a delivery supplemental payment is made to the health plan for every maternity delivery in the amount of \$3,394.58.

The above premium rates include provision for 1915(b)(3) waiver services. The STAR HMOs cover adult inpatient hospital days in excess of thirty. The chart below presents the amount included in the FY2012 STAR HMO premium rates for 1915(b)(3) waiver services.

<u>Health Plan</u>	<u>TANF Adults</u>	<u>Pregnant Women</u>
Monthly Premium Rate for 1915(b)(3) Services		
All Plans/All Areas	\$ 3.85	\$ 2.56

VI. Actuarial Certification of FY2012 Jefferson SDA STAR Premium 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.

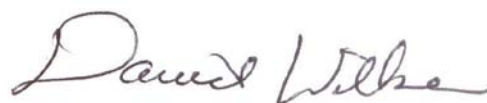
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their state fiscal year 2012 (FY2012) managed care rate-setting methodology, assumptions and resulting premium rates and to provide the actuarial certification required under Centers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

I certify that the FY2012 Jefferson SDA STAR 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.



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

VII. Attachments

Attachment 1

FY2012 STAR Premium Rates for the Jefferson SDA

Attachment 1 presents a summary of the FY2012 premium rate calculation for the Jefferson SDA along with a description of the analysis. Projected incurred claims are based on trended FY2010 PCCM experience for Medicaid clients in the Jefferson service area counties (see Attachment 2). Adjustments were made to recognize changes in FY2012 Medicaid provider reimbursement relative to the FY2010 base period (see Attachment 3). The anticipated difference in cost between the PCCM model and the MCO model was also recognized (see Attachment 4). A provision for administrative expenses is included in the amount of \$8.00 pmpm and 5.75% of gross premium. Additional provisions are also included for premium tax (1.75% of premium), maintenance tax (\$0.105 pmpm) and risk margin (2.0% of premium).

The bottom of the exhibit shows a summary of the projected FY2012 cost based on these assumptions. Cost projections are presented both with and without the inclusion of maternity expenses. HHSC defines the average per-capita total cost as the unadjusted premium rate. This rate includes provision for all health care and administrative services to be provided by the HMO. This rate is then separated into two pieces – (i) non-maternity related expenses and (ii) maternity expenses. This adjustment is made on a cost neutral basis. HHSC defines the rate for non-maternity expenses as the adjusted premium rate. These are the monthly premium rates paid to the HMO. The amount paid for maternity expenses is called the delivery supplemental payment (DSP).

FY2012 STAR Rating
 Jefferson SDA
 Capitation Rate Calculation

	<u>TANF Children (1+)</u>		<u>TANF Children <1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
FY2010 Experience Period										
Member Months	41,994		3,237		13,183		39,552		69,740	
Estimated Incurred Claims	3,395,066	80.85	1,234,996	381.53	3,397,133	257.69	26,662,480	674.11	39,778,347	570.38
Projected FY2012 Member Months	46,366		3,047		13,486		40,130		100,423	
Annual Cost Trend Assumptions										
FY2011	8.7 %		8.7 %		5.5 %		1.2 %		1.2 %	
FY2012	11.5 %		11.5 %		8.8 %		3.7 %		3.3 %	
Provider Reimbursement Adjustment	1.0020		1.0015		0.9929		0.9871		1.0007	
Other Reimbursement Changes	0.9405		0.9642		0.9395		0.9575		0.9682	
Inpatient Reimbursement Changes	0.9823		0.9793		1.0020		0.9734		0.9540	
Out-of-Network Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Managed Care Savings Factor	0.8980		0.8980		0.8980		0.8980		0.8980	
Projected Incurred Claims	3,776,729	81.45	1,196,492	392.68	3,348,267	248.27	23,454,711	584.47	49,701,875	494.92
Administrative Expenses										
Fixed Amount	370,931	8.00	24,376	8.00	107,891	8.00	321,041	8.00	803,384	8.00
Percentage of Premium	263,835	5.75 %	77,589	5.75 %	219,680	5.75 %	1,510,882	5.75 %	3,209,568	5.75 %
Total	634,766	13.69	101,965	33.46	327,571	24.29	1,831,923	45.65	4,012,952	39.96
Risk Margin	91,769	2.00 %	26,988	2.00 %	76,410	2.00 %	525,524	2.00 %	1,116,371	2.00 %
Premium Tax	80,298	1.75 %	23,614	1.75 %	66,859	1.75 %	459,834	1.75 %	976,825	1.75 %
Maintenance Tax	4,868	0.105	320	0.105	1,416	0.105	4,214	0.105	10,544	0.105
Investment Income Adjustment		1.0000		1.0000		1.0000		1.0000		1.0000
Projected Total Cost										
with deliveries	4,588,430	98.96	1,349,379	442.86	3,820,524	283.29	26,276,205	654.77	55,818,568	555.83
Deliveries	173,134	3,394.58	0	3,394.58	613,458	3,394.58	14,998,384	3,394.58	0	3,394.58
without deliveries	4,415,296	95.23	1,349,379	442.86	3,207,066	237.80	11,277,821	281.03	55,818,568	555.83

