

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Philip J. Ellis, A.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Brandon L. Fuller, F.S.A.

Shannon R. Hatfield, A.S.A.
Christopher S. Johnson, F.S.A.
Oliver B. Kiel, F.S.A.
Dustin J. Kim, A.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Amanda L. Murphy, F.S.A.

Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A., A.C.A.S.
Timothy B. Seifert, A.S.A.
Chelsea E. Stewart, A.S.A.
Raymond W. Tilotta
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

December 14, 2018

Ms. Rachel Butler
Chief Actuary
Health and Human Services Commission
4900 North Lamar
Austin, Texas 78751

Re: STAR Rate Amendment UMCC 529-12-0002 V2.28

Dear Ms. Butler:

This letter amends the report titled State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2019 and dated June 29, 2018. The amended FY2019 capitation rates were developed using identical methods and assumptions as the rates described in this report. The amended rates are assumed to be payable for the period March 1, 2019 through August 31, 2019.

A. Summary of the Revisions

Effective December 1, 2017, HHSC implemented a pilot of the Uniform Hospital Rate Increase Program (UHRIP) in the Bexar and El Paso service delivery areas. The program expanded statewide effective March 1, 2018. UHRIP is a Medicaid managed care hospital directed payment program authorized under federal regulations at 42 CFR 438.6(c). The UHRIP program increases the reimbursement to contracted hospitals by a level percentage that varies by hospital class.

The method by which the maximum payment to each hospital was calculated has been revised due to the outcome of litigation that vacated a CMS rule regarding the application of other insurance and Medicare payments in calculating each hospital specific limit (HSL). As a result of the changes to the HSL calculations, HHSC allowed participants to submit new requests for provider class rate increases applicable to each SDA. Subsequently, there have been modifications to the SDA specific increases by hospital class; however, the overall program size has not increased or decreased.

HHSC has identified the following classes of hospitals within each SDA and the rate increase for each which is applicable to the period March 1, 2019 through August 31, 2019:

<u>SDA</u>	<u>Children's</u>	<u>Non-Urban Public</u>	<u>Rural Private</u>	<u>Rural Public</u>	<u>State-owned</u>	<u>Urban Public</u>	<u>Other</u>
Bexar	2%	31%	11%	13%	0%	34%	34%
Dallas	2%	50%	4%	0%	55%	55%	55%
El Paso	2%	0%	0%	0%	0%	40%	40%
Harris	2%	39%	13%	16%	0%	43%	43%
Hidalgo	0%	0%	2%	3%	0%	0%	48%
Jefferson	0%	0%	3%	6%	0%	0%	49%
Lubbock	2%	0%	4%	8%	0%	66%	37%
Nueces	0%	47%	3%	19%	0%	51%	51%
Tarrant	2%	0%	4%	8%	0%	66%	66%
Travis	2%	0%	3%	0%	0%	51%	51%
MRSA Central	0%	0%	3%	6%	0%	0%	46%
MRSA Northeast	0%	0%	5%	10%	0%	0%	79%
MRSA West	0%	62%	4%	25%	0%	68%	68%

There are no other changes to the UHRIP program associated with this amendment.

B. Report Amendments

This section of the letter details the amendments to the original actuarial report.

Section I. Introduction

No changes applicable to this section. The same data sources were utilized in the calculation of this mid-year adjustment.

Section II. Overview of Rate Setting Methodology

The rates have been calculated for the same service delivery areas, risk groups and services as outlined in the original report using the same general methodology.

The only difference between the rating methodology outlined in the original report and the revised UHRIP premium add on is the application of the updated UHRIP increases by hospital class and SDA.

Section III. Adjustment Factors

The Uniform Hospital Reimbursement Program (UHRIP) section has been updated to read:

Effective December 1, 2017, HHSC implemented a pilot of the Uniform Hospital Rate Increase Program (UHRIP) in the Bexar and El Paso service delivery areas. The program expanded statewide effective March 1, 2018. UHRIP is a Medicaid managed care hospital directed payment program authorized under federal regulations at 42 CFR 438.6(c). CMS approved HHSC's statewide implementation of the program on August 18, 2017. The UHRIP program increases the reimbursement to contracted hospitals by a level percentage

that varies by hospital class. HHSC has identified the following classes of hospitals within each SDA and the rate increase for each:

