

**STATE OF TEXAS
MEDICAID MANAGED CARE
DENTAL RATE SETTING
FY2015**

Prepared for:
Texas Health and Human Services Commission
Dental Services Contract V1.7

Prepared by:
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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop premium rates for the period September 1, 2014 through August 31, 2015 (FY2015) for those Managed Care Organizations (MCOs) participating in the Texas Medicaid Dental program. This report presents the rating methodology and assumptions used in developing the dental 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. We have worked closely with HHSC's staff in developing the premium rates documented in this report.

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

- Monthly enrollment by age group for each dental plan. This includes historical enrollment since March 2012 and a projection of future enrollment through August 2015. These projections were prepared by HHSC System Forecasting staff.
- Financial Statistical Reports (FSR) for each participating health plan for the period March 2012 through February 2014. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan.
- Dental and orthodontia claim lag reports by age group for each health plan for the period March 2012 through February 2014. These reports were provided by the health plans and include monthly paid claims by month of service.
- Detailed encounter claim files for all dental and orthodontia services for the period September 2012 through March 2014. These reports were provided by TMHP.
- Information from HHSC regarding payment patterns for orthodontia services.
- Information from HHSC regarding porcelain crown policy change effective January 1st, 2014.
- Pay-for-Quality base period (CY2013) measurements and attainable goal values. This was prepared by the agency's External Quality Review Organization (EQRO).

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

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2015 (rating period) Medicaid Dental Plan premium rates relies primarily on health plan financial experience. After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the health plans, (ii) the claim amounts included in the FSRs and (iii) the claim amounts in the encounter data files provided by TMHP. There was satisfactory consistency between the three claims data sources for each of the health plans.

The historical claims experience data for each dental plan was analyzed and estimates for the base period January 1, 2013 through December 31, 2013 were developed. These estimates were then projected forward to FY2015 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III. We added a reasonable provision for administrative expenses, taxes, and risk margin in order to project the total cost for the rating period. These projected total costs were then converted to a set of statewide community rates that vary by age group.

Attachment 1 to this report provides a description of the calculation of the FY2015 Medicaid Dental Plan premium rates. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 provides details regarding the calculation of the rate adjustment factors.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the Medicaid Dental Plan rate setting process.

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period claims cost to the rating 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 and the actuary's professional judgment regarding future cost increases. The annual trend assumptions used in the rating analysis were 5.0% for both dental and orthodontia services.

Orthodontia Runoff

The number of new orthodontia cases authorized under the program has been significantly reduced as a result of managed care and other HHSC policy changes. However, the MCO's remain financially responsible for orthodontia authorizations approved by HHSC prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take up to three years to complete treatment and account for the majority of the orthodontia claims paid in the base period. The orthodontia runoff payment is expected to decrease every month as the claims complete treatment. Attachment 3 – Exhibit A provides details regarding the calculation of the orthodontia runoff rate adjustment factor.

Porcelain Crown Policy Change

Effective January 1, 2014, benefits for porcelain crowns were expanded to cover children ages 13 through 16 and pre-molar teeth. As a result, we have assumed that i) utilization of porcelain crown for the front teeth of children ages 13 through 16 will increase and ii) utilization for pre-molar teeth of children ages 13 through 20 will shift from metal crowns to porcelain crowns. Attachment 3 – Exhibit B presents a summary of the porcelain crown adjustment factor.

Pay-for-Quality Utilization Adjustment

Effective January 1, 2014, the Pay-for-Quality (P4Q) program places two percent of each dental plan's premium at risk. In order to retain the full two percent of premium, we have assumed that each dental plan will increase preventive service utilization by closing the gap between the attainable goal and the baseline experience (calendar year 2013) by 15% each year for each of the P4Q measurements. Attachment 3 – Exhibit C presents a summary of the P4Q utilization adjustment factor.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$1.75 pmpm. This amount is intended to provide for all administrative-related services performed by the MCO. The administrative fee amounts were determined based on a review of dental administrative service costs for all the dental plans and other large Texas dental plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.022 pmpm) and a risk margin (2.0% of premium).

V. Summary

The chart below presents the resulting FY2015 Medicaid Dental premium rates. Attachment 1 shows the derivation of the premium rates.

<u>Service Area</u>	<u>Age <1</u>	<u>Age 1-5</u>	<u>Age 6-14</u>	<u>Age 15-18</u>	<u>Age 19-20</u>
Capitation Rate pmpm	11.48	35.45	39.17	38.27	31.41

VI. Actuarial Certification of FY2015 Medicaid Dental Plan Premium Rates

I, Khiem D. Ngo, 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.