FY2012 STAR Rating
 Jefferson SDA
 Capitation Rate Calculation

	<u>Expansion Children (1+)</u>		<u>Expansion Children <1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
FY2010 Experience Period								
Member Months	205,024		7,062		287,166		666,958	
Estimated Incurred Claims	16,177,184	78.90	1,592,624	225.52	19,955,167	69.49	112,192,998	168.22
Projected FY2012 Member Months	228,766		3,353		363,221		798,793	
Annual Cost Trend Assumptions								
FY2011	3.3 %		3.3 %		3.1 %			
FY2012	6.5 %		6.5 %		6.5 %			
Provider Reimbursement Adjustment	1.0035		1.0014		1.0026			
Other Reimbursement Changes	0.9434		0.9568		0.9357			
Inpatient Reimbursement Changes	0.9932		0.9124		0.9911			
Out-of-Network Adjustment	1.0000		1.0000		1.0000			
Managed Care Savings Factor	0.8980		0.8980		0.8980			
Projected Incurred Claims	16,767,383	73.30	653,120	194.77	23,139,810	63.71	122,038,388	152.78
Administrative Expenses								
Fixed Amount	1,830,125	8.00	26,826	8.00	2,905,769	8.00	6,390,344	8.00
Percentage of Premium	1,183,136	5.75 %	43,223	5.75 %	1,657,253	5.75 %	8,165,165	5.75%
Total	3,013,261	13.17	70,049	20.89	4,563,021	12.56	14,555,509	18.22
Risk Margin	411,525	2.00 %	15,034	2.00 %	576,436	2.00 %	2,840,058	2.00%
Premium Tax	360,085	1.75 %	13,155	1.75 %	504,381	1.75 %	2,485,050	1.75%
Maintenance Tax	24,020	0.105	352	0.105	38,138	0.105	83,873	0.11
Investment Income Adjustment		1.0000		1.0000		1.0000		
Projected Total Cost								
with deliveries	20,576,275	89.94	751,711	224.17	28,821,787	79.35	142,002,878	177.77
Deliveries	0	3,394.58	0	3,394.58	369,895	3,394.58	16,154,871	20.22
without deliveries	20,576,275	89.94	751,711	224.17	28,451,892	78.33	125,848,007	157.55

Attachment 2

Incurred Claims Analysis

The attached exhibit presents our analysis of Primary Care Case Management (PCCM) plan incurred claims experience for the Jefferson SDA counties for those services included in the STAR capitation arrangement. The exhibit presents a separate analysis for each risk group. The following information is presented for each risk group: (i) monthly enrollment, (ii) claim amounts incurred in that month and paid through February 28, 2011, (iii) estimated proportion of that month's incurred claims paid through February 28, 2011 (completion factor), (iv) estimated incurred claims, (v) estimated incurred claims per member per month (pmpm) and (vi) the ratio of this month's incurred claims pmpm to the same statistic from one year ago (trend factor).