Effective September 1, 2018 – February 28, 2019

<u>SDA</u>	<u>Children's</u>	<u>Non- Urban Public</u>	<u>Rural Private</u>	<u>Rural Public</u>	<u>State- owned</u>	<u>Urban Public</u>	<u>Other</u>
Bexar	2%	38%	14%	17%	0%	38%	38%
Dallas	2%	57%	0%	0%	62%	62%	62%
El Paso	2%	0%	0%	0%	0%	43%	43%
Harris	0%	42%	14%	17%	0%	46%	46%
Hidalgo	0%	0%	0%	14%	0%	0%	36%
Jefferson	0%	0%	6%	6%	0%	0%	50%
Lubbock	3%	0%	4%	9%	0%	72%	40%
Nueces	0%	46%	7%	19%	0%	51%	51%
Tarrant	2%	0%	24%	24%	0%	66%	66%
Travis	1%	0%	7%	0%	0%	56%	56%
MRSA Central	0%	0%	16%	18%	0%	0%	50%
MRSA Northeast	0%	0%	15%	19%	0%	0%	52%
MRSA West	0%	62%	4%	25%	0%	68%	68%

Effective March 1, 2019 – August 31, 2019

<u>SDA</u>	<u>Children's</u>	<u>Non- Urban Public</u>	<u>Rural Private</u>	<u>Rural Public</u>	<u>State- owned</u>	<u>Urban Public</u>	<u>Other</u>
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MRSA Northeast	0%	0%	5%	10%	0%	0%	79%
MRSA West	0%	62%	4%	25%	0%	68%	68%

All MCO are required to increase their reimbursement rates to contracted hospitals by the established percentage rate increase. Attachment 12 - Revised presents the development of the UHRIP add-on amounts to be included in the capitation rates effective March 1, 2019 along with additional information concerning the UHRIP program.

No other changes are applicable to this section.

Section IV. Administrative Fees, Taxes and Risk Margin

No changes applicable to this section.

Section V. Summary

The tables in this section are replaced in their entirety with the following mid-year rates effective March 1, 2019 through August 31, 2019.

Monthly Adjusted Premium Rate	Under Age 1	Ages 1-5	Ages 6-14	Ages 15-18	Ages 19-20
Aetna - Bexar	674.04	135.13	120.88	147.80	123.17
Amerigroup - Bexar	654.35	142.15	111.59	125.20	114.99
CFHP - Bexar	682.33	170.16	152.75	185.54	171.18
Superior - Bexar	817.11	160.02	147.66	169.91	168.64
Amerigroup - Dallas	649.50	180.46	153.30	192.55	178.91
Molina - Dallas	683.26	179.78	137.96	156.07	174.51
Parkland - Dallas	735.00	199.77	159.52	207.37	206.22
El Paso Health - El Paso	622.16	173.99	163.31	178.64	196.64
Molina - El Paso	536.29	155.64	134.49	122.95	122.30
Superior - El Paso	721.37	160.88	148.12	167.01	194.52
Amerigroup - Harris	800.02	168.29	149.30	183.71	213.07
CHC - Harris	826.26	196.50	159.80	212.58	256.36
Molina - Harris	640.97	160.39	131.29	193.71	207.47
TCHP - Harris	614.14	162.96	144.42	194.28	226.89
United - Harris	837.68	209.80	165.55	226.19	299.38
Driscoll - Hidalgo	661.34	197.86	151.99	160.27	169.15
Molina - Hidalgo	629.30	178.49	145.33	157.26	171.89
Superior - Hidalgo	752.91	211.23	162.57	170.27	181.79
United - Hidalgo	666.84	224.97	183.62	181.49	169.29
Amerigroup - Jefferson	825.78	158.16	172.90	163.76	186.28
CHC - Jefferson	967.74	183.98	172.05	212.92	250.62
Molina - Jefferson	965.73	168.50	143.32	215.50	218.28
TCHP - Jefferson	810.79	148.27	158.54	189.49	240.92
United - Jefferson	887.01	186.20	182.45	215.61	230.44
Amerigroup - Lubbock	863.77	185.57	147.57	165.60	218.89
Firstcare - Lubbock	797.95	163.68	152.65	207.01	188.19
Superior - Lubbock	769.33	172.00	148.45	175.65	189.77
Driscoll - Nueces	852.04	212.99	196.42	232.05	197.51
Superior - Nueces	1,049.53	243.16	207.33	214.63	212.74
United - Nueces	946.35	251.50	190.21	231.91	134.26
Aetna - Tarrant	685.06	134.03	117.15	145.78	167.54
Amerigroup - Tarrant	688.60	149.77	138.02	184.72	200.34
Cook - Tarrant	694.34	151.65	144.52	191.15	172.15
Blue Cross - Travis	696.74	169.42	112.54	150.73	133.73
DCHP - Travis	554.11	131.08	110.01	151.11	154.86
Superior - Travis	776.27	150.60	126.30	163.86	167.97
Amerigroup - MRSA Central	527.73	113.16	107.14	162.96	153.54
Scott & White - MRSA Central	786.88	155.00	140.10	186.46	168.17
Superior - MRSA Central	716.17	134.24	123.03	169.62	178.10
Amerigroup - MRSA Northeast	788.97	143.19	134.49	166.31	162.51
Superior - MRSA Northeast	793.77	138.90	130.87	160.17	163.56
Amerigroup - MRSA West	726.41	167.53	163.30	204.53	231.40
Firstcare - MRSA West	751.89	166.84	157.27	205.89	225.85
Superior - MRSA West	803.83	155.41	143.74	207.79	182.65