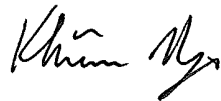
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental Plan premium rates for state fiscal year 2015 (FY2015) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the Medicaid Dental Plan 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 dental plan contractor experience will differ from these projections. Rudd and Wisdom has developed this rate on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). Any dental plan contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



Khiem D. Ngo, F.S.A., M.A.A.A.

VII. Attachments

Attachment 1

Summary of FY2015 Medicaid Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2015 Medicaid Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2015 cost for each individual dental plan by estimating their base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in more detail in Section III.

The rating methodology includes an explicit provision for administrative expenses. The amount allocated for administrative expenses is \$1.75 pmpm. Provisions are also included for risk margin (2.0% of gross premium), premium tax (1.75%) and maintenance tax (\$.022 pmpm).

The bottom of the exhibit presents the projected FY2015 cost based on the above assumptions.

Medicaid Dental Experience Based Rating
Rating Period: 9/1/2014 - 8/31/2015
Experience Period - CY2013
Statewide Experience

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Experience Period - CY2013												
Member Months	2,124,843		9,912,810		13,225,671		3,805,249		494,320		29,562,893	
Estimated Incurred Claims												
Orthodontia	1,377	0.00	7,005	0.00	13,287,207	1.00	13,334,037	3.50	1,129,245	2.28	27,758,871	0.94
Dental	17,774,073	8.36	290,630,124	29.32	419,485,314	31.72	114,010,603	29.96	12,177,064	24.63	854,077,179	28.89
Projected Member Months	2,570,180		11,614,934		15,409,375		4,439,417		577,532		34,611,437	
Annual Cost Trend Assumptions												
Orthodontia	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Dental	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Ortho Adjustment Factors												
Runoff Adjustment	0.484		0.484		0.484		0.484		0.484		0.484	
Dental Adjustment Factors												
Porcelain Crown Adjustment	1.0000		1.0000		1.0008		1.0053		1.0000		1.0000	
P4Q Utilization Adjustment	1.0222		1.0171		1.0281		1.0169		1.0203		1.0203	
Projected Incurred Claims												
Orthodontia	875	0.00	4,311	0.00	8,130,950	0.53	8,170,428	1.84	692,940	1.20	16,999,504	0.49
Dental	23,839,440	9.28	375,709,569	32.35	545,507,461	35.40	147,488,178	33.22	15,745,972	27.26	1,108,290,620	32.02
Total	23,840,315	9.28	375,713,880	32.35	553,638,411	35.93	155,658,606	35.06	16,438,912	28.46	1,125,290,124	32.51
Administrative Fee	4,497,814	1.75	20,326,134	1.75	26,966,407	1.75	7,768,980	1.75	1,010,681	1.75	60,570,015	1.75
Risk Margin	590,001	2.00%	8,234,632	2.00%	12,071,453	2.00%	3,397,897	2.00%	362,849	2.00%	24,656,832	2.00%
Premium Tax	516,251	1.75%	7,205,303	1.75%	10,562,522	1.75%	2,973,160	1.75%	317,493	1.75%	21,574,728	1.75%
Maintenance Tax	55,687	0.02	251,657	0.02	333,870	0.02	96,187	0.02	12,513	0.02	749,914	0.02
Projected Total Cost	29,500,069	11.48	411,731,605	35.45	603,572,663	39.17	169,894,830	38.27	18,142,448	31.41	1,232,841,615	35.62
Current Rates	27,912,150	10.86	405,593,478	34.92	618,070,043	40.11	178,464,571	40.20	18,192,252	31.50	1,248,232,494	36.06
% Change		5.7%		1.5%		-2.3%		-4.8%		-0.3%		-1.2%

Attachment 2

Medicaid Dental Incurred Claims Experience

The attached exhibit presents a summary of the historical incurred claims experience used in the rate setting analysis for Medicaid Dental. For each month, the exhibit shows enrollment, claims incurred during the month and paid through February 28, 2013 and estimated incurred claims. The attachment includes separate exhibits for (i) dental services and (ii) orthodontia services. The exhibits also present the experience separated by risk group.

