

**STATE OF TEXAS
MEDICAID MANAGED CARE
DENTAL RATE SETTING
FY2017**

Prepared for:
Texas Health and Human Services Commission
Texas Dental Services 529-12-0003 V1.12

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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, 2016 through August 31, 2017 (FY2017) for those Dental Health Managed Organizations (DHMOs) participating in the Texas Medicaid Dental program. This report presents the rating methodology and assumptions used in developing the FY2017 Medicaid Dental premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 30 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, the participating dental plans and the agency's External Quality Review Organization (EQRO):

- Monthly enrollment by age group for each dental plan. This includes historical enrollment since March 2012 and a projection of future enrollment through August 2017. 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 2016. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan. These reports were provided by HHSC.
- Claim lag reports by type of service and by age group for each dental plan for the period September 2012 through February 2016. These reports were provided by the dental plans and include monthly paid claims by month of service.
- Reports from the EQRO summarizing their analysis of the DHMO's encounter claims data.
- Detailed encounter claim files for all dental and orthodontia services for the period September 2013 through February 2016. These reports were provided by HHSC.
- Information from HHSC regarding payment patterns for orthodontia services.
- Pay-for-Quality base period (CY2015) measurements and attainable goal values. This was prepared by the agency's EQRO.

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 as provided by the EQRO. There was satisfactory consistency between the three claims data sources for each of the health plans. Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

In addition, HHSC employs the Institute for Child Health Policy (ICHP) as an External Quality Review Organization. ICHP reviews the encounter data and provides certification of the data quality. Below is an excerpt from the data certification report for the detail encounter period September 1, 2014 through August 31, 2015 (FY2015).

Based on an administrative review, the EQRO considers the required data elements for all DHMOs in the Medicaid dental program to be accurate and complete, meeting the following components of Texas Government Code § 533.0131 for data certification purposes:

- 1. The encounter data for the most recent measurement year are complete, accurate, and reliable.*
- 2. No statistically significant variability in the encounter data is attributable to incompleteness, inaccuracy, or other deficiency as compared to equivalent data for similar populations and when evaluated against professionally accepted standards.*

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2017 (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 as provided by the EQRO. 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, 2015 through December 31, 2015 were developed. These estimates were then projected forward to FY2017 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. The results of this analysis were then combined for all dental plans in order to develop a set of statewide community rates that vary by the following age groups:

- Children Under Age One Year
- Children Ages 1 – 5
- Children Ages 6 – 14
- Children Ages 15 – 18
- Children Ages 19 – 20

Attachment 1 to this report provides a description of the calculation of the FY2017 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. A single trend assumption was used for all age groups in order to reduce fluctuation from year to year and to increase credibility. The annual trend assumption used in the rating analysis was 2.73% for all dental services.

Attachment 3 – Exhibit A provides details regarding the calculation of the trend assumption.

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 years to complete treatment and account for a large portion of the total 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 B provides details regarding the derivation of the orthodontia runoff rate adjustment factor.

Pay-for-Quality Utilization Adjustment

Effective January 1, 2015, 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 2015) by 15% per year for each of the P4Q measurements.

Attachment 3 – Exhibit C presents a summary of the P4Q utilization adjustment factor.

IV. Administrative Fees, Taxes 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 DHMO. The administrative fee amounts were determined based on a review of dental administrative service costs for all the Texas Medicaid and CHIP dental plans and other large Texas dental plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.023 pmpm) and a risk margin (2.0% of premium).

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC has developed a procedure for reimbursing the DHMOs for (i) the ACA Health Insurance Providers Fee, (ii) any applicable federal income tax impact resulting from payment of the ACA Health Insurance Providers Fee and (iii) any applicable state premium tax impact resulting from payment of the ACA Health Insurance Providers Fee. Such reimbursement will be provided based on a CMS-approved methodology.

V. Summary

The chart below presents the resulting statewide FY2017 Medicaid Dental Plan premium rates. Attachment 1 presents the derivation of the premium rates.

	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20
Premium Rate pmpm	11.69	35.00	38.91	38.37	28.40

VI. Actuarial Certification of FY2017 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.

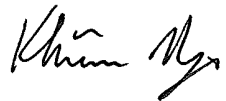
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental Plan premium rates for state fiscal year 2017 (FY2017) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) 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 FY2017 Medicaid Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2017 Medicaid Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2017 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 (\$.023 pmpm).

The bottom of the exhibit presents the projected FY2017 cost based on the above assumptions.

Medicaid Dental FY2017 Rating
 Rating Period: 9/1/2016 - 8/31/2017
 Statewide

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2015 Experience Period												
Member Months	2,275,744		10,428,725		16,731,519		5,144,274		497,823		35,078,085	
Estimated CY2015 Incurred Claims												
Non Ortho - Diagnostic	20,516,773	9.02	123,698,213	11.86	138,958,401	8.31	36,516,503	7.10	2,065,962	4.15	321,755,851	9.17
Non Ortho - Preventive	89,137	0.04	44,892,569	4.30	149,915,335	8.96	34,858,177	6.78	1,713,456	3.44	231,468,674	6.60
Non Ortho - Restorative	11,514	0.01	113,733,002	10.91	218,861,153	13.08	68,366,468	13.29	5,354,570	10.76	406,326,707	11.58
Non Ortho - Other	1,683	0.00	31,357,971	3.01	51,396,699	3.07	28,998,173	5.64	2,511,444	5.04	114,265,970	3.26
Orthodontic	562	0.00	6,997	0.00	1,668,993	0.10	2,909,913	0.57	453,375	0.91	5,039,840	0.14
Total	20,619,669	9.06	313,688,751	30.08	560,800,582	33.52	171,649,234	33.37	12,098,806	24.30	1,078,857,042	30.76
Projected FY2017 Member Months	2,363,376		10,693,374		17,104,055		5,272,368		519,542		35,952,715	
Projected FY2017 Premium												
Current Rates	25,335,395	10.72	375,551,283	35.12	663,808,367	38.81	203,091,630	38.52	15,378,442	29.60	1,283,165,118	35.69
Annual Cost Trend Assumptions												
Non Orthodontia	2.73 %		2.73 %		2.73 %		2.73 %		2.73 %			
Orthodontia	2.73 %		2.73 %		2.73 %		2.73 %		2.73 %			
Non Orthodontia Adjustment Factors												
P4Q Utilization Adjustment	1.000		1.014		1.019		1.013		1.019			
Orthodontia Adjustment Factors												
Runoff Adjustment	0.677		0.677		0.677		0.677		0.677			
Projected FY2017 Incurred Claims												
Non Orthodontia	22,396,223	9.48	341,243,022	31.91	609,031,979	35.61	183,274,847	34.76	12,947,143	24.92	1,168,893,214	32.51
Orthodontia	414	0.00	5,083	0.00	1,208,813	0.07	2,113,014	0.40	335,231	0.65	3,662,554	0.10
Total	22,396,637	9.48	341,248,105	31.91	610,240,791	35.68	185,387,862	35.16	13,282,374	25.57	1,172,555,768	32.61
Administrative Fee	4,135,909	1.75	18,713,404	1.75	29,932,096	1.75	9,226,645	1.75	909,198	1.75	62,917,252	1.75
Risk Margin	552,472	2.00%	7,484,904	2.00%	13,310,587	2.00%	4,046,494	2.00%	295,142	2.00%	25,689,598	2.00%
Premium Tax	483,413	1.75%	6,549,291	1.75%	11,646,763	1.75%	3,540,682	1.75%	258,249	1.75%	22,478,398	1.75%
Maintenance Tax	55,145	0.02	249,512	0.02	399,095	0.02	123,022	0.02	12,123	0.02	838,897	0.02
Projected Total Cost	27,623,575	11.69	374,245,216	35.00	665,529,332	38.91	202,324,705	38.37	14,757,085	28.40	1,284,479,913	35.73
Rate Change %		9.0%		-0.3%		0.3%		-0.4%		-4.0%		0.1%