Monthly Adjusted Premium Rate	TANF Adults	Pregnant Women	Adoption Assistance	Delivery Supplemental Payment
Aetna - Bexar	468.63	493.45	270.30	3,114.65
Amerigroup - Bexar	503.30	497.47	270.30	3,114.65
CFHP - Bexar	501.82	555.57	270.01	3,114.65
Superior - Bexar	533.67	580.19	270.30	3,114.65
Amerigroup - Dallas	417.01	620.63	261.33	3,285.03
Molina - Dallas	416.30	597.51	261.33	3,285.03
Parkland - Dallas	468.24	675.91	261.12	3,285.03
El Paso Health - El Paso	511.01	611.83	231.40	3,141.81
Molina - El Paso	703.36	586.53	231.58	3,141.81
Superior - El Paso	468.46	624.30	231.58	3,141.81
Amerigroup - Harris	636.16	710.61	297.56	3,451.70
CHC - Harris	520.91	713.61	297.30	3,451.70
Molina - Harris	594.94	627.51	297.56	3,451.70
TCHP - Harris	445.34	644.37	297.30	3,451.70
United - Harris	689.52	713.64	297.56	3,451.70
Driscoll - Hidalgo	372.05	594.50	443.44	3,035.69
Molina - Hidalgo	610.45	614.33	443.82	3,035.69
Superior - Hidalgo	600.38	638.35	443.82	3,035.69
United - Hidalgo	587.54	618.08	443.82	3,035.69
Amerigroup - Jefferson	747.74	619.05	260.06	3,807.39
CHC - Jefferson	480.77	625.06	259.81	3,807.39
Molina - Jefferson	643.51	563.66	260.06	3,807.39
TCHP - Jefferson	466.12	589.25	259.81	3,807.39
United - Jefferson	678.13	605.06	260.06	3,807.39
Amerigroup - Lubbock	534.27	614.13	239.06	3,484.73
Firstcare - Lubbock	570.85	597.75	239.06	3,484.73
Superior - Lubbock	523.65	614.47	239.06	3,484.73
Driscoll - Nueces	424.47	658.63	243.03	3,299.69
Superior - Nueces	737.66	760.97	243.14	3,299.69
United - Nueces	567.74	700.11	243.14	3,299.69
Aetna - Tarrant	468.76	628.32	322.96	3,028.58
Amerigroup - Tarrant	552.52	653.46	322.96	3,028.58
Cook - Tarrant	443.98	619.53	322.64	3,028.58
Blue Cross - Travis	427.85	576.11	232.94	3,597.39
DCHP - Travis	414.63	477.91	232.94	3,597.39
Superior - Travis	460.93	618.10	232.94	3,597.39
Amerigroup - MRSA Central	441.32	505.91	333.11	3,580.19
Scott & White - MRSA Central	526.13	619.79	333.11	3,580.19
Superior - MRSA Central	511.55	558.55	333.11	3,580.19
Amerigroup - MRSA Northeast	492.58	534.90	305.43	3,690.11
Superior - MRSA Northeast	492.81	553.87	305.43	3,690.11
Amerigroup - MRSA West	531.34	608.00	240.08	3,749.34
Firstcare - MRSA West	567.42	628.77	240.08	3,749.34
Superior - MRSA West	549.61	588.63	240.08	3,749.34