Medicaid Dental Rating
Estimated Incurred Claims
Dental Services

Month	Under Age 1						Ages 1-5					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	157,803	1,335,978	1.000	1,335,978	8.47		824,220	23,336,434	1.000	23,336,434	28.31	
Apr-12	174,734	1,489,480	1.000	1,489,480	8.52		862,283	25,665,279	1.000	25,665,279	29.76	
May-12	175,944	1,647,895	1.000	1,647,895	9.37		858,956	26,471,476	1.000	26,471,476	30.82	
Jun-12	185,885	1,515,914	1.000	1,515,914	8.16		866,104	25,536,291	1.000	25,536,291	29.48	
Jul-12	189,204	1,606,768	1.000	1,606,768	8.49		869,937	26,624,448	1.000	26,624,448	30.61	
Aug-12	183,753	1,667,872	1.000	1,667,872	9.08		860,826	30,044,624	1.000	30,044,624	34.90	
Sep-12	181,717	1,194,162	1.000	1,194,162	6.57		852,975	20,325,054	1.000	20,325,054	23.83	
Oct-12	181,020	1,419,208	1.000	1,419,208	7.84		843,358	25,219,978	1.000	25,219,978	29.90	
Nov-12	184,697	1,239,205	1.000	1,239,205	6.71		855,702	22,632,476	1.000	22,632,476	26.45	
Dec-12	184,605	1,057,769	1.000	1,057,769	5.73		852,780	19,350,361	1.000	19,350,361	22.69	
Jan-13	177,230	1,529,593	1.000	1,529,697	8.63		839,958	26,336,652	1.000	26,338,499	31.36	
Feb-13	175,057	1,307,053	1.000	1,307,326	7.47		829,122	23,248,981	1.000	23,254,155	28.05	
Mar-13	170,685	1,399,484	1.000	1,400,012	8.20	0.97	820,250	23,555,998	1.000	23,565,535	28.73	1.01
Apr-13	174,910	1,521,643	0.999	1,523,295	8.71	1.02	827,928	24,903,673	0.999	24,931,478	30.11	1.01
May-13	191,076	1,619,974	0.999	1,622,308	8.49	0.91	836,968	25,134,343	0.999	25,170,603	30.07	0.98
Jun-13	187,827	1,503,717	0.998	1,506,674	8.02	0.98	836,685	23,075,060	0.998	23,121,162	27.63	0.94
Jul-13	171,777	1,721,433	0.997	1,726,225	10.05	1.18	832,127	26,354,384	0.997	26,430,272	31.76	1.04
Aug-13	153,472	1,618,040	0.996	1,624,093	10.58	1.17	814,041	27,121,279	0.996	27,225,458	33.44	0.96
Sep-13	181,060	1,463,259	0.995	1,470,890	8.12	1.24	821,118	22,858,340	0.995	22,978,909	27.98	1.17
Oct-13	178,470	1,598,255	0.993	1,609,074	9.02	1.15	810,340	25,994,582	0.993	26,170,956	32.30	1.08
Nov-13	182,038	1,232,869	0.990	1,245,951	6.84	1.02	816,655	21,719,034	0.990	21,946,227	26.87	1.02
Dec-13	181,242	1,188,798	0.977	1,217,134	6.72	1.17	827,617	19,054,366	0.977	19,496,537	23.56	1.04
CY2013	2,124,843			17,782,681	8.37		9,912,810			290,629,789	29.32	

Medicaid Dental Rating
Estimated Incurred Claims
Dental Services

Month	Ages 6-14						Ages 15-18					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	1,023,379	33,320,834	1.000	33,320,834	32.56		294,616	9,020,026	1.000	9,020,026	30.62	
Apr-12	1,073,753	34,985,072	1.000	34,985,072	32.58		311,290	9,495,310	1.000	9,495,310	30.50	
May-12	1,074,556	34,232,982	1.000	34,232,982	31.86		310,928	9,423,742	1.000	9,423,742	30.31	
Jun-12	1,092,609	39,819,859	1.000	39,819,859	36.44		317,306	11,645,123	1.000	11,645,123	36.70	
Jul-12	1,103,643	40,723,610	1.000	40,723,610	36.90		321,981	11,706,903	1.000	11,706,903	36.36	
Aug-12	1,098,467	46,610,385	1.000	46,610,385	42.43		320,216	13,160,745	1.000	13,160,745	41.10	
Sep-12	1,095,527	27,372,081	1.000	27,372,081	24.99		318,158	7,861,499	1.000	7,861,499	24.71	
Oct-12	1,090,561	34,478,755	1.000	34,478,755	31.62		315,369	9,741,962	1.000	9,741,962	30.89	
Nov-12	1,111,595	31,274,461	1.000	31,274,461	28.13		319,999	8,976,906	1.000	8,976,906	28.05	
Dec-12	1,112,307	28,701,386	1.000	28,701,386	25.80		320,500	7,731,493	1.000	7,731,493	24.12	
Jan-13	1,099,767	39,123,988	1.000	39,126,672	35.58		316,529	10,583,985	1.000	10,584,715	33.44	
Feb-13	1,088,856	33,441,140	1.000	33,448,506	30.72		313,161	9,095,906	1.000	9,097,888	29.05	
Mar-13	1,078,882	35,086,825	1.000	35,100,772	32.53	1.00	309,528	9,583,958	1.000	9,587,772	30.98	1.01
Apr-13	1,092,387	33,028,955	0.999	33,065,469	30.27	0.93	313,842	8,983,504	0.999	8,993,515	28.66	0.94
May-13	1,110,637	32,798,198	0.999	32,845,502	29.57	0.93	320,456	8,623,844	0.999	8,636,284	26.95	0.89
Jun-13	1,115,801	33,448,901	0.998	33,515,497	30.04	0.82	321,867	9,017,240	0.998	9,035,195	28.07	0.76
Jul-13	1,110,834	40,458,551	0.997	40,573,820	36.53	0.99	319,728	11,049,899	0.997	11,081,425	34.66	0.95
Aug-13	1,091,707	42,371,466	0.996	42,532,754	38.96	0.92	313,350	11,191,326	0.996	11,234,045	35.85	0.87
Sep-13	1,108,536	31,457,404	0.995	31,622,510	28.53	1.14	320,208	8,615,082	0.995	8,660,427	27.05	1.09
Oct-13	1,100,788	36,669,950	0.993	36,918,564	33.54	1.06	316,909	10,092,734	0.993	10,161,181	32.06	1.04
Nov-13	1,113,914	31,647,938	0.990	31,981,324	28.71	1.02	319,545	8,745,426	0.990	8,837,262	27.66	0.99
Dec-13	1,113,562	28,088,599	0.977	28,746,320	25.81	1.00	320,126	7,916,766	0.977	8,100,866	25.31	1.05
CY2013	13,225,671			419,477,710	31.72		3,805,249			114,010,575	29.96	