FY2012 STAR Rating
 Jefferson SDA
 Estimated Incurred Claims

Month	TANF Children (over age 1)						TANF Children <1					
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend
Sep-2007	2,999	194,269	1.000	194,269	64.78		257	59,136	1.000	59,136	230.10	
Oct-2007	3,025	226,872	1.000	226,872	75.00		242	50,318	1.000	50,318	207.92	
Nov-2007	3,128	291,079	1.000	291,079	93.06		252	51,361	1.000	51,361	203.81	
Dec-2007	3,152	302,146	1.000	302,146	95.86		251	35,939	1.000	35,939	143.18	
Jan-2008	3,184	251,073	1.000	251,073	78.85		262	56,218	1.000	56,218	214.57	
Feb-2008	3,109	217,392	1.000	217,392	69.92		235	80,639	1.000	80,639	343.14	
Mar-2008	3,126	206,006	1.000	206,006	65.90		243	39,129	1.000	39,129	161.03	
Apr-2008	3,157	249,147	1.000	249,147	78.92		212	53,977	1.000	53,977	254.61	
May-2008	3,149	208,487	1.000	208,487	66.21		192	34,129	1.000	34,129	177.75	
Jun-2008	3,160	212,183	1.000	212,183	67.15		209	36,628	1.000	36,628	175.25	
Jul-2008	3,235	216,993	1.000	216,993	67.08		231	262,413	1.000	262,413	1,135.99	
Aug-2008	3,231	238,509	1.000	238,509	73.82		240	55,457	1.000	55,457	231.07	
Sep-2008	3,285	155,217	1.000	155,217	47.25	0.729	232	124,044	1.000	124,044	534.67	2.324
Oct-2008	3,292	243,652	1.000	243,652	74.01	0.987	253	106,531	1.000	106,531	421.07	2.025
Nov-2008	3,254	220,028	1.000	220,028	67.62	0.727	230	106,446	1.000	106,446	462.81	2.271
Dec-2008	3,136	209,278	1.000	209,278	66.73	0.696	229	63,627	1.000	63,627	277.85	1.940
Jan-2009	3,074	270,784	1.000	270,784	88.09	1.117	227	65,822	1.000	65,822	289.97	1.351
Feb-2009	3,053	273,725	1.000	273,725	89.66	1.282	218	110,046	1.000	110,046	504.80	1.471
Mar-2009	2,973	343,051	1.000	343,051	115.39	1.751	218	89,939	1.000	89,939	412.56	2.562
Apr-2009	2,845	217,338	1.000	217,338	76.39	0.968	218	107,174	1.000	107,174	491.63	1.931
May-2009	2,860	243,574	1.000	243,574	85.17	1.286	222	72,571	1.000	72,571	326.90	1.839
Jun-2009	2,916	208,940	1.000	208,940	71.65	1.067	235	87,608	1.000	87,608	372.80	2.127
Jul-2009	2,931	206,206	1.000	206,206	70.35	1.049	232	69,066	1.000	69,066	297.70	0.262
Aug-2009	3,043	215,148	1.000	215,148	70.70	0.958	234	73,366	1.000	73,366	313.53	1.357
Sep-2009	3,131	278,837	1.000	278,837	89.06	1.885	222	114,635	1.000	114,635	516.37	0.966
Oct-2009	3,111	255,227	1.000	255,227	82.04	1.108	216	70,813	1.000	70,813	327.84	0.779
Nov-2009	3,260	263,566	1.000	263,566	80.85	1.196	213	209,625	1.000	209,625	984.15	2.126
Dec-2009	3,414	262,826	1.000	262,826	76.98	1.154	244	66,200	1.000	66,200	271.31	0.976
Jan-2010	3,533	281,171	1.000	281,171	79.58	0.903	267	165,226	1.000	165,226	618.82	2.134
Feb-2010	3,547	260,900	1.000	260,900	73.55	0.820	256	96,592	1.000	96,592	377.31	0.747
Mar-2010	3,614	330,388	1.000	330,388	91.42	0.792	278	89,071	1.000	89,071	320.40	0.777
Apr-2010	3,622	288,050	1.000	288,050	79.53	1.041	304	70,248	1.000	70,248	231.08	0.470
May-2010	3,628	282,914	1.000	282,914	77.98	0.916	315	68,677	1.000	68,677	218.02	0.667
Jun-2010	3,636	271,717	1.000	271,717	74.73	1.043	302	75,104	1.000	75,104	248.69	0.667
Jul-2010	3,731	353,585	1.000	353,585	94.77	1.347	314	94,747	1.000	94,747	301.74	1.014
Aug-2010	3,767	265,886	1.000	265,886	70.58	0.998	306	114,057	1.000	114,057	372.74	1.189
FY2008	37,655	2,814,155		2,814,155	74.74		2,826	815,344		815,344	288.52	
FY2009	36,662	2,806,942		2,806,942	76.56	1.024	2,748	1,076,240		1,076,240	391.64	1.357
FY2010	41,994	3,395,066		3,395,066	80.85	1.056	3,237	1,234,996		1,234,996	381.53	0.974