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, 2016 and estimated incurred claims. The attachment includes separate exhibits for (i) non-orthodontia (dental) services and (ii) orthodontia services. The exhibits also present the experience separated by risk group.

Medicaid Dental Rating
Estimated Incurred Claims
Dental (Non-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
Sep-12	156,363	946,626	1.000	946,626	6.05		575,282	13,158,685	1.000	13,158,685	22.87	
Oct-12	155,990	1,183,748	1.000	1,183,748	7.59		569,638	16,447,327	1.000	16,447,327	28.87	
Nov-12	162,197	1,065,539	1.000	1,065,539	6.57		587,664	15,080,684	1.000	15,080,684	25.66	
Dec-12	184,605	1,058,452	1.000	1,058,452	5.73		852,780	19,363,652	1.000	19,363,652	22.71	
Jan-13	177,230	1,534,888	1.000	1,534,888	8.66		839,958	26,412,415	1.000	26,412,415	31.44	
Feb-13	175,057	1,309,050	1.000	1,309,050	7.48		829,122	23,274,774	1.000	23,274,774	28.07	
Mar-13	170,685	1,399,407	1.000	1,399,407	8.20		820,250	23,553,904	1.000	23,553,904	28.72	
Apr-13	174,910	1,523,160	1.000	1,523,160	8.71		827,928	24,933,427	1.000	24,933,427	30.12	
May-13	191,076	1,620,828	1.000	1,620,828	8.48		836,968	25,147,475	1.000	25,147,475	30.05	
Jun-13	187,827	1,504,044	1.000	1,504,044	8.01		836,685	23,097,064	1.000	23,097,064	27.61	
Jul-13	171,777	1,722,269	1.000	1,722,269	10.03		832,127	26,381,598	1.000	26,381,598	31.70	
Aug-13	153,478	1,618,471	1.000	1,618,471	10.55		814,055	27,152,586	1.000	27,152,586	33.35	
Sep-13	181,042	1,465,408	1.000	1,465,408	8.09	1.337	821,105	22,917,092	1.000	22,917,092	27.91	1.220
Oct-13	178,457	1,602,390	1.000	1,602,390	8.98	1.183	810,306	26,063,326	1.000	26,063,326	32.16	1.114
Nov-13	181,969	1,238,779	1.000	1,238,779	6.81	1.036	816,591	21,843,532	1.000	21,843,532	26.75	1.042
Dec-13	180,429	1,203,756	1.000	1,203,756	6.67	1.164	812,035	19,296,571	1.000	19,296,571	23.76	1.047
Jan-14	162,536	1,494,973	1.000	1,494,973	9.20	1.062	791,506	24,711,874	1.000	24,711,874	31.22	0.993
Feb-14	174,740	1,305,066	1.000	1,305,066	7.47	0.999	786,127	22,470,227	1.000	22,470,227	28.58	1.018
Mar-14	179,523	1,461,907	1.000	1,461,907	8.14	0.993	783,616	24,232,942	1.000	24,232,942	30.92	1.077
Apr-14	189,469	1,557,113	1.000	1,557,113	8.22	0.944	799,218	25,771,574	1.000	25,771,574	32.25	1.071
May-14	190,334	1,515,025	1.000	1,515,025	7.96	0.938	799,590	24,543,533	1.000	24,543,533	30.70	1.022
Jun-14	186,430	1,512,553	1.000	1,512,553	8.11	1.013	810,233	23,007,965	1.000	23,007,965	28.40	1.029
Jul-14	190,579	1,755,838	1.000	1,755,838	9.21	0.919	843,324	27,302,381	1.000	27,302,381	32.37	1.021
Aug-14	187,911	1,654,088	1.000	1,654,088	8.80	0.835	860,434	28,112,288	1.000	28,112,288	32.67	0.980
Sep-14	193,014	1,561,329	1.000	1,561,329	8.09	0.999	876,443	25,871,390	1.000	25,871,390	29.52	1.058
Oct-14	189,689	1,671,011	1.000	1,671,011	8.81	0.981	887,584	28,094,076	1.000	28,094,076	31.65	0.984
Nov-14	188,707	1,262,618	1.000	1,262,618	6.69	0.983	889,942	22,457,988	1.000	22,457,988	25.24	0.943
Dec-14	191,739	1,369,266	1.000	1,369,266	7.14	1.070	894,965	23,300,690	1.000	23,300,690	26.04	1.096
Jan-15	190,127	1,615,166	1.000	1,615,461	8.50	0.924	886,219	26,239,183	1.000	26,245,456	29.62	0.949
Feb-15	186,111	1,355,874	1.000	1,356,161	7.29	0.976	876,987	23,695,587	1.000	23,702,479	27.03	0.946
Mar-15	187,597	1,741,469	1.000	1,741,854	9.29	1.140	871,619	27,353,186	1.000	27,363,287	31.39	1.015
Apr-15	193,585	1,790,098	1.000	1,790,578	9.25	1.125	866,336	27,693,521	1.000	27,705,559	31.98	0.992
May-15	194,428	1,705,795	1.000	1,706,365	8.78	1.103	863,977	25,316,761	1.000	25,329,276	29.32	0.955
Jun-15	193,187	1,895,781	1.000	1,896,454	9.82	1.471	860,838	26,550,558	0.999	26,565,775	30.86	1.299
Jul-15	190,793	2,004,867	1.000	2,005,824	10.51	1.143	861,567	28,281,663	0.999	28,300,954	32.85	1.052
Aug-15	188,582	1,801,775	0.999	1,803,067	9.56	1.280	862,341	27,894,615	0.999	27,920,385	32.38	1.133
Sep-15	188,571	1,791,227	0.999	1,792,992	9.51	1.168	866,465	26,061,206	0.999	26,095,634	30.12	0.974
Oct-15	187,982	1,813,394	0.998	1,816,298	9.66	1.176	869,433	27,294,741	0.998	27,354,458	31.46	0.976
Nov-15	187,253	1,480,370	0.997	1,485,139	7.93	0.996	870,818	23,352,760	0.996	23,451,636	26.93	0.877
Dec-15	187,527	1,592,280	0.990	1,608,914	8.58	1.057	872,125	23,350,601	0.987	23,646,855	27.11	0.955
CY2014	2,224,671			18,120,787	8.15		10,022,982			299,876,927	29.92	
CY2015	2,275,744			20,619,107	9.06	1.112 12	10,428,725			313,681,755	30.08	1.005