Medicaid Dental Rating
Estimated Incurred Claims
Dental Services

Month	Ages 19-20						Total					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	35,552	712,268	1.000	712,268	20.03		2,335,570	67,725,542	1.000	67,725,542	29.00	
Apr-12	39,292	1,019,659	1.000	1,019,659	25.95		2,461,352	72,654,801	1.000	72,654,801	29.52	
May-12	39,789	1,185,105	1.000	1,185,105	29.78		2,460,173	72,961,200	1.000	72,961,200	29.66	
Jun-12	41,957	1,123,095	1.000	1,123,095	26.77		2,503,861	79,640,283	1.000	79,640,283	31.81	
Jul-12	44,241	1,199,801	1.000	1,199,801	27.12		2,529,006	81,861,530	1.000	81,861,530	32.37	
Aug-12	44,134	1,251,525	1.000	1,251,525	28.36		2,507,396	92,735,151	1.000	92,735,151	36.98	
Sep-12	44,583	1,004,685	1.000	1,004,685	22.54		2,492,960	57,757,481	1.000	57,757,481	23.17	
Oct-12	42,378	1,145,716	1.000	1,145,716	27.04		2,472,686	72,005,619	1.000	72,005,619	29.12	
Nov-12	42,554	974,302	1.000	974,302	22.90		2,514,547	65,097,349	1.000	65,097,349	25.89	
Dec-12	42,756	880,598	1.000	880,598	20.60		2,512,948	57,721,607	1.000	57,721,607	22.97	
Jan-13	41,390	1,176,952	1.000	1,177,035	28.44		2,474,874	78,751,170	1.000	78,756,618	31.82	
Feb-13	40,215	946,624	1.000	946,837	23.54		2,446,411	68,039,703	1.000	68,054,711	27.82	
Mar-13	40,047	887,486	1.000	887,834	22.17	1.11	2,419,392	70,513,751	1.000	70,541,923	29.16	1.01
Apr-13	40,261	1,039,313	0.999	1,040,455	25.84	1.00	2,449,328	69,477,088	0.999	69,554,212	28.40	0.96
May-13	42,090	1,092,714	0.999	1,094,290	26.00	0.87	2,501,227	69,269,072	0.999	69,368,987	27.73	0.94
Jun-13	42,025	953,397	0.998	955,300	22.73	0.85	2,504,205	67,998,315	0.998	68,133,829	27.21	0.86
Jul-13	41,333	1,037,856	0.997	1,040,827	25.18	0.93	2,475,799	80,622,122	0.997	80,852,570	32.66	1.01
Aug-13	40,079	1,006,079	0.996	1,009,918	25.20	0.89	2,412,650	83,308,189	0.996	83,626,269	34.66	0.94
Sep-13	42,778	1,028,928	0.995	1,034,377	24.18	1.07	2,473,700	65,423,013	0.995	65,767,112	26.59	1.15
Oct-13	41,411	1,156,853	0.993	1,164,706	28.13	1.04	2,447,918	75,512,375	0.993	76,024,481	31.06	1.07
Nov-13	41,176	913,559	0.990	923,183	22.42	0.98	2,473,328	64,258,826	0.990	64,933,946	26.25	1.01
Dec-13	41,515	881,701	0.977	902,204	21.73	1.06	2,484,062	57,130,230	0.977	58,463,061	23.54	1.02
CY2013	494,320			12,176,965	24.63		29,562,893			854,077,720	28.89	