Section VI. Actuarial Certification of FY2019 STAR Premium Rate

We, Evan L. Dial, Khiem D. Ngo and David G. Wilkes are principals with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). We are Fellows of the Society of Actuaries and members of the American Academy of Actuaries. We 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 STAR premium rates for the period March 1, 2019 through August 31, 2019 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

We certify that the amended FY2019 STAR premium rates developed by HHSC and Rudd and Wisdom satisfy the following:

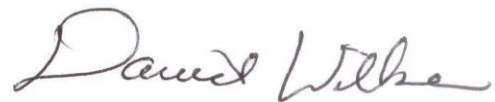
- (a) The premium rates have been developed in accordance with generally accepted actuarial principles and practices;
- (b) The premium rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rates are actuarially sound as defined in the regulations.

We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

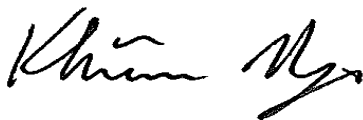
Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.3(c), 438.3(e), 438.4, 438.5, 438.6 and 438.7. Any health plan contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



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



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



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

Section VII. Attachments

The following sections indicate any revisions applicable to each of the attachments in the original actuarial report dated June 29, 2018.

Attachment 1 - Summary of FY2019 STAR Rating Analysis

Exhibit A Revised. This exhibit presents summary information regarding the FY2019 rates. Included on the exhibit are current (September 1, 2018 – February 28, 2019) premium rates split between medical, prescription drug, NAIP, UHRIP and delivery supplemental payment (DSP) rates; March 1, 2019 through August 31, 2019 premium rates split between medical, prescription drug, NAIP, UHRIP and DSP rates; and a comparison of September 1, 2018 and March 1, 2019 premium rates.

Exhibit B Revised. This exhibit presents a comparison of the projected expenditures under the current (September 1, 2018 through February 28, 2019) premium rates and the March 1, 2019 through August 31, 2019 premium rates. The projection is split by medical (includes DSP), pharmacy, NAIP and UHRIP.

Attachment 2 - Individual Health Plan Experience Analysis

No changes applicable to this section.

Attachment 3 - Community Experience Analysis

No changes applicable to this section.

Attachment 4 - Trend Analysis

No changes applicable to this section.

Attachment 5 - Provider Reimbursement and Benefit Revisions Effective During FY2017, FY2018 and FY2019

No changes applicable to this section.

Attachment 6 – Family Planning Adjustment

There have been no changes to this section.

Attachment 7 – Third Party Recoveries

There have been no changes to this section.

Attachment 8 – Delivery Supplemental Payments

There have been no changes to this section.

Attachment 9 – Acuity Risk Adjustment

There have been no changes to this section.

Attachment 10 – Adoption Assistance or Permanency Care Assistance (AAPCA) Rate Development

There have been no changes to this section.

Attachment 11 – Network Access Improvement Program (NAIP)

There have been no changes to this section.

Attachment 12 – Uniform Hospital Rate Increase Program

Uniform Hospital Rate Increase Program

Effective December 1, 2017, HHSC implemented a pilot of the Uniform Hospital Rate Increase Program (UHRIP) in the Bexar and El Paso service delivery areas. CMS approved HHSC's statewide implementation of the program on August 18, 2017 and the program was expanded statewide March 1, 2018. UHRIP is a Medicaid managed care hospital directed payment program authorized under federal regulation 42 CFR 438.6(c). UHRIP will increase the reimbursement to contracted hospitals by a level percentage that varies by hospital class. HHSC has identified the following classes of hospitals within each SDA and the rate increase for each:

Effective September 1, 2018 – February 28, 2019

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Lubbock	3%	0%	4%	9%	0%	72%	40%
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MRSA West	0%	62%	4%	25%	0%	68%	68%

Effective March 1, 2019 – August 31, 2019

<u>SDA</u>	<u>Children's</u>	<u>Non- Urban Public</u>	<u>Rural Private</u>	<u>Rural Public</u>	<u>State- owned</u>	<u>Urban Public</u>	<u>Other</u>
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Harris	2%	39%	13%	16%	0%	43%	43%
Hidalgo	0%	0%	2%	3%	0%	0%	48%
Jefferson	0%	0%	3%	6%	0%	0%	49%
Lubbock	2%	0%	4%	8%	0%	66%	37%
Nueces	0%	47%	3%	19%	0%	51%	51%
Tarrant	2%	0%	4%	8%	0%	66%	66%
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MRSA Northeast	0%	0%	5%	10%	0%	0%	79%
MRSA West	0%	62%	4%	25%	0%	68%	68%

All MCOs within the SDA will be required to increase their reimbursement rates to contracted hospitals by the established percentage rate increase.