FY2012 ST
Jefferson SI
Estimated I

Month	TANF Adults						Pregnant Women					
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend
Sep-2007	1,145	308,912	1.000	308,912	269.79		3,277	1,901,315	1.000	1,901,315	580.20	
Oct-2007	1,145	295,092	1.000	295,092	257.72		3,123	2,100,611	1.000	2,100,611	672.63	
Nov-2007	1,166	327,838	1.000	327,838	281.16		3,079	1,960,386	1.000	1,960,386	636.70	
Dec-2007	1,143	239,936	1.000	239,936	209.92		3,012	1,877,483	1.000	1,877,483	623.33	
Jan-2008	1,119	334,504	1.000	334,504	298.93		2,939	2,169,442	1.000	2,169,442	738.16	
Feb-2008	1,069	216,851	1.000	216,851	202.85		2,974	1,825,528	1.000	1,825,528	613.83	
Mar-2008	1,037	237,040	1.000	237,040	228.58		2,984	1,791,349	1.000	1,791,349	600.32	
Apr-2008	1,022	204,272	1.000	204,272	199.87		3,049	1,832,587	1.000	1,832,587	601.05	
May-2008	1,024	210,266	1.000	210,266	205.34		3,097	1,735,003	1.000	1,735,003	560.22	
Jun-2008	1,024	261,325	1.000	261,325	255.20		3,127	1,792,995	1.000	1,792,995	573.39	
Jul-2008	1,096	244,562	1.000	244,562	223.14		3,216	2,200,891	1.000	2,200,891	684.36	
Aug-2008	1,097	268,103	1.000	268,103	244.40		3,247	1,934,706	1.000	1,934,706	595.84	
Sep-2008	1,099	174,605	1.000	174,605	158.88	0.589	3,228	1,982,821	1.000	1,982,821	614.26	1.059
Oct-2008	1,082	268,262	1.000	268,262	247.93	0.962	3,076	2,141,811	1.000	2,141,811	696.30	1.035
Nov-2008	1,100	220,661	1.000	220,661	200.60	0.713	2,961	1,894,117	1.000	1,894,117	639.69	1.005
Dec-2008	1,027	283,682	1.000	283,682	276.22	1.316	3,005	2,113,136	1.000	2,113,136	703.21	1.128
Jan-2009	991	204,624	1.000	204,624	206.48	0.691	2,933	2,085,402	1.000	2,085,402	711.01	0.963
Feb-2009	976	223,082	1.000	223,082	228.57	1.127	2,937	1,742,248	1.000	1,742,248	593.21	0.966
Mar-2009	969	218,909	1.000	218,909	225.91	0.988	2,933	1,775,315	1.000	1,775,315	605.29	1.008
Apr-2009	926	199,843	1.000	199,843	215.81	1.080	3,064	2,180,118	1.000	2,180,118	711.53	1.184
May-2009	926	208,501	1.000	208,501	225.16	1.097	3,244	2,076,288	1.000	2,076,288	640.04	1.142
Jun-2009	932	207,856	1.000	207,856	223.02	0.874	3,329	2,194,120	1.000	2,194,120	659.09	1.149
Jul-2009	904	216,370	1.000	216,370	239.35	1.073	3,464	2,590,619	1.000	2,590,619	747.87	1.093
Aug-2009	933	236,950	1.000	236,950	253.97	1.039	3,465	2,397,592	1.000	2,397,592	691.95	1.161
Sep-2009	974	285,885	1.000	285,885	293.52	1.847	3,471	2,404,505	1.000	2,404,505	692.74	1.128
Oct-2009	945	239,212	1.000	239,212	253.13	1.021	3,244	2,248,854	1.000	2,248,854	693.24	0.996
Nov-2009	1,013	327,932	1.000	327,932	323.72	1.614	3,281	2,187,769	1.000	2,187,769	666.80	1.042
Dec-2009	1,048	254,364	1.000	254,364	242.71	0.879	3,205	2,296,821	1.000	2,296,821	716.64	1.019
Jan-2010	1,092	258,190	1.000	258,190	236.44	1.145	3,201	2,214,378	1.000	2,214,378	691.78	0.973
Feb-2010	1,084	227,689	1.000	227,689	210.05	0.919	3,154	1,910,766	1.000	1,910,766	605.82	1.021
Mar-2010	1,113	269,132	1.000	269,132	241.81	1.070	3,178	2,263,549	1.000	2,263,549	712.26	1.177
Apr-2010	1,135	242,434	1.000	242,434	213.60	0.990	3,336	2,244,993	1.000	2,244,993	672.96	0.946
May-2010	1,146	302,091	1.000	302,091	263.60	1.171	3,368	2,086,053	1.000	2,086,053	619.37	0.968
Jun-2010	1,177	347,309	1.000	347,309	295.08	1.323	3,366	2,226,534	1.000	2,226,534	661.48	1.004
Jul-2010	1,222	314,306	1.000	314,306	257.21	1.075	3,386	2,300,938	1.000	2,300,938	679.54	0.909
Aug-2010	1,234	328,588	1.000	328,588	266.28	1.048	3,362	2,277,319	1.000	2,277,319	677.37	0.979
FY2008	13,087	3,148,703		3,148,703	240.60		37,124	23,122,296		23,122,296	622.84	
FY2009	11,865	2,663,347		2,663,347	224.47	0.933	37,639	25,173,587		25,173,587	668.82	1.074
FY2010	13,183	3,397,133		3,397,133	257.69	1.148	39,552	26,662,480		26,662,480	674.11	1.008