Medicaid Dental Rating
Estimated Incurred Claims
Dental (Non-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
Sep-12	685,123	17,259,149	1.000	17,259,149	25.19		198,827	4,873,129	1.000	4,873,129	24.51	
Oct-12	679,462	21,721,102	1.000	21,721,102	31.97		195,946	6,076,066	1.000	6,076,066	31.01	
Nov-12	704,280	20,219,888	1.000	20,219,888	28.71		202,285	5,613,020	1.000	5,613,020	27.75	
Dec-12	1,112,307	28,725,015	1.000	28,725,015	25.82		320,500	7,743,224	1.000	7,743,224	24.16	
Jan-13	1,099,767	39,193,505	1.000	39,193,505	35.64		316,529	10,611,451	1.000	10,611,451	33.52	
Feb-13	1,088,856	33,507,266	1.000	33,507,266	30.77		313,161	9,117,764	1.000	9,117,764	29.12	
Mar-13	1,078,882	35,104,762	1.000	35,104,762	32.54		309,528	9,591,962	1.000	9,591,962	30.99	
Apr-13	1,092,387	33,095,103	1.000	33,095,103	30.30		313,842	8,999,533	1.000	8,999,533	28.68	
May-13	1,110,637	32,832,537	1.000	32,832,537	29.56		320,456	8,643,542	1.000	8,643,542	26.97	
Jun-13	1,115,801	33,467,730	1.000	33,467,730	29.99		321,867	9,026,327	1.000	9,026,327	28.04	
Jul-13	1,110,834	40,514,809	1.000	40,514,809	36.47		319,728	11,065,362	1.000	11,065,362	34.61	
Aug-13	1,091,716	42,420,937	1.000	42,420,937	38.86		313,350	11,206,486	1.000	11,206,486	35.76	
Sep-13	1,108,520	31,554,199	1.000	31,554,199	28.47	1.130	320,198	8,634,636	1.000	8,634,636	26.97	1.100
Oct-13	1,100,800	36,763,369	1.000	36,763,369	33.40	1.045	316,895	10,120,321	1.000	10,120,321	31.94	1.030
Nov-13	1,113,901	31,826,077	1.000	31,826,077	28.57	0.995	319,509	8,795,799	1.000	8,795,799	27.53	0.992
Dec-13	1,117,879	28,441,741	1.000	28,441,741	25.44	0.985	321,919	8,029,366	1.000	8,029,366	24.94	1.032
Jan-14	1,092,377	37,109,046	1.000	37,109,046	33.97	0.953	313,801	10,266,550	1.000	10,266,550	32.72	0.976
Feb-14	1,094,537	33,774,408	1.000	33,774,408	30.86	1.003	315,020	9,127,777	1.000	9,127,777	28.98	0.995
Mar-14	1,096,117	38,719,238	1.000	38,719,238	35.32	1.086	315,248	10,548,360	1.000	10,548,360	33.46	1.080
Apr-14	1,142,616	37,566,804	1.000	37,566,804	32.88	1.085	330,889	10,382,186	1.000	10,382,186	31.38	1.094
May-14	1,166,219	35,906,922	1.000	35,906,922	30.79	1.042	341,154	10,081,862	1.000	10,081,862	29.55	1.096
Jun-14	1,205,185	38,809,149	1.000	38,809,149	32.20	1.074	355,711	11,339,391	1.000	11,339,391	31.88	1.137
Jul-14	1,267,063	48,230,808	1.000	48,230,808	38.07	1.044	376,205	14,228,270	1.000	14,228,270	37.82	1.093
Aug-14	1,308,451	51,380,187	1.000	51,380,187	39.27	1.011	390,670	14,973,302	1.000	14,973,302	38.33	1.072
Sep-14	1,348,059	41,869,900	1.000	41,869,900	31.06	1.091	404,271	12,130,561	1.000	12,130,561	30.01	1.113
Oct-14	1,379,359	46,533,934	1.000	46,533,934	33.74	1.010	415,076	13,624,587	1.000	13,624,587	32.82	1.028
Nov-14	1,395,833	39,164,384	1.000	39,164,384	28.06	0.982	421,941	11,969,564	1.000	11,969,564	28.37	1.030
Dec-14	1,415,629	40,386,618	1.000	40,386,618	28.53	1.121	430,462	12,450,282	1.000	12,450,282	28.92	1.160
Jan-15	1,412,390	46,219,200	1.000	46,229,966	32.73	0.964	430,255	13,863,736	1.000	13,867,545	32.23	0.985
Feb-15	1,404,657	42,062,822	1.000	42,074,706	29.95	0.971	429,462	12,587,980	1.000	12,592,448	29.32	1.012
Mar-15	1,394,431	50,086,705	1.000	50,104,691	35.93	1.017	427,773	15,187,716	1.000	15,194,685	35.52	1.062
Apr-15	1,385,375	46,521,421	1.000	46,541,157	33.59	1.022	425,442	14,109,794	0.999	14,117,544	33.18	1.058
May-15	1,380,372	41,494,058	1.000	41,513,585	30.07	0.977	425,214	12,171,203	0.999	12,178,312	28.64	0.969
Jun-15	1,377,664	47,940,898	0.999	47,967,423	34.82	1.368	424,896	14,558,039	0.999	14,567,862	34.29	1.375
Jul-15	1,377,596	52,165,758	0.999	52,199,860	37.89	1.115	424,333	15,950,694	0.999	15,962,993	37.62	1.150
Aug-15	1,380,600	53,172,531	0.999	53,219,512	38.55	1.249	425,833	16,212,839	0.999	16,229,241	38.11	1.315
Sep-15	1,391,303	44,893,324	0.999	44,951,244	32.31	0.915	428,452	13,274,546	0.999	13,294,087	31.03	0.927
Oct-15	1,400,765	48,310,163	0.998	48,415,370	34.56	1.051	430,866	14,215,873	0.998	14,250,768	33.07	1.054
Nov-15	1,409,461	42,099,148	0.996	42,280,480	30.00	0.974	434,656	12,849,867	0.995	12,911,887	29.71	1.005
Dec-15	1,416,905	43,074,123	0.987	43,633,595	30.79	0.956	437,092	13,383,221	0.986	13,571,948	31.05	0.974
CY2014	14,911,445			489,451,400	32.82		4,410,448			141,122,690	32.00	
CY2015	16,731,519			559,131,589	33.42	1.018	5,144,274			168,739,321	32.80	1.025

