

**STATE OF TEXAS
MEDICAID MANAGED CARE
STAR HEALTH PROGRAM RATE SETTING
STATE FISCAL YEAR 2019**

Prepared for:
Texas Health and Human Services Commission
STAR Health 529-15-0001 V2.7

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop a fiscal year 2019 (FY2019, September 2018 through August 2019) premium rate for the STAR Health program. STAR Health is a managed health care program for Foster Care clients in Texas implemented on April 1, 2008. A single managed care organization, Superior Health Plan (Superior), covers this population in all 254 counties (statewide). This report presents the rating methodology and assumptions used in developing the FY2019 premium rate.

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 staff in developing the FY2019 STAR Health premium rate.

Rudd and Wisdom has relied on the following data sources as provided by HHSC and Superior, the managed care organization who manages the STAR Health program.

- Monthly STAR Health enrollment for the period September 2012 through March 2018 with a projection through August 2019. These enrollment figures were provided by HHSC System Forecasting staff.
- Claim lag reports provided by Superior for the period September 2014 through February 2018. These reports include monthly paid claims by month of service.
- Information provided by Superior on high volume claimants during the experience period.
- Financial Statistical Reports (FSR) from the health plan for FY2015, FY2016, FY2017 and the first six months of FY2018. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the HMO. These reports are prepared by the health plans and are audited by an external audit organization. A health plan that participates in multiple programs and/or service areas submits a separate FSR for each individual area and program combination.
- Information from Superior regarding current and projected reinsurance premium rates.
- Information from Superior regarding current and projected payment rates for certain capitated services, such as dental and radiology.
 - Subcapitated services make up approximately 5.9% of total plan cost and are primarily dental services. Information about these arrangements was provided by Superior and verified with the audited FSRs. These items were reviewed for reasonableness by comparing the reported expense amounts to those expenses in other programs along with the historical dental expenditures within the STAR Health program.
- Information from both HHSC and Superior regarding recent changes in covered services and provider reimbursement under the Medicaid program.

- Information provided by HHSC regarding the expected impact of FY2018 and FY2019 Medicaid provider reimbursement rate changes.
- Information provided by HHSC regarding FY2017 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.
- Current (FY2018) STAR Health premium rate.

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 Superior, (ii) the claim amounts reported in the FSRs and (iii) the claim amounts in the encounter data files. The three data sources are compared to ensure consistent results such that the three are considered interchangeable in aggregate. Although interchangeable in total, each data source has a unique role in the analysis. FSR data provides high level summary information of claims data, subcapitated expenses, reinsurance expenses and administrative costs. In some cases, this information is available at the risk group level while for others it is only provided at an aggregated total. MCO summary reports provide HHSC-specified data points at a more granular level such as subcapitated expenses by service, claim lag data by service, other medical expenses and large claimant information. The detail encounter data provides claim data at the most granular level including information for individual claims such as provider, procedure code, diagnostic information, etc. The use of these multiple data sources allows for a dynamic, flexible rating model that is not constrained to the data limitation of a single source.

All data requested by the actuary was provided by HHSC and the participating MCOs. Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

In addition to the review for reasonableness performed by Rudd and Wisdom, HHSC employs the Institute for Child Health Policy (IHP) as an External Quality Review Organization. IHP reviews the detail encounter data and provides certification of the data quality. Below is an excerpt from their data certification report:

Based on an administrative review, the EQRO considers the required data elements for all MCO/SA combinations in STAR Health 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.*

Based on the review of the data by the EQRO, HHSC and Rudd and Wisdom, we have concluded that all data sources are consistent, complete and accurate. It is our opinion that the data collected for the rate development is high quality and we have no concerns over the availability or applicability to the FY2019 rate development. The accumulation of data sources noted above have been assigned full credibility.

Given the history of managed care data available for the STAR Health program the rate development is based almost exclusively on managed care data. The only exceptions arise from the need to use fee-for-service data for newly carved in services, MDCP waiver services, and previously disenrolled populations, members on hospice. These services were carved in on November 1, 2016 and therefore are included in ten months of the managed care base data. Fee-for-service information was used to estimate the impact on the period September 1, 2016 through October 31, 2016 when these services were not yet covered under managed care.

II. Overview of the Rate Setting Methodology

This report details the development of the medical and prescription drug components of the total STAR Health premium rate. The two components are developed separately but follow similar methodologies in their calculations.

The actuarial model used to derive the FY2019 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. Due to the significant differences between claim run out patterns, different base periods were selected for medical and prescription drugs. The base period for the medical component was defined as FY2017 (September 1, 2016 through August 31, 2017) while the base period for the prescription drug component was defined as CY2017 (January 1, 2017 through December 31, 2017). The primary reason for varying the base periods between medical and prescription is that prescription drug claims complete much faster and therefore require minimal estimation of incurred but unpaid claims. Estimates of the base period include an estimate of incurred but unpaid claims (IBNR). The IBNR estimate is based on claims paid through February 2018 and represents the following percentage of claims by type of service:

- Medical - 0.14%
- Prescription Drug – 0.0%

These estimates were then projected forward to FY2019 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2019 cost under the plan.

Only one health plan provides services under the STAR Health program. The health plan is reimbursed using a single premium rate which does not vary by age, gender or area. The STAR Health program covers the entire state of Texas. The services used in the analysis include the following:

- Inpatient Hospital
- Outpatient Hospital
- Physician Services
- Other Professional Services
- Lab, X-ray and Radiology Services
- Medical Supplies
- Behavioral Health Services
- EPSDT Medical Services
- Family Planning and Genetics Services
- Comprehensive Care Program Services
- Vision Services
- Hearing Services
- Home Health Services
- Emergency Room Services

- Ambulance Services
- Dental and Orthodontia Services
- Prescription Drugs

Examples of services specifically excluded from the analysis include:

- Texas Health Steps environmental lead investigation (ELI)
- ECI Case Management
- ECI Specialized Skills Training
- Case Management for CPW
- Texas School Health and Related Services (SHARS)
- DARS Blind Children's Vocational Discovery and Development Program
- Tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation)

All expenses related to these, any other non-capitated services and any value-added services have been excluded from the FY2019 rating analysis.

We projected the FY2019 cost by estimating base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in Section III of this report. We added capitation expenses for services capitated by Superior (such as radiology and dental services), a net cost of reinsurance, a reasonable provision for administrative expenses, taxes and risk margin.

The analysis of base period claims experience attempted to identify and adjust for any distortions in the data. Significant variations in experience, including the impact from unusually large individual claims, were investigated; however, no adjustments were deemed necessary.

Attachment 1 to this report provides a description of the calculation of the FY2019 STAR Health premium rate. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 summarizes the development of the trend assumptions. Attachment 4 details the calculation of the rate adjustment factors for provider rate changes. Attachment 5 details the calculation of the Community First Choice (CFC) component of the premium which is eligible for an enhanced federal match rate. Attachment 6 provides the required index.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the STAR Health rate setting process.

Trend Factors - Medical

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience for Foster Care clients and the actuary's professional judgment regarding future cost increases. All historical trends have been calculated as the average cost per member per month during a specified time period (monthly, quarterly or annually) compared to the same time period from the previous year. For example, the FY2017 trend has been calculated as the change in average cost per member per month during the period September 1, 2016 through August 31, 2017 (FY2017) compared to the average cost per member per month during the period September 1, 2015 through August 31, 2016 (FY2016). The experience trends for all time periods were adjusted to remove the impact of various provider reimbursement changes and other changes that have impacted the program.

The FY2018 trend assumption was developed from two components: (i) the actual estimated trend for the period September 2017 through December 2017 and (ii) the projected trend for the period January 2018 through August 2018. The actual estimated trend during the period September 2017 through December 2017 was 1.1%. The projected trend for the period January 2018 through August 2018 was calculated as the average trend during FY2015, FY2016, FY2017 and the first four months of FY2018 and equaled 0.7%. The actual trend during the first four months and the projected trend during the final eight months of FY2018 were then blended together to develop the FY2018 trend assumption of 0.8%.