FY2012 ST
Jefferson SI
Estimated I

Month	Newborns						Expansion Children (over age 1)					
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend
Sep-2007	5,319	3,163,377	1.000	3,163,377	594.73		14,266	954,766	1.000	954,766	66.93	
Oct-2007	5,352	2,962,164	1.000	2,962,164	553.47		14,036	1,005,178	1.000	1,005,178	71.61	
Nov-2007	5,291	2,649,809	1.000	2,649,809	500.81		14,344	1,182,942	1.000	1,182,942	82.47	
Dec-2007	5,293	3,455,678	1.000	3,455,678	652.88		14,400	948,333	1.000	948,333	65.86	
Jan-2008	5,299	2,279,569	1.000	2,279,569	430.19		14,119	1,128,139	1.000	1,128,139	79.90	
Feb-2008	5,248	2,021,177	1.000	2,021,177	385.13		13,890	1,284,782	1.000	1,284,782	92.50	
Mar-2008	5,328	2,848,590	1.000	2,848,590	534.65		13,888	1,327,451	1.000	1,327,451	95.58	
Apr-2008	5,360	2,977,951	1.000	2,977,951	555.59		14,315	1,256,877	1.000	1,256,877	87.80	
May-2008	5,347	2,416,385	1.000	2,416,385	451.91		14,023	1,005,829	1.000	1,005,829	71.73	
Jun-2008	5,318	1,929,589	1.000	1,929,589	362.84		13,918	873,035	1.000	873,035	62.73	
Jul-2008	5,383	2,866,031	1.000	2,866,031	532.42		14,308	988,805	1.000	988,805	69.11	
Aug-2008	5,330	2,438,245	1.000	2,438,245	457.46		13,927	1,005,298	1.000	1,005,298	72.18	
Sep-2008	5,267	2,782,864	1.000	2,782,864	528.36	0.888	13,830	753,950	1.000	753,950	54.52	0.815
Oct-2008	5,294	3,604,439	1.000	3,604,439	680.85	1.230	13,813	1,266,416	1.000	1,266,416	91.68	1.280
Nov-2008	5,298	2,634,001	1.000	2,634,001	497.17	0.993	14,502	1,171,102	1.000	1,171,102	80.75	0.979
Dec-2008	5,363	3,721,368	1.000	3,721,368	693.90	1.063	15,609	1,488,292	1.000	1,488,292	95.35	1.448
Jan-2009	5,409	3,396,144	1.000	3,396,144	627.87	1.460	15,556	1,535,588	1.000	1,535,588	98.71	1.235
Feb-2009	5,344	2,914,610	1.000	2,914,610	545.40	1.416	15,204	1,388,986	1.000	1,388,986	91.36	0.988
Mar-2009	5,327	2,594,220	1.000	2,594,220	486.99	0.911	15,450	1,271,191	1.000	1,271,191	82.28	0.861
Apr-2009	5,309	2,396,457	1.000	2,396,457	451.40	0.812	14,768	1,237,619	1.000	1,237,619	83.80	0.954
May-2009	5,371	2,556,289	1.000	2,556,289	475.94	1.053	14,936	1,088,466	1.000	1,088,466	72.88	1.016
Jun-2009	5,463	2,339,463	1.000	2,339,463	428.24	1.180	15,748	999,882	1.000	999,882	63.49	1.012
Jul-2009	5,612	3,980,116	1.000	3,980,116	709.22	1.332	15,818	964,334	1.000	964,334	60.96	0.882
Aug-2009	5,645	2,577,062	1.000	2,577,062	456.52	0.998	15,603	1,012,552	1.000	1,012,552	64.89	0.899
Sep-2009	5,794	4,000,001	1.000	4,000,001	690.37	1.307	16,040	1,460,227	1.000	1,460,227	91.04	1.670
Oct-2009	5,800	3,251,357	1.000	3,251,357	560.58	0.823	14,837	1,404,096	1.000	1,404,096	94.63	1.032
Nov-2009	5,795	3,961,402	1.000	3,961,402	683.59	1.375	15,925	1,319,824	1.000	1,319,824	82.88	1.026
Dec-2009	5,830	3,785,554	1.000	3,785,554	649.32	0.936	16,643	1,628,655	1.000	1,628,655	97.86	1.026
Jan-2010	5,790	3,112,011	1.000	3,112,011	537.48	0.856	16,983	1,348,569	1.000	1,348,569	79.41	0.804
Feb-2010	5,768	3,022,277	1.000	3,022,277	523.97	0.961	16,606	1,198,206	1.000	1,198,206	72.16	0.790
Mar-2010	5,853	3,239,096	1.000	3,239,096	553.41	1.136	17,176	1,372,545	1.000	1,372,545	79.91	0.971
Apr-2010	5,889	3,108,238	1.000	3,108,238	527.80	1.169	17,625	1,415,400	1.000	1,415,400	80.31	0.958
May-2010	5,869	2,966,826	1.000	2,966,826	505.51	1.062	17,867	1,336,259	1.000	1,336,259	74.79	1.026
Jun-2010	5,847	3,294,956	1.000	3,294,956	563.53	1.316	18,399	1,180,024	1.000	1,180,024	64.14	1.010
Jul-2010	5,807	3,208,586	1.000	3,208,586	552.54	0.779	18,481	1,189,034	1.000	1,189,034	64.34	1.055
Aug-2010	5,698	2,819,561	0.997	2,828,045	496.32	1.087	18,442	1,324,345	1.000	1,324,345	71.81	1.107
FY2008	63,868	32,008,565		32,008,565	501.17		169,434	12,961,436		12,961,436	76.50	
FY2009	64,702	35,497,033		35,497,033	548.62	1.095	180,837	14,178,378		14,178,378	78.40	1.025
FY2010	69,740	39,769,863		39,778,347	570.38	1.040	205,024	16,177,184		16,177,184	78.90	1.006