Medicaid Dental Rating
Estimated Incurred Claims
Dental (Non-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
Sep-12	31,204	759,183	1.000	759,183	24.33		1,646,799	36,996,772	1.000	36,996,772	22.47	
Oct-12	29,306	861,817	1.000	861,817	29.41		1,630,342	46,290,061	1.000	46,290,061	28.39	
Nov-12	29,728	745,559	1.000	745,559	25.08		1,686,154	42,724,691	1.000	42,724,691	25.34	
Dec-12	42,756	881,515	1.000	881,515	20.62		2,512,948	57,771,859	1.000	57,771,859	22.99	
Jan-13	41,390	1,180,725	1.000	1,180,725	28.53		2,474,874	78,932,984	1.000	78,932,984	31.89	
Feb-13	40,215	953,919	1.000	953,919	23.72		2,446,411	68,162,774	1.000	68,162,774	27.86	
Mar-13	40,047	891,367	1.000	891,367	22.26		2,419,392	70,541,402	1.000	70,541,402	29.16	
Apr-13	40,261	1,042,911	1.000	1,042,911	25.90		2,449,328	69,594,134	1.000	69,594,134	28.41	
May-13	42,090	1,095,191	1.000	1,095,191	26.02		2,501,227	69,339,574	1.000	69,339,574	27.72	
Jun-13	42,025	961,757	1.000	961,757	22.89		2,504,205	68,056,921	1.000	68,056,921	27.18	
Jul-13	41,333	1,043,464	1.000	1,043,464	25.25		2,475,799	80,727,502	1.000	80,727,502	32.61	
Aug-13	40,087	1,016,069	1.000	1,016,069	25.35		2,412,686	83,414,549	1.000	83,414,549	34.57	
Sep-13	42,784	1,036,897	1.000	1,036,897	24.24	0.996	2,473,649	65,608,232	1.000	65,608,232	26.52	1.181
Oct-13	41,415	1,165,405	1.000	1,165,405	28.14	0.957	2,447,873	75,714,811	1.000	75,714,811	30.93	1.089
Nov-13	41,182	932,743	1.000	932,743	22.65	0.903	2,473,152	64,636,929	1.000	64,636,929	26.14	1.031
Dec-13	40,969	906,521	1.000	906,521	22.13	1.073	2,473,231	57,877,956	1.000	57,877,956	23.40	1.018
Jan-14	38,625	996,170	1.000	996,170	25.79	0.904	2,398,845	74,578,613	1.000	74,578,613	31.09	0.975
Feb-14	38,487	851,295	1.000	851,295	22.12	0.932	2,408,911	67,528,773	1.000	67,528,773	28.03	1.006
Mar-14	38,556	910,933	1.000	910,933	23.63	1.061	2,413,060	75,873,380	1.000	75,873,380	31.44	1.078
Apr-14	39,500	1,037,936	1.000	1,037,936	26.28	1.014	2,501,692	76,315,613	1.000	76,315,613	30.51	1.074
May-14	40,538	1,040,710	1.000	1,040,710	25.67	0.987	2,537,835	73,088,052	1.000	73,088,052	28.80	1.039
Jun-14	40,848	963,335	1.000	963,335	23.58	1.031	2,598,407	75,632,393	1.000	75,632,393	29.11	1.071
Jul-14	42,512	1,046,049	1.000	1,046,049	24.61	0.975	2,719,683	92,563,346	1.000	92,563,346	34.03	1.044
Aug-14	43,384	1,051,159	1.000	1,051,159	24.23	0.956	2,790,850	97,171,024	1.000	97,171,024	34.82	1.007
Sep-14	44,473	1,044,079	1.000	1,044,079	23.48	0.969	2,866,260	82,477,259	1.000	82,477,259	28.78	1.085
Oct-14	44,057	1,103,955	1.000	1,103,955	25.06	0.890	2,915,765	91,027,563	1.000	91,027,563	31.22	1.009
Nov-14	43,132	853,869	1.000	853,869	19.80	0.874	2,939,555	75,708,423	1.000	75,708,423	25.76	0.985
Dec-14	43,107	901,091	1.000	901,091	20.90	0.945	2,975,902	78,407,947	1.000	78,407,947	26.35	1.126
Jan-15	42,075	1,022,300	1.000	1,022,624	24.30	0.942	2,961,066	88,959,586	1.000	88,981,052	30.05	0.967
Feb-15	40,335	816,908	1.000	817,194	20.26	0.916	2,937,552	80,519,171	1.000	80,542,988	27.42	0.978
Mar-15	40,671	974,151	0.999	974,640	23.96	1.014	2,922,091	95,343,228	1.000	95,379,155	32.64	1.038
Apr-15	40,401	1,038,255	0.999	1,038,883	25.71	0.979	2,911,139	91,153,089	1.000	91,193,721	31.33	1.027
May-15	40,996	927,223	0.999	927,832	22.63	0.882	2,904,987	81,615,040	1.000	81,655,371	28.11	0.976
Jun-15	41,042	957,551	0.999	958,361	23.35	1.055	2,897,627	91,902,826	0.999	91,955,875	31.73	1.356
Jul-15	42,215	1,057,749	0.999	1,058,689	25.08	0.972	2,896,505	99,460,731	0.999	99,528,319	34.36	1.105
Aug-15	42,445	980,361	0.999	981,396	23.12	1.045	2,899,802	100,062,121	0.999	100,153,601	34.54	1.232
Sep-15	42,929	1,063,745	0.998	1,065,383	24.82	1.050	2,917,720	87,084,048	0.999	87,199,341	29.89	0.950
Oct-15	42,642	1,027,519	0.997	1,030,247	24.16	0.919	2,931,688	92,661,690	0.998	92,867,141	31.68	1.038
Nov-15	41,233	894,485	0.995	899,149	21.81	0.849	2,943,421	80,676,629	0.996	81,028,291	27.53	0.956
Dec-15	40,839	858,689	0.986	871,034	21.33	0.904	2,954,488	82,258,914	0.987	83,332,346	28.21	0.969
CY2014	497,219			11,800,580	23.73		32,066,765			960,372,386	29.95	
CY2015	497,823			11,645,431	23.39	0.986 14	35,078,085			1,073,817,202	30.61	1.022