Medicaid Dental Rating
Estimated Incurred Claims
Orthodontia Services

Month	Under Age 1						Ages 1-5					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	157,803	667	1.000	667	0.00		824,220	1,165	1.000	1,165	0.00	
Apr-12	174,734	1,402	1.000	1,402	0.01		862,283	1,993	1.000	1,993	0.00	
May-12	175,944	954	1.000	954	0.01		858,956	2,239	1.000	2,239	0.00	
Jun-12	185,885	1,268	1.000	1,268	0.01		866,104	1,682	1.000	1,682	0.00	
Jul-12	189,204	601	1.000	601	0.00		869,937	2,610	1.000	2,610	0.00	
Aug-12	183,753	200	1.000	200	0.00		860,826	1,517	1.000	1,517	0.00	
Sep-12	181,717	67	1.000	67	0.00		852,975	133	1.000	133	0.00	
Oct-12	181,020	267	1.000	267	0.00		843,358	517	1.000	517	0.00	
Nov-12	184,697	67	1.000	67	0.00		855,702	67	1.000	67	0.00	
Dec-12	184,605	267	1.000	267	0.00		852,780	200	1.000	200	0.00	
Jan-13	177,230	267	1.000	267	0.00		839,958	517	1.000	517	0.00	
Feb-13	175,057	200	1.000	200	0.00		829,122	817	1.000	817	0.00	
Mar-13	170,685	67	0.999	67	0.00	0.09	820,250	992	0.999	992	0.00	0.86
Apr-13	174,910	200	0.999	200	0.00	0.14	827,928	450	0.999	451	0.00	0.24
May-13	191,076	133	0.999	134	0.00	0.13	836,968	817	0.999	818	0.00	0.37
Jun-13	187,827	383	0.998	384	0.00	0.30	836,685	133	0.998	134	0.00	0.08
Jul-13	171,777	67	0.996	67	0.00	0.12	832,127	1,442	0.996	1,447	0.00	0.58
Aug-13	153,472	0	0.996	0	0.00	0.00	814,041	317	0.995	318	0.00	0.22
Sep-13	181,060	0	0.994	0	0.00	0.00	821,118	371	0.995	373	0.00	2.90
Oct-13	178,470	0	0.993	0	0.00	0.00	810,340	775	0.993	780	0.00	1.57
Nov-13	182,038	0	0.989	0	0.00	0.00	816,655	0	0.989	0	0.00	0.00
Dec-13	181,242	67	0.982	68	0.00	0.26	827,617	350	0.982	357	0.00	1.84
CY2013	2,124,843			1,387	0.00		9,912,810			7,004	0.00	

Medicaid Dental Rating
Estimated Incurred Claims
Orthodontia Services

Month	Ages 6-14						Ages 15-18					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	1,023,379	3,079,432	1.000	3,079,432	3.01		294,616	1,895,194	1.000	1,895,194	6.43	
Apr-12	1,073,753	2,843,768	1.000	2,843,768	2.65		311,290	1,779,431	1.000	1,779,431	5.72	
May-12	1,074,556	2,740,028	1.000	2,740,028	2.55		310,928	1,799,429	1.000	1,799,429	5.79	
Jun-12	1,092,609	2,524,119	1.000	2,524,119	2.31		317,306	1,696,321	1.000	1,696,321	5.35	
Jul-12	1,103,643	2,200,299	1.000	2,200,299	1.99		321,981	1,557,231	1.000	1,557,231	4.84	
Aug-12	1,098,467	2,183,324	1.000	2,183,324	1.99		320,216	1,576,129	1.000	1,576,129	4.92	
Sep-12	1,095,527	1,916,763	1.000	1,916,763	1.75		318,158	1,430,511	1.000	1,430,511	4.50	
Oct-12	1,090,561	2,049,534	1.000	2,049,534	1.88		315,369	1,559,180	1.000	1,559,180	4.94	
Nov-12	1,111,595	1,787,426	1.000	1,787,426	1.61		319,999	1,431,701	1.000	1,431,701	4.47	
Dec-12	1,112,307	1,346,781	1.000	1,346,781	1.21		320,500	1,108,800	1.000	1,108,800	3.46	
Jan-13	1,099,767	1,706,794	1.000	1,706,936	1.55		316,529	1,434,127	1.000	1,434,247	4.53	
Feb-13	1,088,856	1,375,559	1.000	1,375,922	1.26		313,161	1,192,676	1.000	1,192,989	3.81	
Mar-13	1,078,882	1,346,503	1.000	1,347,155	1.25	0.41	309,528	1,190,065	1.000	1,190,646	3.85	0.60
Apr-13	1,092,387	1,348,510	0.999	1,350,135	1.24	0.47	313,842	1,270,292	0.999	1,271,826	4.05	0.71
May-13	1,110,637	1,320,786	0.999	1,322,680	1.19	0.47	320,456	1,239,926	0.999	1,241,702	3.87	0.67
Jun-13	1,115,801	1,141,531	0.998	1,143,959	1.03	0.44	321,867	1,133,594	0.998	1,136,026	3.53	0.66
Jul-13	1,110,834	1,149,006	0.997	1,152,717	1.04	0.52	319,728	1,166,048	0.997	1,169,835	3.66	0.76
Aug-13	1,091,707	991,480	0.996	995,705	0.91	0.46	313,350	1,117,131	0.996	1,121,939	3.58	0.73
Sep-13	1,108,536	840,909	0.994	845,686	0.76	0.44	320,208	967,896	0.994	973,450	3.04	0.68
Oct-13	1,100,788	834,718	0.993	840,762	0.76	0.41	316,909	1,023,822	0.993	1,031,301	3.25	0.66
Nov-13	1,113,914	672,673	0.989	679,925	0.61	0.38	319,545	858,886	0.989	868,302	2.72	0.61
Dec-13	1,113,562	542,971	0.977	555,790	0.50	0.41	320,126	723,167	0.977	740,230	2.31	0.67
CY2013	13,225,671			13,317,371	1.01		3,805,249			13,372,495	3.51	