The FY2019 trend assumption was calculated as the average trend during FY2015, FY2016, FY2017 and the first four months of FY2018 and equals 0.7%.

Trend Factors – Rx

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2017) claims cost to the rating period (FY2019). The trend rate assumption was developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The STAR Health trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of managed care utilization and cost experience data paid through March 31, 2018. Utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by program, risk group and drug type (brand, generic and specialty) through February 2018.

Please see Attachment 3 for additional information regarding the pharmacy trend analysis.

Provider Reimbursement Adjustment

Medicaid provider reimbursement changes were recognized for the following services: hospital inpatient reimbursement revisions, potentially preventable readmission reimbursement reductions, potentially preventable complications reimbursement reductions, therapy reimbursement revisions, therapy policy revisions, radiology reimbursement reductions, anesthesiology reimbursement revisions and ambulance reimbursement revisions.

The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement basis and the resulting impact determined. Attachment 4 presents a summary of the derivation of these adjustment factors.

MDCP Carve-In

Effective November 1, 2016 STAR Health members who are eligible for and enrolled in the Medically Dependent Children's Program (MDCP) no longer have their MDCP waiver services carved out of the STAR Health program.

The rating adjustment for this carve-in was calculated by collecting the applicable claims previously paid under FFS. Attachment 4 presents a summary of the derivation of this adjustment factor.

Hospice Carve-In

Effective November 1, 2016 STAR Health members receiving hospice services are no longer disenrolled from the program.

The rating adjustment for this carve-in was calculated by collecting the applicable claims previously paid under FFS. Attachment 4 presents a summary of the derivation of this adjustment factor.

Removal of Invalid Clinician Administered Drugs (CADs)

By HHSC rule, all outpatient medical claims for clinician-administered drugs must contain a Healthcare Common Procedure Coding System (HCPCS) code, an NDC number, the NDC unit of measure, and the NDC quantity. The MCO must edit claims using the Texas HHSC NDC to HCPCS Crosswalk file. If such a claim is missing the NDC information, or the NDC is not valid for the corresponding HCPCS code, then the drug is not considered a covered Medicaid benefit and the MCO must deny or reject the entire claim or claim line item. As a result, the base period data was reviewed and clinician administered drugs which were submitted under an invalid NDC were excluded from the rating analysis. Attachment 4 presents a summary of the derivation of this adjustment factor.

FQHC Wrap Payment Removal

Effective September 1, 2017, MCOs were longer required to reimburse FQHC's the full encounter rate. The MCO are expected to reimburse FQHCs at a rate that is comparable to the reimbursement of all other non-FQHC providers providing similar services. Subsequently the FQHC will be reimbursed by HHSC up to their full encounter rate outside of the capitation rate. The rating adjustment was calculated by repricing all FQHC claims at the fee-for-service equivalent paid for non-FQHC providers for the same services. The difference between the full encounter rate and this estimated fee-for-service equivalent was assumed to be the wrap payment that is no longer covered under the capitation rate. Attachment 4 presents a summary of the derivation of this adjustment factor.

New Member Medical Exam Requirement

As a result of state legislation, effective September 1, 2018 all newly enrolled STAR Health members will be required to receive a medical exam within three days of enrollment. The impact of this requirement was estimated by determining the average number of new members per year multiplied by the FFS reimbursement rate for this medical exam. Attachment 4 presents a summary of the derivation of this adjustment factor.

Preferred Drug List Changes

HHSC has recently implemented numerous changes to the Preferred Drug List (PDL). These changes include some of the program's highest expenditure drugs and will have a significant impact on managed care pharmacy cost. Some of the PDL changes were implemented during the experience period used to develop the rates and some were implemented after the experience period. We developed adjustment factors to reflect the anticipated cost impact of the PDL changes. Attachment 4 includes additional information regarding the application of the PDL changes adjustment factors.

Hepatitis C Drug Carve In

HHSC currently excludes several low-utilization, high-cost drugs from the capitated arrangement. These drugs are covered under the plan but their cost is reimbursed to the MCOs using a non-risk arrangement. We have now accumulated sufficient experience to project utilization and cost for some of these "carve-out" drugs. Anti-viral medications for the treatment of Hepatitis C (Epclusa, Harvoni, Viekira Pak, etc.) and Orkambi (a treatment for Cystic Fibrosis) will be added to capitated services effective September 1, 2018. Attachment 4 includes additional information regarding the derivation of the rate adjustments for these services.

Community First Choice Initiative

Effective June 1, 2015 Texas began providing CFC services to individuals who:

- have a physical or intellectual disability,

- meet categorical coverage requirements for Medicaid or meet financial eligibility for home and community based services, and
- meet an institutional level of care.

The CFC services include:

- Help with activities of daily living and health-related tasks through hands-on assistance, supervision or cueing.
- Services to help the individual learn how to care for themselves.
- Backup systems or ways to ensure continuity of services and supports.
- Training on how to select, manage and dismiss attendants.

As a result of CFC, Texas is eligible for an enhanced federal match rate on all CFC eligible services. The calculation of the CFC portion of the rate is detailed in Attachment 5.

IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses in the medical premium rate is \$34.00 pmpm plus 5.75% of gross premium. The amount allocated for administrative expenses in the prescription drug premium rate is \$1.80 pmpm. These amounts are intended to provide for all administrative-related services performed by the health plan. As a result of recent state legislation an increase in the administrative burden was expected with FY2018. These increased requirements include:

- Increase compliance with all members receiving a THSteps visit within 30 days of conservatorship from 50% to 100%.
- Superior required to give placement notice to all PCPs listed in the child's health passport before the end of the second business day after Superior receives the notification.

The administrative fee amounts were determined based on a review of the administrative expenses of the health plan as reported in their audited Financial Statistical Reports (FSRs). The table below summarizes the reported administrative expenses for the past five fiscal years for the STAR Health program.

	Average
FY14	73.75
FY15	68.41
FY16	64.52
FY17	73.76
FY18*	81.29
5 Year Average	72.34

*Increased cost as a result of increased legislative requirements

Based on the administrative formula included in the rate development, the average administrative expense included in the capitation rate (medical and pharmacy components combined) is approximately \$80 which is in line with the historical average plus an allowance for the recent increase in cost as a result of new contract requirements. This formula is reviewed annually to ensure consistency with the reported administrative costs. As additional information regarding the new contract requirements emerge, the administrative cost allowance will be updated in future rate developments.

The premium rate also includes provisions for premium tax (1.75% of premium), maintenance tax (\$0.06 pmpm) and a risk margin (1.5% of premium). The premium tax and maintenance tax are based on Texas Department of Insurance requirements.

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC will develop and implement a procedure for reimbursing Superior 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, if necessary or applicable. HHSC has included the Health Insurance Providers Fee in the managed care capitation rates for each of 2014, 2015 and 2016 through amendments to the initially certified rates for these time periods.

V. Summary

The FY2019 total premium rate for the STAR Health program is \$880.57 per member per month. The total premium rate is made up of the total medical component of \$766.92 and the prescription drug component of \$113.65. This rate will be effective for the period September 1, 2018 through August 31, 2019. Attachment 1 shows the derivation of the premium rate.

As noted in Section III, Texas is eligible for an enhanced match rate for CFC services. CFC services of \$3.99 pmpm are a component of the total rate. Further information regarding the calculation of this amount can be found in Attachment 5.

VI. Actuarial Certification of FY2019 STAR Health 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 Health premium rate for the period September 1, 2018 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 STAR Health premium rate developed by HHSC and Rudd and Wisdom satisfies the following:

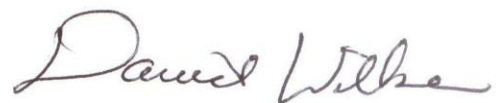
- (a) The premium rate has been developed in accordance with generally accepted actuarial principles and practices;
- (b) The premium rate is appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rate is actuarially sound as defined in the regulations.