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
Sep-12	156,363	66	1.000	66	0.00		575,282	133	1.000	133	0.00	
Oct-12	155,990	264	1.000	264	0.00		569,638	317	1.000	317	0.00	
Nov-12	162,197	66	1.000	66	0.00		587,664	67	1.000	67	0.00	
Dec-12	184,605	264	1.000	264	0.00		852,780	200	1.000	200	0.00	
Jan-13	177,230	264	1.000	264	0.00		839,958	517	1.000	517	0.00	
Feb-13	175,057	198	1.000	198	0.00		829,122	817	1.000	817	0.00	
Mar-13	170,685	66	1.000	66	0.00		820,250	992	1.000	992	0.00	
Apr-13	174,910	198	1.000	198	0.00		827,928	450	1.000	450	0.00	
May-13	191,076	132	1.000	132	0.00		836,968	817	1.000	817	0.00	
Jun-13	187,827	379	1.000	379	0.00		836,685	133	1.000	133	0.00	
Jul-13	171,777	66	1.000	66	0.00		832,127	1,442	1.000	1,442	0.00	
Aug-13	153,478	0	1.000	0	0.00		814,055	317	1.000	317	0.00	
Sep-13	181,042	0	1.000	0	0.00	-	821,105	175	1.000	175	0.00	0.919
Oct-13	178,457	0	1.000	0	0.00	-	810,306	775	1.000	775	0.00	1.720
Nov-13	181,969	0	1.000	0	0.00	-	816,591	0	1.000	0	0.00	-
Dec-13	180,429	66	1.000	66	0.00	0.256	812,035	350	1.000	350	0.00	1.836
Jan-14	162,536	0	1.000	0	0.00	-	791,506	422	1.000	422	0.00	0.865
Feb-14	174,740	0	1.000	0	0.00	-	786,127	348	1.000	348	0.00	0.449
Mar-14	179,523	66	1.000	66	0.00	0.951	783,616	500	1.000	500	0.00	0.528
Apr-14	189,469	0	1.000	0	0.00	-	799,218	875	1.000	875	0.00	2.013
May-14	190,334	313	1.000	313	0.00	2.382	799,590	2,234	1.000	2,234	0.00	2.863
Jun-14	186,430	0	1.000	0	0.00	-	810,233	696	1.000	696	0.00	5.384
Jul-14	190,579	0	1.000	0	0.00	-	843,324	500	1.000	500	0.00	0.342
Aug-14	187,911	0	1.000	0	0.00	-	860,434	317	1.000	317	0.00	0.946
Sep-14	193,014	0	1.000	0	0.00	-	876,443	317	1.000	317	0.00	1.696
Oct-14	189,689	0	1.000	0	0.00	-	887,584	567	1.000	567	0.00	0.668
Nov-14	188,707	494	1.000	494	0.00	-	889,942	667	1.000	667	0.00	-
Dec-14	191,739	0	1.000	0	0.00	-	894,965	242	1.000	242	0.00	0.627
Jan-15	190,127	0	1.000	0	0.00	-	886,219	500	0.997	501	0.00	1.062
Feb-15	186,111	0	1.000	0	0.00	-	876,987	267	0.997	267	0.00	0.689
Mar-15	187,597	0	1.000	0	0.00	-	871,619	500	0.997	502	0.00	0.902
Apr-15	193,585	0	1.000	0	0.00	-	866,336	567	0.997	569	0.00	0.600
May-15	194,428	0	1.000	0	0.00	-	863,977	384	0.996	385	0.00	0.160
Jun-15	193,187	313	0.996	314	0.00	4.451	860,838	887	0.997	890	0.00	2.398
Jul-15	190,793	247	0.995	248	0.00	-	861,567	567	0.995	569	0.00	1.241
Aug-15	188,582	0	1.000	0	0.00	-	862,341	250	0.994	251	0.00	0.659
Sep-15	188,571	0	1.000	0	0.00	-	866,465	250	0.993	252	0.00	0.455
Oct-15	187,982	0	1.000	0	0.00	-	869,433	1,897	0.990	1,916	0.00	2.013
Nov-15	187,253	0	1.000	0	0.00	-	870,818	625	0.982	637	0.00	0.262
Dec-15	187,527	0	1.000	0	0.00	-	872,125	250	0.972	257	0.00	0.343
CY2014	2,224,671			872	0.00		10,022,982			7,683	0.00	
CY2015	2,275,744			562	0.00	0.630	10,428,725			6,997	0.00	0.875

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
Sep-12	685,123	1,055,454	1.000	1,055,454	1.54		198,827	837,116	1.000	837,116	4.21	
Oct-12	679,462	1,136,867	1.000	1,136,867	1.67		195,946	925,039	1.000	925,039	4.72	
Nov-12	704,280	1,007,963	1.000	1,007,963	1.43		202,285	844,109	1.000	844,109	4.17	
Dec-12	1,112,307	1,327,544	1.000	1,327,544	1.19		320,500	1,091,332	1.000	1,091,332	3.41	
Jan-13	1,099,767	1,690,105	1.000	1,690,105	1.54		316,529	1,420,975	1.000	1,420,975	4.49	
Feb-13	1,088,856	1,369,809	1.000	1,369,809	1.26		313,161	1,183,357	1.000	1,183,357	3.78	
Mar-13	1,078,882	1,336,892	1.000	1,336,892	1.24		309,528	1,181,198	1.000	1,181,198	3.82	
Apr-13	1,092,387	1,335,085	1.000	1,335,085	1.22		313,842	1,258,309	1.000	1,258,309	4.01	
May-13	1,110,637	1,301,737	1.000	1,301,737	1.17		320,456	1,219,749	1.000	1,219,749	3.81	
Jun-13	1,115,801	1,135,889	1.000	1,135,889	1.02		321,867	1,123,144	1.000	1,123,144	3.49	
Jul-13	1,110,834	1,140,413	1.000	1,140,413	1.03		319,728	1,157,821	1.000	1,157,821	3.62	
Aug-13	1,091,716	989,372	1.000	989,372	0.91		313,350	1,110,408	1.000	1,110,408	3.54	
Sep-13	1,108,520	845,219	1.000	845,219	0.76	0.495	320,198	968,066	1.000	968,066	3.02	0.718
Oct-13	1,100,800	849,239	1.000	849,239	0.77	0.461	316,895	1,047,383	1.000	1,047,383	3.31	0.700
Nov-13	1,113,901	690,894	1.000	690,894	0.62	0.433	319,509	870,727	1.000	870,727	2.73	0.653
Dec-13	1,117,879	563,742	1.000	563,742	0.50	0.423	321,919	755,310	1.000	755,310	2.35	0.689
Jan-14	1,092,377	672,838	1.000	672,838	0.62	0.401	313,801	963,138	1.000	963,138	3.07	0.684
Feb-14	1,094,537	548,285	1.000	548,285	0.50	0.398	315,020	823,750	1.000	823,750	2.61	0.692
Mar-14	1,096,117	501,554	1.000	501,554	0.46	0.369	315,248	804,205	1.000	804,205	2.55	0.668
Apr-14	1,142,616	447,284	1.000	447,284	0.39	0.320	330,889	726,493	1.000	726,493	2.20	0.548
May-14	1,166,219	418,589	1.000	418,589	0.36	0.306	341,154	681,623	1.000	681,623	2.00	0.525
Jun-14	1,205,185	358,096	1.000	358,096	0.30	0.292	355,711	623,171	1.000	623,171	1.75	0.502
Jul-14	1,267,063	344,955	1.000	344,955	0.27	0.265	376,205	603,914	1.000	603,914	1.61	0.443
Aug-14	1,308,451	287,870	1.000	287,870	0.22	0.243	390,670	514,013	1.000	514,013	1.32	0.371
Sep-14	1,348,059	254,328	1.000	254,328	0.19	0.247	404,271	407,611	1.000	407,611	1.01	0.333
Oct-14	1,379,359	250,775	1.000	250,775	0.18	0.236	415,076	426,631	1.000	426,631	1.03	0.311
Nov-14	1,395,833	189,010	1.000	189,010	0.14	0.218	421,941	348,770	1.000	348,770	0.83	0.303
Dec-14	1,415,629	171,962	1.000	171,962	0.12	0.241	430,462	346,604	1.000	346,604	0.81	0.343
Jan-15	1,412,390	195,150	0.998	195,545	0.14	0.225	430,255	382,336	0.998	383,181	0.89	0.290
Feb-15	1,404,657	160,663	0.998	160,993	0.11	0.229	429,462	315,892	0.998	316,596	0.74	0.282
Mar-15	1,394,431	154,179	0.998	154,549	0.11	0.242	427,773	290,042	0.997	290,797	0.68	0.266
Apr-15	1,385,375	152,261	0.997	152,680	0.11	0.282	425,442	296,484	0.997	297,375	0.70	0.318
May-15	1,380,372	138,180	0.997	138,639	0.10	0.280	425,214	254,260	0.996	255,157	0.60	0.300
Jun-15	1,377,664	144,082	0.997	144,582	0.10	0.208	424,896	243,865	0.996	244,770	0.58	0.246
Jul-15	1,377,596	121,983	0.996	122,477	0.09	0.144	424,333	227,527	0.996	228,536	0.54	0.175
Aug-15	1,380,600	128,431	0.995	129,051	0.09	0.187	425,833	207,143	0.995	208,212	0.49	0.187
Sep-15	1,391,303	117,389	0.994	118,121	0.08	0.186	428,452	194,540	0.993	195,835	0.46	0.179
Oct-15	1,400,765	136,699	0.991	137,997	0.10	0.252	430,866	189,655	0.990	191,509	0.44	0.202
Nov-15	1,409,461	110,174	0.985	111,905	0.08	0.221	434,656	145,811	0.985	148,013	0.34	0.170
Dec-15	1,416,905	99,013	0.966	102,454	0.07	0.243	437,092	145,153	0.968	149,931	0.34	0.196
CY2014	14,911,445			4,445,545	0.30		4,410,448			7,269,923	1.65	
CY2015	16,731,519			1,668,993	0.10	0.335	5,144,274			2,909,913	0.57	0.343