Medicaid Dental Rating
Estimated Incurred Claims
Orthodontia Services

Month	Ages 19-20						Total					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Mar-12	35,552	55,400	1.000	55,400	1.56		2,335,570	5,031,859	1.000	5,031,859	2.15	
Apr-12	39,292	57,176	1.000	57,176	1.46		2,461,352	4,683,769	1.000	4,683,769	1.90	
May-12	39,789	62,449	1.000	62,449	1.57		2,460,173	4,605,099	1.000	4,605,099	1.87	
Jun-12	41,957	62,552	1.000	62,552	1.49		2,503,861	4,285,942	1.000	4,285,942	1.71	
Jul-12	44,241	57,549	1.000	57,549	1.30		2,529,006	3,818,289	1.000	3,818,289	1.51	
Aug-12	44,134	60,405	1.000	60,405	1.37		2,507,396	3,821,576	1.000	3,821,576	1.52	
Sep-12	44,583	61,791	1.000	61,791	1.39		2,492,960	3,409,266	1.000	3,409,266	1.37	
Oct-12	42,378	65,610	1.000	65,610	1.55		2,472,686	3,675,108	1.000	3,675,108	1.49	
Nov-12	42,554	66,961	1.000	66,961	1.57		2,514,547	3,286,221	1.000	3,286,221	1.31	
Dec-12	42,756	56,813	1.000	56,813	1.33		2,512,948	2,512,861	1.000	2,512,861	1.00	
Jan-13	41,390	69,477	1.000	69,483	1.68		2,474,874	3,211,182	1.000	3,211,451	1.30	
Feb-13	40,215	60,630	1.000	60,647	1.51		2,446,411	2,629,882	1.000	2,630,575	1.08	
Mar-13	40,047	65,069	0.999	65,102	1.63	1.04	2,419,392	2,602,696	1.000	2,603,962	1.08	0.50
Apr-13	40,261	95,618	0.999	95,732	2.38	1.63	2,449,328	2,715,070	0.999	2,718,345	1.11	0.58
May-13	42,090	110,280	0.999	110,432	2.62	1.67	2,501,227	2,671,942	0.999	2,675,766	1.07	0.57
Jun-13	42,025	107,027	0.998	107,292	2.55	1.71	2,504,205	2,382,669	0.998	2,387,794	0.95	0.56
Jul-13	41,333	119,033	0.996	119,486	2.89	2.22	2,475,799	2,435,596	0.997	2,443,551	0.99	0.65
Aug-13	40,079	117,562	0.995	118,137	2.95	2.15	2,412,650	2,226,490	0.996	2,236,099	0.93	0.61
Sep-13	42,778	102,247	0.993	102,934	2.41	1.74	2,473,700	1,911,424	0.994	1,922,443	0.78	0.57
Oct-13	41,411	116,588	0.991	117,624	2.84	1.83	2,447,918	1,975,903	0.993	1,990,467	0.81	0.55
Nov-13	41,176	88,209	0.986	89,464	2.17	1.38	2,473,328	1,619,768	0.989	1,637,692	0.66	0.51
Dec-13	41,515	87,821	0.972	90,310	2.18	1.64	2,484,062	1,354,375	0.977	1,386,756	0.56	0.56
CY2013	494,320			1,146,643	2.32		29,562,893			27,844,900	0.94	

Attachment 3

Exhibit A - Orthodontia Runoff

The number of new orthodontia cases authorized under the program has been significantly reduced as a result of managed care and other HHSC policy changes. However, the MCO's remain financially responsible for orthodontia authorizations approved by HHSC prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take up to three years to complete treatment and account for the majority of the orthodontia claims paid in the base period. The orthodontia runoff payment is expected to decrease every month as the claims complete treatment. Attachment 3 provides details regarding the calculation of the orthodontia runoff rate adjustment factor.