FY2012 ST
Jefferson SI
Estimated I

Month	Expansion Children <1						Federal Mandate Children					
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend
Sep-2007	801	97,276	1.000	97,276	121.44		21,093	1,198,619	1.000	1,198,619	56.83	
Oct-2007	787	119,041	1.000	119,041	151.26		20,600	1,322,032	1.000	1,322,032	64.18	
Nov-2007	801	162,328	1.000	162,328	202.66		20,963	1,206,594	1.000	1,206,594	57.56	
Dec-2007	770	253,612	1.000	253,612	329.37		21,128	1,133,167	1.000	1,133,167	53.63	
Jan-2008	757	160,715	1.000	160,715	212.31		20,676	1,448,337	1.000	1,448,337	70.05	
Feb-2008	725	128,220	1.000	128,220	176.86		20,327	1,149,622	1.000	1,149,622	56.56	
Mar-2008	729	97,163	1.000	97,163	133.28		20,149	1,318,338	1.000	1,318,338	65.43	
Apr-2008	733	165,177	1.000	165,177	225.34		20,493	1,287,290	1.000	1,287,290	62.82	
May-2008	716	74,991	1.000	74,991	104.74		19,907	1,093,116	1.000	1,093,116	54.91	
Jun-2008	691	79,658	1.000	79,658	115.28		19,798	1,168,851	1.000	1,168,851	59.04	
Jul-2008	692	66,074	1.000	66,074	95.48		20,196	1,186,495	1.000	1,186,495	58.75	
Aug-2008	676	71,519	1.000	71,519	105.80		19,836	983,656	1.000	983,656	49.59	
Sep-2008	640	102,248	1.000	102,248	159.76	1.316	19,709	1,088,044	1.000	1,088,044	55.21	0.971
Oct-2008	628	80,988	1.000	80,988	128.96	0.853	19,560	1,347,216	1.000	1,347,216	68.88	1.073
Nov-2008	629	98,575	1.000	98,575	156.72	0.773	20,791	1,012,143	1.000	1,012,143	48.68	0.846
Dec-2008	619	249,504	1.000	249,504	403.08	1.224	22,409	1,444,902	1.000	1,444,902	64.48	1.202
Jan-2009	625	304,987	1.000	304,987	487.98	2.298	22,447	1,447,143	1.000	1,447,143	64.47	0.920
Feb-2009	590	159,490	1.000	159,490	270.32	1.528	21,705	1,532,274	1.000	1,532,274	70.60	1.248
Mar-2009	614	103,382	1.000	103,382	168.37	1.263	21,882	1,438,896	1.000	1,438,896	65.76	1.005
Apr-2009	622	90,843	1.000	90,843	146.05	0.648	20,602	1,199,557	1.000	1,199,557	58.23	0.927
May-2009	623	178,535	1.000	178,535	286.57	2.736	20,703	1,276,276	1.000	1,276,276	61.65	1.123
Jun-2009	604	102,102	1.000	102,102	169.04	1.466	21,852	1,349,341	1.000	1,349,341	61.75	1.046
Jul-2009	601	67,268	1.000	67,268	111.93	1.172	21,990	1,509,023	1.000	1,509,023	68.62	1.168
Aug-2009	561	286,675	1.000	286,675	511.01	4.830	21,715	1,617,846	1.000	1,617,846	74.50	1.502
Sep-2009	570	175,326	1.000	175,326	307.59	1.925	22,256	1,818,535	1.000	1,818,535	81.71	1.480
Oct-2009	510	88,666	1.000	88,666	173.85	1.348	20,602	1,682,234	1.000	1,682,234	81.65	1.186
Nov-2009	544	154,412	1.000	154,412	283.85	1.811	22,158	1,343,621	1.000	1,343,621	60.64	1.246
Dec-2009	558	153,851	1.000	153,851	275.72	0.684	23,334	1,513,728	1.000	1,513,728	64.87	1.006
Jan-2010	535	114,256	1.000	114,256	213.56	0.438	23,847	1,617,523	1.000	1,617,523	67.83	1.052
Feb-2010	535	136,036	1.000	136,036	254.27	0.941	23,317	1,480,747	1.000	1,480,747	63.51	0.900
Mar-2010	594	136,884	1.000	136,884	230.44	1.369	23,923	1,555,620	1.000	1,555,620	65.03	0.989
Apr-2010	661	201,678	1.000	201,678	305.11	2.089	24,710	1,699,107	1.000	1,699,107	68.76	1.181
May-2010	678	130,040	1.000	130,040	191.80	0.669	24,891	1,716,528	1.000	1,716,528	68.96	1.119
Jun-2010	664	113,989	1.000	113,989	171.67	1.016	25,847	1,737,688	1.000	1,737,688	67.23	1.089
Jul-2010	639	89,187	1.000	89,187	139.57	1.247	26,150	1,819,127	1.000	1,819,127	69.57	1.014
Aug-2010	574	98,299	1.000	98,299	171.25	0.335	26,131	1,970,709	1.000	1,970,709	75.42	1.012
FY2008	8,878	1,475,775		1,475,775	166.23		245,166	14,496,117		14,496,117	59.13	
FY2009	7,356	1,824,598		1,824,598	248.04	1.492	255,365	16,262,661		16,262,661	63.68	1.077
FY2010	7,062	1,592,624		1,592,624	225.52	0.909	287,166	19,955,167		19,955,167	69.49	1.091