UHRIP will only apply to the STAR and STAR+PLUS Medicaid managed care programs. The UHRIP increase will apply to all services provided by a hospital with the following exceptions:

1. Services provided to members at a non-contracted facility.
2. Non-emergent services provided in an emergency room for non-rural facilities.
3. Services provided to a member at an out of area facility if the facility is located in a SDA in which the MCO does not participate in the STAR or STAR+PLUS program.

The percentage increases by hospital were determined by HHSC according to the following methodology:

Each SDA requests a specific percentage increase within the CMS-approved range for a hospital class (the percentage increase for each hospital class in an SDA must not exceed the rate increase range approved by CMS for each program period) and HHSC confirms that the requested increase for the SDA class is no more than 95% of the Medicaid Shortfall threshold for that class. HHSC then calculates the final percentage rate increases by multiplying the calculated reduction factor by the requested SDA percentage rate increases that comply with the 95% Medicaid Shortfall threshold. The reduction factor is calculated by dividing the budget neutrality room allotment by the respective actuarial forecast for each SDA. The SDA specific percentage increases will be revised effective March 1, 2019 as a result of changes in the calculation of the hospital specific limit calculations resulting from recent litigation. These changes allowed participants to request revised provider class rate increases applicable to each SDA effective March 1, 2019.

In the Texas Medicaid program the actuary does not get involved in the development of provider fee schedules or reimbursement arrangements. The final UHRIP increases were determined by HHSC and the MCOs are mandated to include such increases in their provider reimbursement arrangements.

The UHRIP component of the premium for the period September 1, 2018 through February 28, 2019 is unchanged from the amounts determined in the original actuarial report. The calculation of the revised UHRIP component of the premium described below is based on the exact same methodology described in the original report applying the updated SDA specific increases by hospital class.

Exhibit A Revised presents a summary of the derivation of the rating adjustment factors which have been calculated at the individual plan level due to variations in each MCO's network configuration. The adjustments have been calculated by applying the applicable percentage increase to each MCO's FY2017 encounter data. Unlike other adjustment factors which are applied at the community level, the UHRIP adjustment factors have been calculated at the individual plan level due to the fact that each MCO may have varying levels of utilization at each class of hospital and could be disadvantaged if their actual utilization is higher or lower than the SDA average for a given class.

Exhibit B Revised presents a summary of the calculation of the UHRIP premium add on rates by MCO for all risk groups. The add on is calculated as an MCO-specific amount due to the varying impacts the mandated increases will have on expected reimbursement for each MCO. The add-on is calculated as the projected FY2019 claims increased by the applicable UHRIP adjustment factor plus provision for risk margin, taxes and administrative fees.

Attachment 13– Pay for Quality Program

There have been no changes to this section.

Attachment 14– FY2019 STAR Rate Certification Index

FY2019 STAR Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2018-2019 Medicaid Managed Care Rate Development Guide, dated May 2018.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

- i. Rates are for the period March 1, 2019 through August 31, 2019.
- ii. (a) The certification letter is on page 6 of the amendment letter

(b) The final capitation rates are shown on pages 4 and 5 of the amendment letter.

(c) (i) See pages 1 and 4 through 5 of the original report.

(ii) The rates included in this amendment are for the period March 1, 2019 through August 31, 2019.

(iii) See page 1 of the original report.

(iv) Not applicable. There have been no changes since the prior certification.

(v) Pages 210-214 (NAIP), Pages 215-323 (UHRIP) and 233-234 (P4Q) of the original report. Changes to the UHRIP program are detailed on pages 1-2 of the amendment letter.

(vi) Not applicable.

iii. Acknowledged.

iv. Acknowledged.

v. Acknowledged.

vi. Acknowledged.

vii. Acknowledged.

viii. Acknowledged.

B. Appropriate Documentation

i. Acknowledged.

ii. Acknowledged.

iii. See pages 152 through 162 of the original report.

iv. See Attachment 1 - Revised on pages 18 through 33 of the amendment letter.