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.

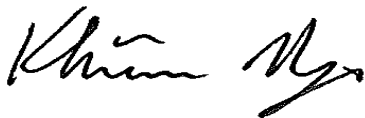
Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.3(c), 438.3(e), 438.4, 438.5, 438.6 and 438.7. Any health plan contracting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



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VII. Attachments

Attachment 1

Summary of FY2019 STAR Health Rating Analysis

Exhibit A presents summary information regarding the FY2019 STAR Health medical rate development. Included on the exhibit are base period (FY2017) experience, projected FY2019 enrollment, trend and provider reimbursement adjustment factors, assumed capitation rates, reinsurance and administrative costs.

The actuarial model used to derive the FY2019 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. These estimates were then projected forward to FY2019 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2019 cost under the plan.

Reinsurance is provided through an affiliated provider therefore the net cost of reinsurance has been set at \$0.00. Any reinsurance premium paid to this affiliated provider is assumed to be offset by reinsurance recoveries.

Exhibit B presents summary information regarding the FY2019 STAR Health prescription drug rate development. Included on the exhibit are base period (CY2017) experience, projected FY2019 enrollment, trend and provider reimbursement adjustment factors and administrative costs.

Only one health plan provides services through the STAR Health program. The health plan is reimbursed using a single premium rate which does not vary by age, gender or area.

Exhibit C presents a comparison of the projected expenditures under the current (FY2018) premium rates and the FY2019 premium rates. The projection is split by medical and pharmacy.

FY2019 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Medical

	Rating Period <u>FY2019</u>
Base Period Used in Rating	FY2017
Base Period Experience	
Member Months	385,095
Estimated Incurred Claims	234,718,123
Estimated Incurred Claims pmpm	\$ 609.51
Projected Rating Period Experience	
Member Months	413,229
Current Premium Rate (FY2018)	\$ 791.04
Projected Premium at Current Rate	326,880,465
Assumed Annual Trend Rate	
- FY2018	0.8 %
- FY2019	0.7 %
Provider Reimbursement Adjustment	-0.56 %
Hospital Reimbursement Adjustment	0.13 %
Projected Incurred Claims pmpm	\$ 616.02
Projected Incurred Claims	254,556,740
Capitation Expenses	
Laboratory	\$ 0.00
Dental Services	\$ 43.65
Radiology	\$ 1.52
Settlements and Miscellaneous Expenses	\$ 2.65
Total	\$ 47.82
Reinsurance Expenses	
Gross Premium	\$ 0.04
Projected Reinsurance Recoveries	\$ 0.04
Net Reinsurance Cost	\$ 0.00
Administrative Expenses	
Fixed Amount	\$ 34.00
Percentage of Premium	5.75 %
Total	\$ 78.10
Premium Tax	1.75 %
Maintenance Tax pmpm	\$ 0.06
Risk Margin	1.50 %
Premium Rate pmpm	\$ 766.92
Projected Premium	316,913,387
% Change	-3.0%

FY2019 STAR Health Rating Analysis
 Rate Development for the STAR Health Program - Prescription Drug

	Rating Period FY2019
Base Period Used in Rating	CY2017
Base Period Experience	
Member Months	391,878
Estimated Incurred Claims	48,470,636
Estimated Incurred Claims pmpm	\$ 123.69
Projected Rating Period Experience	
Member Months	413,229
Current Premium Rate (FY2018)	\$ 133.17
Projected Premium at Current Rate	55,029,672
Assumed Annual Trend Rate	0.00 %
PDL Changes Adjustment	-12.68 %
Carve-in Adjustment	0.14 %
Projected Incurred Claims pmpm	\$ 108.16
Projected Incurred Claims	44,692,963
Administrative Expenses	\$ 1.80
Premium Tax	1.75 %
Risk Margin	1.50 %
Premium Rate pmpm	\$ 113.65
Projected Premium	46,963,447
% Change	-14.7%

FY2019 STAR Health Rating Analysis

	Projected PMPM		Projected FY2019 Premium		<u>% Rate Change</u>
	<u>FY2018 Rates</u>	<u>FY2019 Rates</u>	<u>FY2018 Rates</u>	<u>FY2019 Rates</u>	
Medical	791.04	766.92	326,880,465	316,913,387	-3.0%
Pharmacy	133.17	113.65	55,029,672	46,963,447	-14.7%
Total	924.21	880.57	381,910,136	363,876,834	-4.7%

Attachment 2

STAR Health Incurred Claims Experience

The attached exhibits present a summary of STAR Health incurred claims experience by type of service during the base period used in the rate setting analysis. For each month during the experience period the exhibits show enrollment, claims incurred during the month and paid through February 28, 2018 and estimated incurred claims. All information has been provided by type of service.

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Professional				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-14	31,294	2,196,446	1.0000	2,196,446	70.19	
Oct-14	31,565	2,395,437	1.0000	2,395,437	75.89	
Nov-14	31,390	1,943,833	1.0000	1,943,833	61.93	
Dec-14	30,987	2,223,296	1.0000	2,223,296	71.75	
Jan-15	30,729	2,251,646	1.0000	2,251,646	73.27	
Feb-15	30,724	2,102,723	1.0000	2,102,723	68.44	
Mar-15	30,595	2,191,467	1.0000	2,191,467	71.63	
Apr-15	30,608	2,264,645	1.0000	2,264,645	73.99	
May-15	30,719	2,043,107	1.0000	2,043,107	66.51	
Jun-15	30,789	2,066,359	1.0000	2,066,359	67.11	
Jul-15	30,747	2,136,074	1.0000	2,136,074	69.47	
Aug-15	30,761	2,048,908	1.0000	2,048,908	66.61	
Sep-15	30,698	2,310,995	1.0000	2,310,995	75.28	1.073
Oct-15	30,818	2,295,438	1.0000	2,295,438	74.48	0.981
Nov-15	30,659	2,085,761	1.0000	2,085,761	68.03	1.099
Dec-15	30,174	2,236,619	1.0000	2,236,619	74.12	1.033
Jan-16	30,200	2,389,247	1.0000	2,389,247	79.11	1.080
Feb-16	30,717	2,522,164	1.0000	2,522,164	82.11	1.200
Mar-16	30,912	2,542,624	1.0000	2,542,624	82.25	1.148
Apr-16	31,141	2,404,473	1.0000	2,404,473	77.21	1.044
May-16	31,254	2,384,407	1.0000	2,384,407	76.29	1.147
Jun-16	31,442	2,303,616	1.0000	2,303,616	73.27	1.092
Jul-16	31,366	2,183,016	1.0000	2,183,016	69.60	1.002
Aug-16	31,417	2,433,719	1.0000	2,433,719	77.47	1.163
Sep-16	31,749	2,464,837	1.0000	2,464,837	77.64	1.031
Oct-16	31,848	2,467,535	1.0000	2,467,535	77.48	1.040
Nov-16	31,885	2,443,432	1.0000	2,443,432	76.63	1.126
Dec-16	31,666	2,290,965	1.0000	2,290,965	72.35	0.976
Jan-17	31,578	2,644,544	1.0000	2,644,544	83.75	1.059
Feb-17	31,745	2,499,878	1.0000	2,499,878	78.75	0.959
Mar-17	31,845	2,645,064	1.0000	2,645,064	83.06	1.010
Apr-17	31,979	2,363,218	0.9990	2,365,583	73.97	0.958
May-17	32,421	2,600,772	0.9970	2,608,597	80.46	1.055
Jun-17	32,617	2,475,155	0.9970	2,482,603	76.11	1.039
Jul-17	32,735	2,302,522	0.9950	2,314,093	70.69	1.016
Aug-17	33,027	2,595,386	0.9950	2,608,428	78.98	1.020
Sep-17	33,221	2,493,387	0.9910	2,516,032	75.74	0.976
Oct-17	33,424	2,758,967	0.9840	2,803,828	83.89	1.083
Nov-17	33,691	2,754,704	0.9660	2,851,661	84.64	1.105
Dec-17	33,596	2,451,695	0.9140	2,682,380	79.84	1.104
FY2015	370,908			25,863,940	69.73	
FY2016	370,798			28,092,079	75.76	1.086
FY2017	385,095			29,835,558	77.48	1.023
9/16-12/16	127,148			9,666,769	76.03	
9/17-12/17	133,931			10,853,900	81.04	1.066

