

# Rudd and Wisdom, Inc.

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David G. Wilkes, F.S.A.

March 4, 2016

Ms. Rachel Butler  
Chief Actuary  
Health and Human Services Commission  
1100 W. 49th Street  
Austin, Texas 78756

Re: Dual Eligibles Integrated Care Demonstration  
Project - UMCC 529-15-0057-00001A, 529-15-  
0058-00001A, 529-15-0059-00001A, 529-15-  
0060-00001A, 529-15-0061-00001A

Dear Ms. Butler:

This letter amends the report titled State of Texas Medicaid Managed Care Rate Setting Dual Eligibles Integrated Care Demonstration Program State Fiscal Year 2016 and dated June 26, 2015. The amended FY2016 capitation rates were developed using identical methods and assumptions as the rates described in the previous report noted above. The amended rates are assumed to be payable for the period June 1, 2016 through August 31, 2016.

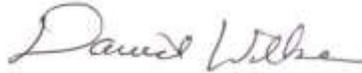
Effective March 1, 2015, HHSC established minimum payment levels for certain non-state government-owned nursing facilities. This program is known as Minimum Payment for Qualified Nursing Facilities, or MPAP. For those facilities approved by the state, the participating MMPs will be required to reimburse these facilities at or above the Medicare payment level. HHSC is implementing a mid-year rate adjustment for STAR+PLUS Nursing Facility clients as a result of changes to the MPAP program. For details regarding the specific MPAP changes and STAR+PLUS rate adjustments, please see the March 4, 2016 letter from Evan Dial.

Because the STAR+PLUS capitation rates are a component of the Dual Eligibles Integrated Care Demonstration (Dual Demonstration) Program rates, this STAR+PLUS rate change directly impacts the Dual Demonstration rates. Attachment 1 presents the Dual Demonstration Program capitation rates effective June 1, 2016 through August 31, 2016. Please note that the only change is to the MPAP portion of the Nursing Facility risk group rates. Also please note that the Dual Demonstration contractual savings factor (2.75% for CY2016) does not apply to MPAP.

Ms. Rachel Butler  
Page Two  
March 2, 2016

Attachment 2 compared the revised Dual Demonstration Program capitation rates to the current rates.

Sincerely,

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

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

DGW:nlg

Enclosures

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David Wilkes

Actuarial Certification of Capitation Rates for the Medicaid Component of the Texas Dual Eligibles Integrated Care Demonstration Project

I, David G. Wilkes, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom, Inc.). 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, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their 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). The capitation rates for the Medicaid component of the Texas Dual Eligibles Integrated Care Demonstration Project are effective for the period June 1, 2016 through August 31, 2016.

I certify that the capitation rates developed by HHSC and Rudd and Wisdom, Inc. and described in this report satisfy the following:

- (a) The capitation rates have been developed in accordance with generally accepted actuarial principles 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, Inc. 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 capitation needs before deciding whether to contract with the State.



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

Dual Eligible Demonstration Project  
 DD Rating Analysis Summary  
 Monthly Medicaid Capitation Rates  
 Effective for the Period: 6/1/2016 - 8/31/2016

	<u>OCC</u>	<u>HCBS</u>	<u>NF</u>	<u>OCC</u>	<u>HCBS</u>	<u>NF</u>
	Base Rates STAR+PLUS Services			Base Rates Acute Care Services		
Bexar	\$ 370.55	\$ 1,804.11	\$ 3,814.06	\$ 92.48	\$ 223.90	\$ 217.41
Dallas	315.05	1,632.93	3,813.23	76.78	191.97	218.35
El Paso	448.02	1,921.98	4,113.85	103.09	238.04	167.10
Harris	318.49	1,779.50	3,711.77	85.63	198.02	250.61
Hidalgo	960.11	2,057.96	4,245.86	119.98	268.30	283.98
Tarrant	235.51	1,552.46	3,657.44	84.81	195.73	201.18

	Base Rates Pharmacy Services			Base Rates All Services		
Bexar	\$ 4.89	\$ 5.57	\$ 2.88	\$ 467.92	\$ 2,033.59	\$ 4,034.34
Dallas	4.02	4.26	2.35	395.85	1,829.15	4,033.93
El Paso	2.86	5.84	4.61	553.97	2,165.86	4,285.56
Harris	5.39	4.76	3.04	409.51	1,982.28	3,965.41
Hidalgo	3.77	5.89	0.95	1,083.86	2,332.14	4,530.78
Tarrant	6.88	9.41	4.66	327.19	1,757.61	3,863.29

Dual Demonstration Savings Assumption: 2.75 % 2.75 % 2.75 %

	Minimum Payment for Qualified Nursing Facilities Add-On*		Final Rates All Services		
Bexar		\$ 1,499.80	\$ 455.06	\$ 1,977.66	\$ 5,423.20
Dallas		1,471.93	384.97	1,778.85	5,394.94
El Paso		0.00	538.74	2,106.30	4,167.70
Harris		1,564.37	398.25	1,927.76	5,420.75
Hidalgo		1,100.52	1,054.06	2,268.02	5,506.71
Tarrant		2,094.91	318.20	1,709.27	5,851.95

\* The Minimum Payment for Qualified Nursing Facilities Add-On is not subject to the Dual Demonstration savings factor .

Dual Eligible Demonstration Project  
 DD Rating Analysis Summary  
 Monthly Medicaid Capitation Rates

	<u>MPAP</u>	<u>OCC</u>	<u>HCBS</u>	<u>NF</u>
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**Rates Effective September 1, 2015 Through May 31, 2016**

Bexar	\$ 786.64	\$ 455.06	\$ 1,977.66	\$ 4,710.04
Dallas	933.81	384.97	1,778.85	4,856.82
El Paso	0.00	538.74	2,106.30	4,167.70
Harris	674.85	398.25	1,927.76	4,531.23
Hidalgo	727.92	1,054.06	2,268.02	5,134.11
Tarrant	754.35	318.20	1,709.27	4,511.39

**Rates Effective June 1, 2016 Through August 31, 2016**

Bexar	\$ 1,499.80	\$ 455.06	\$ 1,977.66	\$ 5,423.20
Dallas	1,471.93	384.97	1,778.85	5,394.94
El Paso	0.00	538.74	2,106.30	4,167.70
Harris	1,564.37	398.25	1,927.76	5,420.75
Hidalgo	1,100.52	1,054.06	2,268.02	5,506.71
Tarrant	2,094.91	318.20	1,709.27	5,851.95