FY2012 ST
 Jefferson SI
 Estimated I

Month	All Risk Groups					
	Members	Inc & Pd Claims	Compl Factor	Est Inc Claims	Est Inc pmpm	Trend
Sep-2007	49,157	7,877,671	1.000	7,877,671	160.26	
Oct-2007	48,310	8,081,309	1.000	8,081,309	167.28	
Nov-2007	49,024	7,832,337	1.000	7,832,337	159.77	
Dec-2007	49,149	8,246,294	1.000	8,246,294	167.78	
Jan-2008	48,355	7,827,998	1.000	7,827,998	161.89	
Feb-2008	47,577	6,924,211	1.000	6,924,211	145.54	
Mar-2008	47,484	7,865,068	1.000	7,865,068	165.64	
Apr-2008	48,341	8,027,277	1.000	8,027,277	166.06	
May-2008	47,455	6,778,206	1.000	6,778,206	142.83	
Jun-2008	47,245	6,354,264	1.000	6,354,264	134.50	
Jul-2008	48,357	8,032,264	1.000	8,032,264	166.10	
Aug-2008	47,584	6,995,492	1.000	6,995,492	147.01	
Sep-2008	47,290	7,163,794	1.000	7,163,794	151.49	0.945
Oct-2008	46,998	9,059,315	1.000	9,059,315	192.76	1.152
Nov-2008	48,765	7,357,074	1.000	7,357,074	150.87	0.944
Dec-2008	51,397	9,573,789	1.000	9,573,789	186.27	1.110
Jan-2009	51,262	9,310,495	1.000	9,310,495	181.63	1.122
Feb-2009	50,027	8,344,460	1.000	8,344,460	166.80	1.146
Mar-2009	50,366	7,834,902	1.000	7,834,902	155.56	0.939
Apr-2009	48,354	7,628,950	1.000	7,628,950	157.77	0.950
May-2009	48,885	7,700,499	1.000	7,700,499	157.52	1.103
Jun-2009	51,079	7,489,312	1.000	7,489,312	146.62	1.090
Jul-2009	51,552	9,603,003	1.000	9,603,003	186.28	1.121
Aug-2009	51,199	8,417,192	1.000	8,417,192	164.40	1.118
Sep-2009	52,458	10,537,951	1.000	10,537,951	200.88	1.326
Oct-2009	49,265	9,240,459	1.000	9,240,459	187.57	0.973
Nov-2009	52,189	9,768,150	1.000	9,768,150	187.17	1.241
Dec-2009	54,276	9,961,999	1.000	9,961,999	183.54	0.985
Jan-2010	55,248	9,111,324	1.000	9,111,324	164.92	0.908
Feb-2010	54,267	8,333,213	1.000	8,333,213	153.56	0.921
Mar-2010	55,729	9,256,285	1.000	9,256,285	166.09	1.068
Apr-2010	57,282	9,270,149	1.000	9,270,149	161.83	1.026
May-2010	57,762	8,889,388	1.000	8,889,388	153.90	0.977
Jun-2010	59,238	9,247,321	1.000	9,247,321	156.10	1.065
Jul-2010	59,730	9,369,510	1.000	9,369,510	156.86	0.842
Aug-2010	59,514	9,198,765	0.999	9,207,249	154.71	0.941
FY2008	578,038	90,842,391		90,842,391	157.16	
FY2009	597,174	99,482,785		99,482,785	166.59	1.060
FY2010	666,958	112,184,513		112,192,998	168.22	1.010

Attachment 3

Provider Reimbursement and Benefit Revisions Effective During FY2011 and FY2012

This attachment presents information regarding rating adjustments for the various provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting (FY2010) and before the end of FY2012.