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Emergency Room				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	459,195	1.0000	459,195	14.67	
Oct-14	31,565	525,189	1.0000	525,189	16.64	
Nov-14	31,390	476,641	1.0000	476,641	15.18	
Dec-14	30,987	493,885	1.0000	493,885	15.94	
Jan-15	30,729	500,857	1.0000	500,857	16.30	
Feb-15	30,724	459,417	1.0000	459,417	14.95	
Mar-15	30,595	497,986	1.0000	497,986	16.28	
Apr-15	30,608	476,201	1.0000	476,201	15.56	
May-15	30,719	495,691	1.0000	495,691	16.14	
Jun-15	30,789	413,198	1.0000	413,198	13.42	
Jul-15	30,747	407,102	1.0000	407,102	13.24	
Aug-15	30,761	403,683	1.0000	403,683	13.12	
Sep-15	30,698	464,601	1.0000	464,601	15.13	1.031
Oct-15	30,818	502,987	1.0000	502,987	16.32	0.981
Nov-15	30,659	477,567	1.0000	477,567	15.58	1.026
Dec-15	30,174	474,387	1.0000	474,387	15.72	0.986
Jan-16	30,200	546,067	1.0000	546,067	18.08	1.109
Feb-16	30,717	531,829	1.0000	531,829	17.31	1.158
Mar-16	30,912	572,254	1.0000	572,254	18.51	1.137
Apr-16	31,141	552,858	1.0000	552,858	17.75	1.141
May-16	31,254	586,950	1.0000	586,950	18.78	1.164
Jun-16	31,442	469,815	1.0000	469,815	14.94	1.113
Jul-16	31,366	494,749	1.0000	494,749	15.77	1.191
Aug-16	31,417	515,669	1.0000	515,669	16.41	1.251
Sep-16	31,749	548,621	1.0000	548,621	17.28	1.142
Oct-16	31,848	540,036	1.0000	540,036	16.96	1.039
Nov-16	31,885	545,119	1.0000	545,119	17.10	1.098
Dec-16	31,666	527,463	1.0000	527,463	16.66	1.059
Jan-17	31,578	589,651	1.0000	589,651	18.67	1.033
Feb-17	31,745	543,596	1.0000	543,596	17.12	0.989
Mar-17	31,845	587,649	1.0000	587,649	18.45	0.997
Apr-17	31,979	589,787	0.9990	590,378	18.46	1.040
May-17	32,421	602,435	0.9970	604,248	18.64	0.992
Jun-17	32,617	480,156	0.9970	481,600	14.77	0.988
Jul-17	32,735	548,664	0.9950	551,421	16.85	1.068
Aug-17	33,027	483,709	0.9950	486,140	14.72	0.897
Sep-17	33,221	540,922	0.9910	545,834	16.43	0.951
Oct-17	33,424	663,063	0.9840	673,844	20.16	1.189
Nov-17	33,691	638,190	0.9660	660,652	19.61	1.147
Dec-17	33,596	678,411	0.9140	742,244	22.09	1.326
FY2015	370,908			5,609,045	15.12	
FY2016	370,798			6,189,733	16.69	1.104
FY2017	385,095			6,595,922	17.13	1.026
9/16-12/16	127,148			2,161,240	17.00	
9/17-12/17	133,931			2,622,575	19.58	1.152

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Outpatient				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-14	31,294	847,510	1.0000	847,510	27.08	
Oct-14	31,565	985,809	1.0000	985,809	31.23	
Nov-14	31,390	816,700	1.0000	816,700	26.02	
Dec-14	30,987	797,050	1.0000	797,050	25.72	
Jan-15	30,729	880,075	1.0000	880,075	28.64	
Feb-15	30,724	815,742	1.0000	815,742	26.55	
Mar-15	30,595	875,029	1.0000	875,029	28.60	
Apr-15	30,608	965,324	1.0000	965,324	31.54	
May-15	30,719	872,217	1.0000	872,217	28.39	
Jun-15	30,789	909,447	1.0000	909,447	29.54	
Jul-15	30,747	924,607	1.0000	924,607	30.07	
Aug-15	30,761	917,816	1.0000	917,816	29.84	
Sep-15	30,698	1,023,637	1.0000	1,023,637	33.35	1.231
Oct-15	30,818	939,418	1.0000	939,418	30.48	0.976
Nov-15	30,659	795,886	1.0000	795,886	25.96	0.998
Dec-15	30,174	832,154	1.0000	832,154	27.58	1.072
Jan-16	30,200	775,364	1.0000	775,364	25.67	0.896
Feb-16	30,717	880,559	1.0000	880,559	28.67	1.080
Mar-16	30,912	893,586	1.0000	893,586	28.91	1.011
Apr-16	31,141	914,476	1.0000	914,476	29.37	0.931
May-16	31,254	901,482	1.0000	901,482	28.84	1.016
Jun-16	31,442	962,790	1.0000	962,790	30.62	1.037
Jul-16	31,366	879,180	1.0000	879,180	28.03	0.932
Aug-16	31,417	906,666	1.0000	906,666	28.86	0.967
Sep-16	31,749	901,293	1.0000	901,293	28.39	0.851
Oct-16	31,848	850,829	1.0000	850,829	26.72	0.876
Nov-16	31,885	725,082	1.0000	725,082	22.74	0.876
Dec-16	31,666	794,962	1.0000	794,962	25.10	0.910
Jan-17	31,578	953,364	1.0000	953,364	30.19	1.176
Feb-17	31,745	951,655	1.0000	951,655	29.98	1.046
Mar-17	31,845	1,023,124	1.0000	1,023,124	32.13	1.111
Apr-17	31,979	883,407	0.9990	884,291	27.65	0.942
May-17	32,421	1,004,114	0.9970	1,007,136	31.06	1.077
Jun-17	32,617	911,537	0.9970	914,280	28.03	0.915
Jul-17	32,735	745,755	0.9950	749,503	22.90	0.817
Aug-17	33,027	873,764	0.9950	878,155	26.59	0.921
Sep-17	33,221	861,736	0.9910	869,562	26.18	0.922
Oct-17	33,424	960,760	0.9840	976,382	29.21	1.093
Nov-17	33,691	1,002,441	0.9660	1,037,724	30.80	1.354
Dec-17	33,596	848,200	0.9140	928,009	27.62	1.100
FY2015	370,908			10,607,327	28.60	
FY2016	370,798			10,705,200	28.87	1.010
FY2017	385,095			10,633,673	27.61	0.956
9/16-12/16	127,148			3,272,166	25.74	
9/17-12/17	133,931			3,811,678	28.46	1.106