The top portion of the attachment shows actual orthodontia runoff claims experience for the base period. The bottom portion of the attachment shows the projected paid amounts for future months. We have assumed that the number of visits for the orthodontia runoff claims will reduce by 5% each month and that the paid amount per visit will be \$68. Based on these assumptions, we are projecting a reduction of 51.6% for orthodontia runoff services from the base period to FY2015. Exhibit A presents our derivation of the orthodontia runoff adjustment factor.

Exhibit B – Porcelain Crown Policy Change

Effective January 1, 2014, benefits for porcelain crowns were expanded to cover children ages 13 through 16 and pre-molar teeth. As a result, we have assumed that i) utilization of porcelain crown for the front teeth of children ages 13 through 16 will increase and ii) utilization for pre-molar teeth of children ages 13 through 20 will shift from metal crowns to porcelain crowns.

Prior to July 1, 2012, porcelain crowns were available to all Medicaid children. The average utilization of porcelain crowns for the front teeth of children ages 13 through 16 was 115 units per month for the period March 2012 through June 2012. Based on this information and adjusting for growth in the program and pent-up demand, we have assumed that the utilization of porcelain crown for the front teeth of children ages 13 through 16 will be 150 units per month in FY2015. Exhibit B presents the derivation of the porcelain crown benefit change adjustment factor.

Exhibit C – Pay-for-Quality Utilization Adjustment

Effective January 1, 2014, the Pay-for-Quality (P4Q) program places two percent of each dental plan's premium at risk. In order to retain the full two percent of premium, we have assumed that each dental plan will increase preventive service utilization by closing the gap between the attainable goal and the baseline experience (calendar year 2013) by 15% each year for each of the P4Q measurements.

Exhibit C-1 presents the estimated cost increase as a result of the P4Q program. The top of the

exhibit shows the CY2013 baseline period measurement value, attainable goal and cost per member receiving services for each of the P4Q measurements. The middle of the exhibit shows the increase in utilization for each of the P4Q measurements needed to close the gap between the attainable goal and the baseline experience by 15% each year. The bottom of the exhibit shows the estimated increase in cost as a result of the P4Q program.

Exhibit C-2 presents the derivation of the P4Q adjustment factor by redistributing the estimated increase in cost by age groups.

D8670 - Periodic Orthodontic Treatment for Runoff Claims (1)				
Month	Paid Amount	Units	Paid per Unit	Units to Prior Month
201301	2,464,902	37,030	66.57	25.3%
201302	2,008,045	30,200	66.49	-18.4%
201303	1,940,311	29,204	66.44	-3.3%
201304	1,956,202	29,413	66.51	0.7%
201305	1,900,382	28,546	66.57	-2.9%
201306	1,675,299	25,186	66.52	-11.8%
201307	1,707,079	25,634	66.59	1.8%
201308	1,451,335	21,758	66.70	-15.1%
201309	1,232,675	18,457	66.79	-15.2%
201310	1,258,370	18,850	66.76	2.1%
201311	975,137	14,612	66.74	-22.5%
201312	806,899	12,087	66.76	-17.3%
201401	817,771	12,226	66.89	1.1%
CY2013	19,376,634	290,977	66.59	
Projection (2)				
201402	789,800	11,615	68.00	-5.0%
201403	750,310	11,034	68.00	-5.0%
201404	712,794	10,482	68.00	-5.0%
201405	677,154	9,958	68.00	-5.0%
201406	643,297	9,460	68.00	-5.0%
201407	611,132	8,987	68.00	-5.0%
201408	580,575	8,538	68.00	-5.0%
201409	551,547	8,111	68.00	-5.0%
201410	523,969	7,705	68.00	-5.0%
201411	497,771	7,320	68.00	-5.0%
201412	472,882	6,954	68.00	-5.0%
201501	449,238	6,606	68.00	-5.0%
201502	426,776	6,276	68.00	-5.0%
201503	405,437	5,962	68.00	-5.0%
201504	385,166	5,664	68.00	-5.0%
201505	365,907	5,381	68.00	-5.0%
201506	347,612	5,112	68.00	-5.0%
201507	330,231	4,856	68.00	-5.0%
201508	313,720	4,614	68.00	-5.0%
FY2015	5,070,256	74,563	68.00	