Provider Reimbursement Adjustments

Medicaid provider reimbursement changes were provided for the following services: hearing and vision screenings (effective January 1, 2010), digestive system surgery and female genital surgery. The adjustment factors used for the Jefferson SDA were the statewide average of the factors used in developing the STAR rates. Please see the report titled “State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012” for additional information regarding these factors.

Other Reimbursement Changes

The legislative mandated provider rate reductions included the following:

- 8% hospital rate reduction (Outpatient facility is included in this section. Inpatient is included elsewhere.)
- 10.5% laboratory rate reduction (excludes DSHS and physician lab)
- 10.5% durable medical equipment reduction.
- 5% reduction for all other providers excluding ambulance, private duty nursing (children only), home health (children only), dental, orthodontics, physicians (includes psychiatrists, optometrists, radiologists, podiatrists and orthodontists), FQHCs, Rural Health Centers and TEFRA reimbursed hospitals.

Medicaid provider reimbursement changes were also recognized for the following services: The two one percent provider rate cuts effective 9/1/2010 and 2/1/2011 and the transition of outpatient imaging services to a fee schedule. The adjustment factors used for the Jefferson SDA for legislative reductions and outpatient imaging were the statewide average of the factors used in developing the STAR rates. Please see the report titled “State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012” for additional information regarding these factors. The adjustment factors for the two one percent provider rate cuts were based on actual Jefferson area experience and their calculation is presented in Attachment 3.

Other Reimbursement Changes

This adjustment factor includes the 8% inpatient facility rate reduction (does not apply to TEFRA hospitals) and DRG rebasing. Effective September 1, 2011, HHSC is rebasing the DRG reimbursement system. HHSC staff has utilized the FY2010 encounter data to determine the cost impact from DRG Rebasing on each service area and risk group. The final Standard Dollar Amounts are not expected to be made available to the MCOs until around August 1, 2011. As a result, we have assumed, for purposes of these rate calculations, that the new DRGs will not be incorporated into MCO provider contracts until November 1, 2011. Attachment 3 presents additional information regarding inpatient hospital rate adjustments.

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	-72,305	-30,727	8,201	-851,010	-2,193,105	-132,315	-167,361	-213,304	-3,651,926
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)	-1.77 %	-2.07 %	0.20 %	-2.66 %	-4.60 %	-0.68 %	-8.76 %	-0.89 %	-2.71 %

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.

Attachment 4

Managed Care Savings Factor

The basic premise regarding the future cost of current PCCM clients in the Jefferson service area is that their FY2012 gross cost under the MCO model (including administrative expenses and risk margin) will be the same as the projected FY2012 gross cost under the PCCM model. Since administrative expenses and risk margin are significantly higher under the HMO model, in order for the gross cost to be the same as the PCCM it is necessary for the medical claims cost to be lower than that under the PCCM. We prepared an analysis which considered all of the cost factors (including PCCM case management fees and TMHP costs) and concluded that the managed care efficiency under the HMO model would need to be 10.2%, relative to the PCCM, in order for the gross cost for the two models to be equal. Therefore, we have applied a 10.2% managed care efficiency (or claims adjustment factor) to the FY2010 PCCM claims experience. A summary of our analysis is presented in the attached exhibit.

FY2012 STAR Rating
 Jefferson SDA
 Managed Care Discount Factor

	<u>Member Months</u>	<u>Estimated Incurred Claims</u>	<u>Incurred Claims pmpm</u>
FY2010 197-County PCCM Service Area Experience			
TANF Children	929,973	147,599,709	158.71
TANF Adult	189,751	52,823,188	278.38
Pregnant Women	383,825	252,432,356	657.68
Newborn	694,195	355,102,618	511.53
Expansion Children	2,532,621	338,308,013	133.58
Federal Mandate	3,538,283	311,361,081	88.00
STAR Risk Groups	8,268,648	1,457,626,965	176.28
Case Management Fee			4.90
TMHP Administration			0.90
Total PCCM Cost			182.08
PCCM Discount Factor			10.2 %