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
Sep-12	31,204	40,654	1.000	40,654	1.30		1,646,799	1,933,424	1.000	1,933,424	1.17	
Oct-12	29,306	38,206	1.000	38,206	1.30		1,630,342	2,100,693	1.000	2,100,693	1.29	
Nov-12	29,728	43,243	1.000	43,243	1.45		1,686,154	1,895,448	1.000	1,895,448	1.12	
Dec-12	42,756	51,849	1.000	51,849	1.21		2,512,948	2,471,189	1.000	2,471,189	0.98	
Jan-13	41,390	65,152	1.000	65,152	1.57		2,474,874	3,177,013	1.000	3,177,013	1.28	
Feb-13	40,215	57,212	1.000	57,212	1.42		2,446,411	2,611,392	1.000	2,611,392	1.07	
Mar-13	40,047	60,407	1.000	60,407	1.51		2,419,392	2,579,555	1.000	2,579,555	1.07	
Apr-13	40,261	84,679	1.000	84,679	2.10		2,449,328	2,678,721	1.000	2,678,721	1.09	
May-13	42,090	100,455	1.000	100,455	2.39		2,501,227	2,622,890	1.000	2,622,890	1.05	
Jun-13	42,025	97,851	1.000	97,851	2.33		2,504,205	2,357,397	1.000	2,357,397	0.94	
Jul-13	41,333	111,853	1.000	111,853	2.71		2,475,799	2,411,595	1.000	2,411,595	0.97	
Aug-13	40,087	112,330	1.000	112,330	2.80		2,412,686	2,212,427	1.000	2,212,427	0.92	
Sep-13	42,784	101,328	1.000	101,328	2.37	1.818	2,473,649	1,914,788	1.000	1,914,788	0.77	0.659
Oct-13	41,415	118,247	1.000	118,247	2.86	2.190	2,447,873	2,015,645	1.000	2,015,645	0.82	0.639
Nov-13	41,182	90,249	1.000	90,249	2.19	1.507	2,473,152	1,651,869	1.000	1,651,869	0.67	0.594
Dec-13	40,969	92,789	1.000	92,789	2.26	1.868	2,473,231	1,412,256	1.000	1,412,256	0.57	0.581
Jan-14	38,625	112,050	1.000	112,050	2.90	1.843	2,398,845	1,748,447	1.000	1,748,447	0.73	0.568
Feb-14	38,487	104,593	1.000	104,593	2.72	1.910	2,408,911	1,476,977	1.000	1,476,977	0.61	0.574
Mar-14	38,556	102,108	1.000	102,108	2.65	1.756	2,413,060	1,408,433	1.000	1,408,433	0.58	0.547
Apr-14	39,500	86,852	1.000	86,852	2.20	1.045	2,501,692	1,261,504	1.000	1,261,504	0.50	0.461
May-14	40,538	81,671	1.000	81,671	2.01	0.844	2,537,835	1,184,429	1.000	1,184,429	0.47	0.445
Jun-14	40,848	79,349	1.000	79,349	1.94	0.834	2,598,407	1,061,312	1.000	1,061,312	0.41	0.434
Jul-14	42,512	76,616	1.000	76,616	1.80	0.666	2,719,683	1,025,985	1.000	1,025,985	0.38	0.387
Aug-14	43,384	70,712	1.000	70,712	1.63	0.582	2,790,850	872,911	1.000	872,911	0.31	0.341
Sep-14	44,473	60,066	1.000	60,066	1.35	0.570	2,866,260	722,321	1.000	722,321	0.25	0.326
Oct-14	44,057	61,053	1.000	61,053	1.39	0.485	2,915,765	739,026	1.000	739,026	0.25	0.308
Nov-14	43,132	50,931	1.000	50,931	1.18	0.539	2,939,555	589,870	1.000	589,870	0.20	0.300
Dec-14	43,107	49,950	1.000	49,950	1.16	0.512	2,975,902	568,758	1.000	568,758	0.19	0.335
Jan-15	42,075	56,656	0.998	56,787	1.35	0.465	2,961,066	634,642	0.998	636,015	0.21	0.295
Feb-15	40,335	43,843	0.998	43,940	1.09	0.401	2,937,552	520,665	0.998	521,797	0.18	0.290
Mar-15	40,671	44,315	0.997	44,436	1.09	0.413	2,922,091	489,035	0.997	490,284	0.17	0.287
Apr-15	40,401	39,409	0.997	39,527	0.98	0.445	2,911,139	488,721	0.997	490,151	0.17	0.334
May-15	40,996	40,175	0.996	40,316	0.98	0.488	2,904,987	432,998	0.997	434,497	0.15	0.320
Jun-15	41,042	36,827	0.996	36,969	0.90	0.398	2,897,627	425,974	0.996	427,525	0.15	0.258
Jul-15	42,215	35,951	0.995	36,114	0.86	0.295	2,896,505	386,275	0.996	387,944	0.13	0.184
Aug-15	42,445	34,793	0.995	34,978	0.82	0.303	2,899,802	370,617	0.995	372,492	0.13	0.210
Sep-15	42,929	31,875	0.993	32,084	0.75	0.282	2,917,720	344,053	0.994	346,292	0.12	0.203
Oct-15	42,642	31,124	0.990	31,430	0.74	0.335	2,931,688	359,375	0.990	362,853	0.12	0.245
Nov-15	41,233	25,687	0.986	26,061	0.63	0.314	2,943,421	282,297	0.985	286,616	0.10	0.209
Dec-15	40,839	29,786	0.969	30,733	0.75	0.387	2,954,488	274,202	0.968	283,375	0.10	0.235
CY2014	497,219			935,949	1.88		32,066,765			12,659,973	0.39	
CY2015	497,823			453,375	0.91	0.484	35,078,085			5,039,840	0.14	0.364