Runoff Adjustment Calculation

CY2013	19,376,634	(1) - Ortho Runoff Payment - Actual
FY2015	5,070,256	(2) - Ortho Runoff Payment - Projected
Difference	(14,306,379)	(3) = (1) - (2)
Total Ortho	27,736,997	(4) - Total CY2013 Orthodontia incurred and paid to date claim:
Adjustment %	-51.6%	(5) = (3) / (4)

(1) Includes monthly treatment for orthodontia treatment authorized prior to 3/1/2012

(2) Total Units expected to decrease by 5% every month

Rate per Unit assumed to be \$68.00

FY2015 Medicaid Dental Rating
 Porcelain Crown Benefit Change Adjustment

	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20	Total
Estimated Cost Impact of Porcelain Crown Benefit Change						
Utilization Adj. (1)	0	0	327,278	604,114	0	931,392
Premolar Cost Adj. (2)	0	0	6,002	25,625	11,500	43,127
Total	0	0	333,279	629,740	11,500	974,519
CY2013 Total Dental (Non-Orthodontia) Incurred Claims						
	17,704,117	289,356,691	417,621,913	113,499,670	12,121,463	850,303,854
Rate Adjustment (3)	0.00 %	0.00 %	0.08 %	0.53 %	0.00 %	0.11 %

Footnotes:

- (1) Equals the additional cost due to utilization increase for porcelain crowns on the front teeth for children age 13-16. Assumes an additional 150 units per month.
- (2) Equals the additional cost from re-pricing metal crowns for all pre-molar teeth to the cost of porcelain crown (\$517.44).
- (3) Additional cost divided by CY2013 Total Incurred Claims.

Medicaid Dental
P4Q Utilization Adjustment
Statewide Experience

	Preventive	THStep		Sealants		Total
		New Mem	Existing Mem (1)	Ages 6-9	Ages 10-14	
CY2013 Experience Period						
Total Members	1,575,646	1,489,335	1,576,414	544,823	538,778	
Number of Members Receiving P4Q Services	1,161,480	371,694	814,720	117,819	75,750	
Current Measurement %	73.7%	25.0%	51.7%	21.6%	14.1%	
Attainable Goal	85.0%	40.0%	65.0%	35.0%	30.0%	
Average Cost per Member	147.79	79.19	79.19	136.62	136.62	
15% Incremental Improvement (2)						
Year 1 - CY2014 (i)	1.7%	2.3%	2.0%	2.0%	2.4%	
Year 2 - FY2015 (ii)	1.0%	1.3%	1.1%	1.1%	1.4%	
Total - Percent Increase	2.7%	3.5%	3.1%	3.1%	3.7%	
Total - Member Increase	41,787	52,649	49,338	17,124	20,183	
Estimated P4Q Impact (3)	6,175,721	4,169,044	3,906,843	2,339,585	2,757,428	19,348,622

(1) Composite Rate

(2) Assume each plan will increase utilization by closing gap between attainable goal and current measurement value

(i) $15\% * (\text{attainable goal} - \text{current measurement percent})$

(ii) $15\% * (\text{attainable goal} - \text{current measurement percent} + \text{year 1 increase}) * 8/12$

(3) Total Member Increase * Avg. Cost per Member

FY2015 Medicaid Dental Rating
Pay-for-Quality Utilization Adjustment

	Age <u><1</u>	Age <u>1-5</u>	Age <u>6-14</u>	Age <u>15-18</u>	Age <u>19-20</u>	<u>Total</u>
Estimated Cost Impact of Pay-for-Quality Utilization Increase (1)						
Preventive Services	-	2,216,937	2,992,453	856,086	110,246	6,175,721
THSteps - New Members	204,527	1,424,838	1,918,986	549,805	70,888	4,169,044
THSteps - Existing (composite)	191,129	1,336,521	1,797,219	515,459	66,516	3,906,843
Sealant	-	-	5,097,013	-	-	5,097,013
Total	395,656	4,978,296	11,805,670	1,921,350	247,651	19,348,622
CY2013 Total Dental (Non-Orthodontia) Incurred Claims						
	17,782,681	290,629,789	419,477,710	114,010,575	12,176,965	854,077,720
Rate Adjustment (2)						
	2.22 %	1.71 %	2.81 %	1.69 %	2.03 %	2.27 %

Footnotes:

(1) Equals the additional cost assuming an increase in utilization for 20 months (CY2013 to FY2015) for each of the Pay-for-Quality metrics.

Assumes each plan will close the gap between the attainable goal and the baseline experience value by 15% per year.

(2) Additional cost divided by CY2013 Total Incurred Claims.