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Inpatient				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	1,230,214	1.0000	1,230,214	39.31	
Oct-14	31,565	1,387,989	1.0000	1,387,989	43.97	
Nov-14	31,390	2,297,466	1.0000	2,297,466	73.19	
Dec-14	30,987	2,303,617	1.0000	2,303,617	74.34	
Jan-15	30,729	2,728,022	1.0000	2,728,022	88.78	
Feb-15	30,724	1,723,263	1.0000	1,723,263	56.09	
Mar-15	30,595	2,012,270	1.0000	2,012,270	65.77	
Apr-15	30,608	2,098,663	1.0000	2,098,663	68.57	
May-15	30,719	1,974,067	1.0000	1,974,067	64.26	
Jun-15	30,789	2,213,781	1.0000	2,213,781	71.90	
Jul-15	30,747	2,052,758	1.0000	2,052,758	66.76	
Aug-15	30,761	2,169,905	1.0000	2,169,905	70.54	
Sep-15	30,698	2,292,132	1.0000	2,292,132	74.67	1.899
Oct-15	30,818	2,232,773	1.0000	2,232,773	72.45	1.648
Nov-15	30,659	2,592,303	1.0000	2,592,303	84.55	1.155
Dec-15	30,174	3,021,392	1.0000	3,021,392	100.13	1.347
Jan-16	30,200	2,789,069	1.0000	2,789,069	92.35	1.040
Feb-16	30,717	3,397,212	1.0000	3,397,212	110.60	1.972
Mar-16	30,912	2,538,612	1.0000	2,538,612	82.12	1.249
Apr-16	31,141	3,110,713	1.0000	3,110,713	99.89	1.457
May-16	31,254	2,664,807	1.0000	2,664,807	85.26	1.327
Jun-16	31,442	1,676,351	1.0000	1,676,351	53.32	0.742
Jul-16	31,366	2,058,627	1.0000	2,058,627	65.63	0.983
Aug-16	31,417	2,019,834	1.0000	2,019,834	64.29	0.911
Sep-16	31,749	3,091,805	1.0000	3,091,805	97.38	1.304
Oct-16	31,848	2,569,146	1.0000	2,569,146	80.67	1.113
Nov-16	31,885	2,786,128	1.0000	2,786,128	87.38	1.033
Dec-16	31,666	2,123,332	1.0000	2,123,332	67.05	0.670
Jan-17	31,578	2,446,714	1.0000	2,446,714	77.48	0.839
Feb-17	31,745	2,584,630	1.0000	2,584,630	81.42	0.736
Mar-17	31,845	2,103,175	1.0000	2,103,175	66.04	0.804
Apr-17	31,979	2,063,519	0.9990	2,065,584	64.59	0.647
May-17	32,421	3,120,827	0.9970	3,130,218	96.55	1.132
Jun-17	32,617	2,301,338	0.9970	2,308,262	70.77	1.327
Jul-17	32,735	1,899,637	0.9950	1,909,183	58.32	0.889
Aug-17	33,027	1,920,676	0.9950	1,930,328	58.45	0.909
Sep-17	33,221	1,954,616	0.9910	1,972,368	59.37	0.610
Oct-17	33,424	2,155,400	0.9840	2,190,447	65.54	0.812
Nov-17	33,691	3,177,353	0.9660	3,289,185	97.63	1.117
Dec-17	33,596	1,917,099	0.9140	2,097,482	62.43	0.931
FY2015	370,908			24,192,016	65.22	
FY2016	370,798			30,393,826	81.97	1.257
FY2017	385,095			29,048,505	75.43	0.920
9/16-12/16	127,148			10,570,411	83.13	
9/17-12/17	133,931			9,549,482	71.30	0.858

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Behavioral Health Non Inpatient				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	2,466,282	1.0000	2,466,282	78.81	
Oct-14	31,565	2,764,292	1.0000	2,764,292	87.57	
Nov-14	31,390	2,160,447	1.0000	2,160,447	68.83	
Dec-14	30,987	2,079,135	1.0000	2,079,135	67.10	
Jan-15	30,729	2,495,533	1.0000	2,495,533	81.21	
Feb-15	30,724	2,128,168	1.0000	2,128,168	69.27	
Mar-15	30,595	2,549,567	1.0000	2,549,567	83.33	
Apr-15	30,608	2,560,109	1.0000	2,560,109	83.64	
May-15	30,719	2,294,764	1.0000	2,294,764	74.70	
Jun-15	30,789	2,152,157	1.0000	2,152,157	69.90	
Jul-15	30,747	2,166,440	1.0000	2,166,440	70.46	
Aug-15	30,761	1,956,753	1.0000	1,956,753	63.61	
Sep-15	30,698	2,141,575	1.0000	2,141,575	69.76	0.885
Oct-15	30,818	2,091,590	1.0000	2,091,590	67.87	0.775
Nov-15	30,659	2,127,691	1.0000	2,127,691	69.40	1.008
Dec-15	30,174	2,003,833	1.0000	2,003,833	66.41	0.990
Jan-16	30,200	2,417,747	1.0000	2,417,747	80.06	0.986
Feb-16	30,717	2,709,549	1.0000	2,709,549	88.21	1.273
Mar-16	30,912	2,581,484	1.0000	2,581,484	83.51	1.002
Apr-16	31,141	2,653,668	1.0000	2,653,668	85.21	1.019
May-16	31,254	2,983,324	1.0000	2,983,324	95.45	1.278
Jun-16	31,442	2,502,464	1.0000	2,502,464	79.59	1.139
Jul-16	31,366	2,297,080	1.0000	2,297,080	73.23	1.039
Aug-16	31,417	2,366,859	1.0000	2,366,859	75.34	1.184
Sep-16	31,749	2,478,563	1.0000	2,478,563	78.07	1.119
Oct-16	31,848	2,493,939	1.0000	2,493,939	78.31	1.154
Nov-16	31,885	2,495,492	1.0000	2,495,492	78.27	1.128
Dec-16	31,666	1,687,900	1.0000	1,687,900	53.30	0.803
Jan-17	31,578	2,192,327	1.0000	2,192,327	69.43	0.867
Feb-17	31,745	2,308,365	1.0000	2,308,365	72.72	0.824
Mar-17	31,845	2,782,552	1.0000	2,782,552	87.38	1.046
Apr-17	31,979	2,783,616	0.9990	2,786,402	87.13	1.023
May-17	32,421	2,928,511	0.9970	2,937,322	90.60	0.949
Jun-17	32,617	2,369,720	0.9970	2,376,851	72.87	0.916
Jul-17	32,735	2,256,340	0.9950	2,267,678	69.27	0.946
Aug-17	33,027	2,559,036	0.9950	2,571,896	77.87	1.034
Sep-17	33,221	2,638,612	0.9910	2,662,575	80.15	1.027
Oct-17	33,424	2,695,079	0.9840	2,738,901	81.94	1.046
Nov-17	33,691	2,278,087	0.9660	2,358,268	70.00	0.894
Dec-17	33,596	1,762,568	0.9140	1,928,411	57.40	1.077
FY2015	370,908			27,773,647	74.88	
FY2016	370,798			28,876,865	77.88	1.040
FY2017	385,095			29,379,288	76.29	0.980
9/16-12/16	127,148			9,155,895	72.01	
9/17-12/17	133,931			9,688,155	72.34	1.005