Attachment 3

Exhibit A – Trend Analysis

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. A single trend assumption was used for all age groups in order to reduce fluctuation from year to year and to increase credibility.

The trend analysis included a review of dental plan claims experience for non-orthodontia service through February 29, 2016. Orthodontia claims experience were excluded from the trend analysis in order to not skew results due to policy changes that resulted in large reductions to orthodontia claims experience. All historical trends were calculated as the average cost per member per month during a specified time period (quarterly) and compared to the same time period from the prior year.

The historical quarterly cost per member per month were calculated and adjusted for case-mix differences using members in CY2015Q4 as weights. The annual trend assumption was selected based on the simple average of the past eight calendar quarter trends excluding the high and low. Based on this, the annual trend assumption used in the rating analysis was 2.73% for all dental services.

Exhibit B - 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 years to complete treatment and account for a large portion of the total 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 B 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 CY2015 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 5.5% each month and that the paid amount per visit will be \$66.75. The monthly reduction in the number of visit was selected based on the average monthly reduction for the past 12 months and the paid amount per visit was selected based on the average paid per visit experience in the CY2015 base period. Based on these assumptions, we are projecting a reduction of 32.3% to the total orthodontia services from the base period to FY2017.

Exhibit C – Pay-for-Quality Utilization Adjustment

The Medicaid Dental P4Q Program is based on the concept of incremental improvement where each dental plan is (1) incentivized to improve its own quality performance each year and (2) evaluated based on its success in achieving such improvement. A gap closure approach to each P4Q quality measure is used where a minimum threshold is set, establishing a minimum quality score at which health plans become eligible to earn positive quality points. Health plans with scores below the minimum threshold for a measure will not be eligible to earn positive points for incremental improvement, but will not be penalized as long as they show year-to-year improvement in the measure. An attainment goal is specified which represents a recognized level of excellence for the specific quality measure. Both minimum thresholds and attainment goals are determined at the discretion of HHSC.

The Medicaid Dental P4Q measures include:

1. Preventive Dental Services
2. Texas Health Steps Dental Checkups
3. Texas Health Steps Checkups after Enrollment
4. Sealant Measure

Each health plan is expected to close the gap between the attainment goal and the health plan's baseline performance by 15 percent each year. This 15 percent annual gap closure target is not referring to a 15 percentage point annual increase in the measure, but is 15 percent of the difference between the attainment goal and the health plan's baseline performance. For example, if a health plan's current performance is 60 percent for the measure and the attainment goal is 70 percent, the gap is 70 percent - 60 percent or 10 percentage points. Correspondingly, 15 percent of the gap equals 0.15×10 percentage points or 1.5 percentage points. The 15 percent annual gap closure target will be achieved if the health plan improves from 60 percent to 61.5 percent on the measure.

Effective January 1, 2015, 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 2015) by 15% per 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 CY2015 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% per 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 group.

Medicaid Dental FY2017 Rating
 Statewide Non-Orthodontia Service Experience
 Trend Analysis

Quarter	Member Months					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	522,972	2,489,330	3,267,505	939,218	121,652	7,340,677
CY2013Q2	553,813	2,501,581	3,318,825	956,165	124,376	7,454,760
CY2013Q3	506,297	2,467,287	3,311,070	953,276	124,204	7,362,134
CY2013Q4	540,855	2,438,932	3,332,580	958,323	123,566	7,394,256
CY2014Q1	516,799	2,361,249	3,283,031	944,069	115,668	7,220,816
CY2014Q2	566,233	2,409,041	3,514,020	1,027,754	120,886	7,637,934
CY2014Q3	571,504	2,580,201	3,923,573	1,171,146	130,369	8,376,793
CY2014Q4	570,135	2,672,491	4,190,821	1,267,479	130,296	8,831,222
CY2015Q1	563,835	2,634,825	4,211,478	1,287,490	123,081	8,820,709
CY2015Q2	581,200	2,591,151	4,143,411	1,275,552	122,439	8,713,753
CY2015Q3	567,947	2,590,373	4,149,499	1,278,618	127,590	8,714,026
CY2015Q4	562,763	2,612,376	4,227,131	1,302,614	124,713	8,829,597

Quarter	Estimated Incurred Claims					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	4,246,650	73,239,013	107,804,985	29,320,493	3,025,915	217,637,057
CY2013Q2	4,651,652	73,175,886	99,394,865	26,668,781	3,099,760	206,990,944
CY2013Q3	4,809,891	76,449,104	114,489,363	30,905,764	3,096,331	229,750,453
CY2013Q4	4,048,075	67,201,521	97,030,693	26,944,859	3,004,573	198,229,720
CY2014Q1	4,265,265	71,413,014	109,602,134	29,941,989	2,758,310	217,980,712
CY2014Q2	4,588,262	73,320,990	112,282,305	31,802,697	3,041,883	225,036,137
CY2014Q3	4,975,127	81,283,749	141,480,176	41,331,169	3,141,187	272,211,408
CY2014Q4	4,306,246	73,850,656	126,084,296	38,043,547	2,858,823	245,143,567
CY2015Q1	4,717,147	77,309,026	138,408,659	41,653,707	2,814,367	264,902,906
CY2015Q2	5,397,597	79,598,349	136,021,473	40,862,767	2,924,983	264,805,169
CY2015Q3	5,606,245	82,314,635	150,369,852	45,485,261	3,105,369	286,881,361
CY2015Q4	4,914,175	74,450,834	134,328,761	40,733,654	2,800,340	257,227,766

Quarter	PMPM - Actual					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	8.12	29.42	32.99	31.22	24.87	29.65
CY2013Q2	8.40	29.25	29.95	27.89	24.92	27.77
CY2013Q3	9.50	30.99	34.58	32.42	24.93	31.21
CY2013Q4	7.48	27.55	29.12	28.12	24.32	26.81
CY2014Q1	8.25	30.24	33.38	31.72	23.85	30.19
CY2014Q2	8.10	30.44	31.95	30.94	25.16	29.46
CY2014Q3	8.71	31.50	36.06	35.29	24.09	32.50
CY2014Q4	7.55	27.63	30.09	30.02	21.94	27.76
CY2015Q1	8.37	29.34	32.86	32.35	22.87	30.03
CY2015Q2	9.29	30.72	32.83	32.04	23.89	30.39
CY2015Q3	9.87	31.78	36.24	35.57	24.34	32.92
CY2015Q4	8.73	28.50	31.78	31.27	22.45	29.13