2. Data

A. Rate Development Standards

- i. (a) Acknowledged.
- (b) Acknowledged.
- (c) Acknowledged.
- (d) Not applicable.

B. Appropriate Documentation

- i. (a) See pages 1 through 3 of the original report.
- ii. (a) See pages 1 through 3 of the original report.
- (b) See pages 1 through 3 of the original report.
- (c) See pages 1 through 3 of the original report.
- (d) Not applicable.
- iii. (a) Base period data is fully credible.
- (b) See page 4 of the original report.
- (c) No errors found in the data.
- (d) See Attachment 5 on pages 120 through 151 of the original report.
- (e) Value added services and non-capitated services have been excluded from the analysis.

3. Projected benefit Costs and Trends

A. Rate Development Standards

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.

- iv. Acknowledged.
- v. See pages 122 through 123 and 144 through 145 of the original report.
- vi. See pages 122 through 123 of the original report.

B. Appropriate Documentation

- i. See pages 4 and 5 and Attachment 1 - Revised pages 18 through 33 of the amendment letter.
- ii. See Attachment 3 pages 44 through 97 of the original report. There have been no significant changes in the development of the benefit cost since the last certification.
- iii. (a) See Attachment 4 pages 98 through 119 of the original report.
(b) See Attachment 4 pages 98 through 119 of the original report.
(c) See Attachment 4 pages 98 through 119 of the original report.
(d) See Attachment 4 pages 98 through 119 of the original report.
(e) Not applicable.
- iv. Not applicable.
- v. The STAR program stipulates the following provisions related to in lieu of services:
 - The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
 - The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
 - For individuals between the ages of 21 and 64, services are provided in IMDs only in lieu of an acute care hospital setting. IMD services for individuals under age 21 and age 65 and over are covered pursuant to the Texas state plan.

The cost for in lieu of services is not tracked from other services and are included in the rate development and are not treated differently than any other

category of service. Historically these services have made up less than 1.0% of total base period claims.

vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid eligible during a prior period. If the individual was eligible for and enrolled in Medicaid managed care during the prior six months, then the individual is retrospectively enrolled in the same managed care plan as their prior enrollment segment. The managed care plan is then retrospectively responsible for all Medicaid expenses incurred during this retrospective period and is also paid a retrospective premium for this time period.

(b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the FY2019 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2019 premium rate.

(d) No adjustments are necessary to account for retroactive enrollment periods because the enrollment criteria has not changed from the base period to the rating period. All retroactive enrollment and claims information has been included in the base period data, the trend calculations and all other adjustment factors.

vii. See Attachment 5 pages 120 through 151 of the original report.

viii. See Attachment 5 pages 120 through 151 of the original report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 13 pages 233 through 234 of the original report.

B. Withhold Arrangements

i. Rate Development Standard

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 13 pages 233 through 234 of the original report.

C. Risk-Sharing Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

HHSC includes an experience rebate provision in its uniform managed care contracts which requires the MCOs to return a portion of net income before taxes if greater than the specified percentages. The net income is measured by the financial statistical reports (FSRs) submitted by the MCOs and audited by an external auditor. Net income is aggregated across all programs and service delivery areas. The aggregated net income is shared as follows:

Pre-tax Income as a % of Revenues	MCO Share	HHSC Share
≤ 3%	100%	0%
> 3% and ≤ 5%	80%	20%
> 5% and ≤ 7%	60%	40%
> 7% and ≤ 9%	40%	60%
> 9% and ≤ 12%	20%	80%
> 12%	0%	100%

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 12 pages 215 through 232 of the original report and the revisions included in the amendment letter.

E. Pass-Through Payments

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 11 pages 210 through 214 of the original report.

(b) See Attachment 11 pages 210 through 214 of the original report.

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Acknowledged.

B. Appropriate Documentation

i. See page 14 of the original report.

ii. See page 14 of the original report.

iii. (a) See page 14 of the original report.

(b) Not applicable.

(c) Not applicable.

(d) See page 14 of the original report.

(e) Not applicable.

(f) See page 14 of the original report.

6. Risk Adjustment and Acuity Adjustments

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

B. Appropriate Documentation

i. See Attachment 9 pages 167 through 190 of the original report.

ii. Not applicable, risk adjustment is only applied on a prospective basis.

iii. No material changes have been made to the risk adjustment model other than annual updates of the data since the last rating period.

iv. Risk adjustment has been applied in a budget neutral manner in accordance with 42 CFR 438.5(g).