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Behavioral Health Inpatient				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	4,010,852	1.0000	4,010,852	128.17	
Oct-14	31,565	4,254,356	1.0000	4,254,356	134.78	
Nov-14	31,390	3,617,172	1.0000	3,617,172	115.23	
Dec-14	30,987	3,696,048	1.0000	3,696,048	119.28	
Jan-15	30,729	3,957,280	1.0000	3,957,280	128.78	
Feb-15	30,724	3,705,808	1.0000	3,705,808	120.62	
Mar-15	30,595	4,012,310	1.0000	4,012,310	131.14	
Apr-15	30,608	4,088,746	1.0000	4,088,746	133.58	
May-15	30,719	3,924,658	1.0000	3,924,658	127.76	
Jun-15	30,789	4,114,481	1.0000	4,114,481	133.63	
Jul-15	30,747	4,184,228	1.0000	4,184,228	136.09	
Aug-15	30,761	3,934,623	1.0000	3,934,623	127.91	
Sep-15	30,698	4,004,739	1.0000	4,004,739	130.46	1.018
Oct-15	30,818	4,011,667	1.0000	4,011,667	130.17	0.966
Nov-15	30,659	3,654,188	1.0000	3,654,188	119.19	1.034
Dec-15	30,174	3,608,250	1.0000	3,608,250	119.58	1.003
Jan-16	30,200	3,780,330	1.0000	3,780,330	125.18	0.972
Feb-16	30,717	3,867,795	1.0000	3,867,795	125.92	1.044
Mar-16	30,912	4,026,203	1.0000	4,026,203	130.25	0.993
Apr-16	31,141	3,949,173	1.0000	3,949,173	126.82	0.949
May-16	31,254	4,055,682	1.0000	4,055,682	129.77	1.016
Jun-16	31,442	4,113,338	1.0000	4,113,338	130.82	0.979
Jul-16	31,366	3,948,396	1.0000	3,948,396	125.88	0.925
Aug-16	31,417	4,222,532	1.0000	4,222,532	134.40	1.051
Sep-16	31,749	3,989,949	1.0000	3,989,949	125.67	0.963
Oct-16	31,848	3,919,686	1.0000	3,919,686	123.07	0.945
Nov-16	31,885	3,729,507	1.0000	3,729,507	116.97	0.981
Dec-16	31,666	3,568,402	1.0000	3,568,402	112.69	0.942
Jan-17	31,578	4,051,068	1.0000	4,051,068	128.29	1.025
Feb-17	31,745	3,798,744	1.0000	3,798,744	119.66	0.950
Mar-17	31,845	4,158,959	1.0000	4,158,959	130.60	1.003
Apr-17	31,979	3,991,171	0.9990	3,995,166	124.93	0.985
May-17	32,421	4,352,973	0.9970	4,366,071	134.67	1.038
Jun-17	32,617	4,143,304	0.9970	4,155,771	127.41	0.974
Jul-17	32,735	4,000,910	0.9950	4,021,015	122.84	0.976
Aug-17	33,027	4,272,110	0.9950	4,293,578	130.00	0.967
Sep-17	33,221	4,107,129	0.9910	4,144,429	124.75	0.993
Oct-17	33,424	4,423,039	0.9840	4,494,958	134.48	1.093
Nov-17	33,691	4,023,774	0.9660	4,165,398	123.64	1.057
Dec-17	33,596	3,467,859	0.9140	3,794,157	112.93	1.002
FY2015	370,908			47,500,562	128.07	
FY2016	370,798			47,242,292	127.41	0.995
FY2017	385,095			48,047,915	124.77	0.979
9/16-12/16	127,148			15,207,544	119.61	
9/17-12/17	133,931			16,598,941	123.94	1.036

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Vision			Trend Factor	
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims		Estimated Incurred pmpm
Sep-14	31,294	116,856	1.0000	116,856	3.73	
Oct-14	31,565	113,711	1.0000	113,711	3.60	
Nov-14	31,390	97,867	1.0000	97,867	3.12	
Dec-14	30,987	92,477	1.0000	92,477	2.98	
Jan-15	30,729	105,661	1.0000	105,661	3.44	
Feb-15	30,724	96,220	1.0000	96,220	3.13	
Mar-15	30,595	107,422	1.0000	107,422	3.51	
Apr-15	30,608	114,179	1.0000	114,179	3.73	
May-15	30,719	95,640	1.0000	95,640	3.11	
Jun-15	30,789	109,515	1.0000	109,515	3.56	
Jul-15	30,747	125,681	1.0000	125,681	4.09	
Aug-15	30,761	126,715	1.0000	126,715	4.12	
Sep-15	30,698	129,505	1.0000	129,505	4.22	1.130
Oct-15	30,818	116,620	1.0000	116,620	3.78	1.050
Nov-15	30,659	110,343	1.0000	110,343	3.60	1.154
Dec-15	30,174	106,650	1.0000	106,650	3.53	1.184
Jan-16	30,200	108,891	1.0000	108,891	3.61	1.049
Feb-16	30,717	122,788	1.0000	122,788	4.00	1.276
Mar-16	30,912	132,467	1.0000	132,467	4.29	1.221
Apr-16	31,141	109,041	1.0000	109,041	3.50	0.939
May-16	31,254	122,004	1.0000	122,004	3.90	1.254
Jun-16	31,442	115,464	1.0000	115,464	3.67	1.032
Jul-16	31,366	100,782	1.0000	100,782	3.21	0.786
Aug-16	31,417	135,293	1.0000	135,293	4.31	1.045
Sep-16	31,749	133,362	1.0000	133,362	4.20	0.996
Oct-16	31,848	114,508	1.0000	114,508	3.60	0.950
Nov-16	31,885	122,555	1.0000	122,555	3.84	1.068
Dec-16	31,666	106,865	1.0000	106,865	3.37	0.955
Jan-17	31,578	115,703	1.0000	115,703	3.66	1.016
Feb-17	31,745	98,207	1.0000	98,207	3.09	0.774
Mar-17	31,845	119,516	1.0000	119,516	3.75	0.876
Apr-17	31,979	102,439	0.9990	102,541	3.21	0.916
May-17	32,421	113,232	0.9970	113,572	3.50	0.897
Jun-17	32,617	113,456	0.9970	113,798	3.49	0.950
Jul-17	32,735	118,797	0.9950	119,394	3.65	1.135
Aug-17	33,027	117,854	0.9950	118,447	3.59	0.833
Sep-17	33,221	123,143	0.9910	124,261	3.74	0.890
Oct-17	33,424	136,331	0.9840	138,548	4.15	1.153
Nov-17	33,691	113,132	0.9660	117,114	3.48	0.904
Dec-17	33,596	95,480	0.9140	104,464	3.11	0.921
FY2015	370,908			1,301,943	3.51	
FY2016	370,798			1,409,848	3.80	1.083
FY2017	385,095			1,378,469	3.58	0.941
9/16-12/16	127,148			477,291	3.75	
9/17-12/17	133,931			484,387	3.62	0.963

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Other - PDN, DME, Therapy				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	6,322,887	1.0000	6,322,887	202.05	
Oct-14	31,565	6,645,025	1.0000	6,645,025	210.52	
Nov-14	31,390	6,252,735	1.0000	6,252,735	199.20	
Dec-14	30,987	6,465,757	1.0000	6,465,757	208.66	
Jan-15	30,729	6,508,669	1.0000	6,508,669	211.81	
Feb-15	30,724	6,012,819	1.0000	6,012,819	195.70	
Mar-15	30,595	6,673,155	1.0000	6,673,155	218.11	
Apr-15	30,608	6,446,471	1.0000	6,446,471	210.61	
May-15	30,719	6,421,362	1.0000	6,421,362	209.04	
Jun-15	30,789	6,621,207	1.0000	6,621,207	215.05	
Jul-15	30,747	6,726,233	1.0000	6,726,233	218.76	
Aug-15	30,761	6,469,626	1.0000	6,469,626	210.32	
Sep-15	30,698	6,406,922	1.0000	6,406,922	208.71	1.033
Oct-15	30,818	6,660,438	1.0000	6,660,438	216.12	1.027
Nov-15	30,659	6,366,639	1.0000	6,366,639	207.66	1.042
Dec-15	30,174	6,590,546	1.0000	6,590,546	218.42	1.047
Jan-16	30,200	6,528,610	1.0000	6,528,610	216.18	1.021
Feb-16	30,717	6,515,613	1.0000	6,515,613	212.12	1.084
Mar-16	30,912	6,910,775	1.0000	6,910,775	223.56	1.025
Apr-16	31,141	6,702,272	1.0000	6,702,272	215.22	1.022
May-16	31,254	6,985,831	1.0000	6,985,831	223.52	1.069
Jun-16	31,442	7,007,178	1.0000	7,007,178	222.86	1.036
Jul-16	31,366	6,533,691	1.0000	6,533,691	208.30	0.952
Aug-16	31,417	6,607,366	1.0000	6,607,366	210.31	1.000
Sep-16	31,749	6,507,695	1.0000	6,507,695	204.97	0.982
Oct-16	31,848	6,558,479	1.0000	6,558,479	205.93	0.953
Nov-16	31,885	6,612,868	1.0000	6,612,868	207.40	0.999
Dec-16	31,666	6,798,643	1.0000	6,798,643	214.70	0.983
Jan-17	31,578	6,752,616	1.0000	6,752,616	213.84	0.989
Feb-17	31,745	6,095,028	1.0000	6,095,028	192.00	0.905
Mar-17	31,845	6,761,107	1.0000	6,761,107	212.31	0.950
Apr-17	31,979	6,323,934	0.9990	6,330,264	197.95	0.920
May-17	32,421	6,968,295	0.9970	6,989,262	215.58	0.964
Jun-17	32,617	6,781,868	0.9970	6,802,274	208.55	0.936
Jul-17	32,735	6,704,386	0.9950	6,738,077	205.84	0.988
Aug-17	33,027	6,818,215	0.9950	6,852,478	207.48	0.987
Sep-17	33,221	6,539,852	0.9910	6,599,245	198.65	0.969
Oct-17	33,424	6,774,206	0.9840	6,884,356	205.97	1.000
Nov-17	33,691	6,737,591	0.9660	6,974,732	207.02	0.998
Dec-17	33,596	6,462,951	0.9140	7,071,062	210.47	0.980
FY2015	370,908			77,565,947	209.12	
FY2016	370,798			79,815,880	215.25	1.029
FY2017	385,095			79,798,792	207.22	0.963
9/16-12/16	127,148			26,477,686	208.24	
9/17-12/17	133,931			27,529,395	205.55	0.987