Medicaid Dental FY2017 Rating
 Statewide Non-Orthodontia Service Experience
 Trend Analysis

Quarter	PMPM	Case-Mix Adjusted (1)	
	Actual	PMPM	Trend
CY2013Q1	29.65	29.97	
CY2013Q2	27.77	27.99	
CY2013Q3	31.21	31.46	
CY2013Q4	26.81	27.06	
CY2014Q1	30.19	30.47	1.7%
CY2014Q2	29.46	29.74	6.2%
CY2014Q3	32.50	32.69	3.9%
CY2014Q4	27.76	27.80	2.7%
CY2015Q1	30.03	30.04	-1.4%
CY2015Q2	30.39	30.46	2.4%
CY2015Q3	32.92	32.97	0.9%
CY2015Q4	29.13	29.13	4.8%

Selected Trend **2.730%**

Avg last 8 quarters - excluding high and low

(1) Case-mix adjusted pmpm using CY2015Q4 members as weights.

D8670 - Periodic Orthodontic Treatment for Runoff Claims (1)					
Month	Paid Amount	Units	Paid per Unit	Units to Prior Month	
201501	290,909	4,348	66.91	5.8%	
201502	236,493	3,544	66.73	-18.5%	
201503	234,609	3,512	66.80	-0.9%	
201504	227,422	3,405	66.79	-3.0%	
201505	201,213	3,024	66.54	-11.2%	
201506	194,931	2,922	66.71	-3.4%	
201507	184,006	2,757	66.74	-5.6%	
201508	171,021	2,562	66.75	-7.1%	
201509	164,047	2,456	66.79	-4.1%	
201510	166,926	2,503	66.69	1.9%	
201511	141,285	2,118	66.71	-15.4%	
201512	134,524	2,015	66.76	-4.9%	
CY2015	2,347,388	35,166	66.75	-5.5%	

Projection (2)

201601	127,068	1,904	66.75	-5.5%	
201602	120,042	1,798	66.75	-5.5%	
201603	113,405	1,699	66.75	-5.5%	
201604	107,134	1,605	66.75	-5.5%	
201605	101,211	1,516	66.75	-5.5%	
201606	95,615	1,432	66.75	-5.5%	
201607	90,328	1,353	66.75	-5.5%	
201608	85,334	1,278	66.75	-5.5%	
201609	80,616	1,208	66.75	-5.5%	
201610	76,158	1,141	66.75	-5.5%	
201611	71,948	1,078	66.75	-5.5%	
201612	67,969	1,018	66.75	-5.5%	
201701	64,211	962	66.75	-5.5%	
201702	60,661	909	66.75	-5.5%	
201703	57,307	859	66.75	-5.5%	
201704	54,138	811	66.75	-5.5%	
201705	51,145	766	66.75	-5.5%	
201706	48,317	724	66.75	-5.5%	
201707	45,646	684	66.75	-5.5%	
201708	43,122	646	66.75	-5.5%	
FY2017	721,239	10,805	66.75		

Runoff Adjustment Calculation

CY2015	2,347,388	(1) - Ortho Runoff Payment - Actual
FY2017	721,239	(2) - Ortho Runoff Payment - Projected
Difference	(1,626,149)	(3) = (1) - (2)
Total Ortho	5,041,192	(4) - Total CY2015 Orthodontia claims
Adjustment Factor	0.677	(5) = [(3) + (4)] / (4)

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

(2) Total Units expected to decrease by 5.5% every month. Selected based on average monthly reduction for
 Rate per Unit assumed to be \$66.75. Selected based on paid per unit in CY2015

Medicaid Dental
P4Q Utilization Adjustment
Statewide Experience

	THStep			Sealants		Total	Notes
	Preventive	Existing Mem (1)	New Member	Ages 6-9	Ages 10-14		
CY2015 Experience Period							
Total Members	2,143,001	2,143,001	609,641	593,218	697,867		(a)
Num. Members Receiving P4Q Services	1,575,947	1,217,966	154,281	142,652	104,054		(b)
Current Measurement %	73.5%	56.8%	25.3%	24.0%	14.9%		(c) = (b)/(a)
Attainable Goal	85.0%	65.0%	40.0%	35.0%	30.0%		(d)
Paid per Member (2)	154.17	76.22	42.56	81.34	66.02		(e)
Paid per Member Adjusted (3)	169.59	83.84	46.82	89.47	72.62		(f) = (e) * 1.1
15% Incremental Improvement (4)							
Year 1	1.7%	1.2%	2.2%	1.6%	2.3%		(g) = [(d) - (c)] * 15%
Year 2	1.0%	0.7%	1.2%	0.9%	1.3%		(h) = [(d) - (c) - (g)] * 15% * 8 / 12
Total - Percent Increase	2.7%	1.9%	3.5%	2.6%	3.5%		(i) = (g) + (h)
Total - Member Increase	57,717	41,122	21,050	15,269	24,747		(j) = (i) * (a)
Estimated P4Q Impact (5)	9,788,326	3,447,702	985,565	1,366,161	1,797,203	17,384,957	(k) = (j) * (f)

(1) Composite Rate combining exactly one and exactly two THSteps dental visits.

(2) Average paid per member for P4Q services for each of the measurements during the experience period.

(3) Assume Paid per Member will increase by 10% due to additional ancillary services performed in addition to P4Q services.

(4) Assume each plan will increase utilization by closing gap between attainable goal and current measurement value by 15% per year.

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

FY2017 Medicaid Dental Rating
 Pay for Performance Utilization Adjustment
 Total

	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20	Total
Experience Period - CY2015						
Member Months	2,275,744	10,428,725	16,731,519	5,144,274	497,823	35,078,085
Estimated Incurred Claims - Non Ortho	20,635,690	313,680,832	559,142,981	168,739,685	11,645,356	1,073,844,543
Estimated Cost Impact of Pay for Performance Utilization Increase (1)						
Preventive Dental Services		3,111,966	4,992,740	1,535,068	148,552	9,788,326
THStep Dental		1,096,115	1,758,572	540,691	52,324	3,447,702
THStep Dental for New Enrollment		313,337	502,708	154,563	14,957	985,565
Sealant Ages 6-9			1,366,161			1,366,161
Sealant Ages 10-14			1,797,203			1,797,203
Total	-	4,521,418	10,417,385	2,230,321	215,833	17,384,957
Rate Adjustment (2)	0.0 %	1.4 %	1.9 %	1.3 %	1.9 %	1.6 %

Footnotes:

- (1) Equals the additional cost assuming an increase in utilization for each of the Pay for Performance metrics
 Assumes each plan will close the gap by 15% each year.
 (2) Additional cost divided by CY2015 Incurred Claims.