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Total - Medical				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	17,650,241	1.0000	17,650,241	564.01	
Oct-14	31,565	19,071,807	1.0000	19,071,807	604.21	
Nov-14	31,390	17,662,861	1.0000	17,662,861	562.69	
Dec-14	30,987	18,151,265	1.0000	18,151,265	585.77	
Jan-15	30,729	19,427,743	1.0000	19,427,743	632.23	
Feb-15	30,724	17,044,160	1.0000	17,044,160	554.75	
Mar-15	30,595	18,919,206	1.0000	18,919,206	618.38	
Apr-15	30,608	19,014,338	1.0000	19,014,338	621.22	
May-15	30,719	18,121,505	1.0000	18,121,505	589.91	
Jun-15	30,789	18,600,147	1.0000	18,600,147	604.12	
Jul-15	30,747	18,723,124	1.0000	18,723,124	608.94	
Aug-15	30,761	18,028,030	1.0000	18,028,030	586.07	
Sep-15	30,698	18,774,106	1.0000	18,774,106	611.57	1.084
Oct-15	30,818	18,850,930	1.0000	18,850,930	611.69	1.012
Nov-15	30,659	18,210,378	1.0000	18,210,378	593.97	1.056
Dec-15	30,174	18,873,830	1.0000	18,873,830	625.50	1.068
Jan-16	30,200	19,335,325	1.0000	19,335,325	640.24	1.013
Feb-16	30,717	20,547,509	1.0000	20,547,509	668.93	1.206
Mar-16	30,912	20,198,005	1.0000	20,198,005	653.40	1.057
Apr-16	31,141	20,396,676	1.0000	20,396,676	654.98	1.054
May-16	31,254	20,684,487	1.0000	20,684,487	661.82	1.122
Jun-16	31,442	19,151,017	1.0000	19,151,017	609.09	1.008
Jul-16	31,366	18,495,521	1.0000	18,495,521	589.67	0.968
Aug-16	31,417	19,207,938	1.0000	19,207,938	611.39	1.043
Sep-16	31,749	20,116,126	1.0000	20,116,126	633.60	1.036
Oct-16	31,848	19,514,160	1.0000	19,514,160	612.73	1.002
Nov-16	31,885	19,460,182	1.0000	19,460,182	610.32	1.028
Dec-16	31,666	17,898,532	1.0000	17,898,532	565.23	0.904
Jan-17	31,578	19,745,988	1.0000	19,745,988	625.31	0.977
Feb-17	31,745	18,880,103	1.0000	18,880,103	594.74	0.889
Mar-17	31,845	20,181,144	1.0000	20,181,144	633.73	0.970
Apr-17	31,979	19,101,089	0.9990	19,120,210	597.90	0.913
May-17	32,421	21,691,158	0.9970	21,756,427	671.06	1.014
Jun-17	32,617	19,576,533	0.9970	19,635,439	602.00	0.988
Jul-17	32,735	18,577,011	0.9950	18,670,363	570.35	0.967
Aug-17	33,027	19,640,751	0.9950	19,739,448	597.68	0.978
Sep-17	33,221	19,259,398	0.9910	19,434,307	585.01	0.923
Oct-17	33,424	20,566,844	0.9840	20,901,264	625.34	1.021
Nov-17	33,691	20,725,273	0.9660	21,454,734	636.81	1.043
Dec-17	33,596	17,684,263	0.9140	19,348,209	575.90	1.019
FY2015	370,908			220,414,427	594.26	
FY2016	370,798			232,725,723	627.63	1.056
FY2017	385,095			234,718,123	609.51	0.971
9/16-12/16	127,148			76,989,001	605.51	
9/17-12/17	133,931			81,138,514	605.82	1.001

FY2019 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Prescription Drug				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-14	31,294	4,235,215	1.0000	4,235,215	135.34	
Oct-14	31,565	4,725,999	1.0000	4,725,999	149.72	
Nov-14	31,390	4,371,745	1.0000	4,371,745	139.27	
Dec-14	30,987	5,114,649	1.0000	5,114,649	165.06	
Jan-15	30,729	5,082,308	1.0000	5,082,308	165.39	
Feb-15	30,724	4,817,788	1.0000	4,817,788	156.81	
Mar-15	30,595	4,726,679	1.0000	4,726,679	154.49	
Apr-15	30,608	4,656,208	1.0000	4,656,208	152.12	
May-15	30,719	4,526,473	1.0000	4,526,473	147.35	
Jun-15	30,789	4,431,617	1.0000	4,431,617	143.94	
Jul-15	30,747	4,462,749	1.0000	4,462,749	145.14	
Aug-15	30,761	4,266,924	1.0000	4,266,924	138.71	
Sep-15	30,698	4,429,169	1.0000	4,429,169	144.28	1.066
Oct-15	30,818	4,257,439	1.0000	4,257,439	138.15	0.923
Nov-15	30,659	4,219,392	1.0000	4,219,392	137.62	0.988
Dec-15	30,174	4,481,161	1.0000	4,481,161	148.51	0.900
Jan-16	30,200	4,303,678	1.0000	4,303,678	142.51	0.862
Feb-16	30,717	4,516,160	1.0000	4,516,160	147.02	0.938
Mar-16	30,912	4,675,278	1.0000	4,675,278	151.24	0.979
Apr-16	31,141	4,161,306	1.0000	4,161,306	133.63	0.878
May-16	31,254	4,438,740	1.0000	4,438,740	142.02	0.964
Jun-16	31,442	4,134,013	1.0000	4,134,013	131.48	0.913
Jul-16	31,366	3,836,475	1.0000	3,836,475	122.31	0.843
Aug-16	31,417	4,311,340	1.0000	4,311,340	137.23	0.989
Sep-16	31,749	4,267,277	1.0000	4,267,277	134.41	0.932
Oct-16	31,848	4,401,707	1.0000	4,401,707	138.21	1.000
Nov-16	31,885	4,579,265	1.0000	4,579,265	143.62	1.044
Dec-16	31,666	4,617,533	1.0000	4,617,533	145.82	0.982
Jan-17	31,578	5,026,252	1.0000	5,026,252	159.17	1.117
Feb-17	31,745	4,509,431	1.0000	4,509,431	142.05	0.966
Mar-17	31,845	4,873,044	1.0000	4,873,044	153.02	1.012
Apr-17	31,979	4,183,216	1.0000	4,183,216	130.81	0.979
May-17	32,421	4,653,730	1.0000	4,653,730	143.54	1.011
Jun-17	32,617	3,555,973	1.0000	3,555,973	109.02	0.829
Jul-17	32,735	3,374,862	1.0000	3,374,862	103.10	0.843
Aug-17	33,027	3,432,025	1.0000	3,432,025	103.92	0.757
Sep-17	33,221	3,331,318	1.0000	3,331,318	100.28	0.746
Oct-17	33,424	3,665,373	1.0000	3,665,373	109.66	0.793
Nov-17	33,691	3,784,557	1.0000	3,784,557	112.33	0.782
Dec-17	33,596	4,080,855	1.0000	4,080,855	121.47	0.833
CY2015	368,021			54,357,908	147.70	
CY2016	375,597			52,242,772	139.09	0.942
CY2017	391,878			48,470,636	123.69	0.889
9/16-12/16	127,148			17,865,782	140.51	
9/17-12/17	133,931			14,862,103	110.97	0.790

Attachment 3

STAR Health Trend Analysis

Medical

The FY2019 rating methodology uses assumed medical trend factors to adjust the base period (FY2017) claims cost to the rating period (FY2019). The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the plan. The trend assumptions are established on a statewide basis for FY2018 and FY2019.

The trend analysis included a review of health plan claims experience data through February 28, 2018. Based on this information, estimates of monthly incurred claims were made through December 31, 2017. The claims cost and trend experience was reviewed separately by type of service.

Exhibit A provides a summary of the FY2015, FY2016, FY2017 and FY2018 trends by category of service. The FY2018 trend represents the trend during the period September 2017 through December 2017. All trends have been calculated as the average cost per member per month during the specified time period compared to the same time period during the prior fiscal year. For example, the FY2017 trend is calculated as the average cost per member per month during FY2017 divided by the average cost per member per month during FY2016.

All trends have been adjusted to remove the impact of the various provider reimbursement changes that have impacted the cost of the program. These adjustments are made for all items that have materially impacted historical costs and have distorted the trend from one time period to the next. For example, in September 1, 2015 the standard dollar amount on which children's and safety net hospital reimbursement is determined was revised resulting in a reimbursement increase for these facilities. As a result, the FY2016 observed trends are adjusted to remove the impact of the increased cost associated with these services to ensure the average cost during FY2015 and FY2016 are based on comparable services and reimbursement levels and the underlying trend is calculated.

The FY2018 trend assumption was developed from two components: (i) the observed trend for the period September 2017 through December 2017 and (ii) the projected trend for the period January 2018 through August 2018. The trend for the final eight months of FY2018 was projected using experience from FY2015, FY2016, FY2017 and 9/2017-12/2017. The weighting of each time period was based on the number of months within each time period.

The FY2019 trend assumption was then developed from a simple average of the FY2015 trend, FY2016 trend, FY2017 trend and FY2018 trend.

Although the medical trends were reviewed by component – professional, outpatient, inpatient, etc., a single trend assumption was selected and applied in aggregate. The MCO is paid a single capitation rate that does not vary by medical component. Splitting the analysis into separate

components (inpatient, physician, etc...) does not add any additional accuracy to the analysis but could increase the probability of distortions in the projection due to reporting differences among fiscal years, small sample sizes in a given category of service, or variations in the trend projections that could emerge for a category. There is significant interaction amongst all categories of service as MCOs may shift cost away from inpatient toward outpatient and looking at an individual category in isolation could lead to overgeneralizations. The aggregate analysis performed takes into consideration all service categories and their interactions with one another without sacrificing accuracy.

Use of the aggregate trend captures all interactions between categories of service, including the ongoing shifts that occur, and is reflective of the expected level of cost trend in future periods.

Prescription Drug

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2017) claims cost to the rating period (FY2019). The trend rate assumption was developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The STAR Health trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of managed care utilization and cost experience data paid through March 31, 2018. Utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by drug type (brand, generic and specialty) through February 2018. From this experience, the average annual utilization and cost per service were determined for each of the four 12-month periods ending February 2018.

Only those drugs currently covered under the capitated arrangement are included in the trend analysis. Anti-viral agents used for the treatment of the Hepatitis C virus and the drug Orkambi are not included in the analysis as those drugs are currently carved out of the managed care contract. In addition, experience for the drugs Tamiflu and Makena were removed from our trend analysis. Tamiflu was removed due to the significant variation in the intensity of flu season from year to year. Makena was removed due to its one-time distortion of pharmacy trends for pregnant women.

An additional adjustment was made to the recent experience for the drug Nasonex. Nasonex was removed from the preferred drug list (PDL) on July 27, 2017. The PDL change resulted in Nasonex utilization shifting to Fluticasone (a generic drug in the same drug class as Nasonex). Our rating methodology includes an adjustment factor to recognize the impact of the PDL changes (discussed in Attachment 4 below). Since the PDL change for Nasonex overlaps the experience period used in our trend analysis, we adjusted the trend analysis in order to avoid "double-counting" the cost impact of the Nasonex change. For purposes of our trend analysis, we revised the utilization and cost experience for the period between the PDL change (7/27/2017) and the end of the trend experience period (2/28/2018) for Nasonex and Fluticasone to reflect the experience prior to the PDL change. Please note that we did not change total pharmacy utilization. We only changed the mix of services between the two drugs.

Please note that while excluded from (or adjusted in) the pharmacy trend analysis, the historical claims for Tamiflu, Makena and Nasonex were included in the base period experience used in developing the pharmacy component of the rate.

To the extent that it produces reasonable results, HHSC prefers to utilize a formula to derive the pharmacy prospective trend assumption. This process has the advantages of eliminating (or reducing) subjective input, consistency in method and results from year to year and program to program, and it allows verification by the MCOs.

The preliminary STAR Health trend assumption for the remainder of FY2018 and all of FY2019 was developed using the following formula. The utilization and cost per service trend assumptions were set equal to one-sixth of the experience trend rate for the 12-month period ending February 2016 plus two-sixths of the experience trend rate for the 12-month period ending February 2017 plus three-sixths of the experience trend rate for the 12-month period ending February 2018. The cost trend assumption was then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2018 and combining the results into a single trend assumption.

Exhibit B is a summary of the pharmacy trend analysis for STAR Health. Please note that the MCOs were provided a detailed trend analysis file which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the trend assumptions.

The MCO that administers the STAR Health program implemented utilization controls and pharmacy reimbursement reductions in June of 2017. These changes had a significant negative impact on trend during the last nine months of the experience period used in the trend analysis. It is expected that large negative pharmacy trends (-20%) will continue for the period March 2018 through May 2018 and then revert to more typical pharmacy trend levels (4%) thereafter. As a result, we are assuming a zero trend for the projection period.

FY2019 STAR Health Rating Analysis
Trend Development - Medical

Historical Average Trend (1)	Professional	Outpatient		Inpatient	Behavioral Health		Vision	Other	Total
		ER	Non-ER		Non Inpatient	Inpatient			
FY2015	-1.3%	5.5%	-3.6%	-15.3%	6.5%	-3.2%	0.4%	1.4%	-0.8%
FY2016	8.6%	10.4%	-0.3%	21.6%	4.0%	-0.5%	8.3%	2.9%	5.1%
FY2017	6.4%	2.6%	-4.4%	-8.0%	-2.0%	-2.1%	-5.9%	-3.7%	-2.4%
9/2017-12/2017	7.7%	16.4%	11.7%	-13.4%	1.5%	4.7%	-2.7%	-0.3%	1.1%

Trend Assumption

9/2017-12/2017									1.1%
1/2018-8/2018 (2)									0.7%
FY2018 (3)									0.8%
FY2019 (4)									0.7%

Footnotes:

- (1) Trends have been adjusted to remove the impact of policy and reimbursement changes.
- (2) Average trend during FY2015, FY2016, FY2017 and first four months of FY2018.
- (3) Average of actual 9/2017-12/2017 and assumed 1/2018-8/2018.
- (4) Average trend during FY2015-FY2018.

FY2019 Prescription Drug Rating Analysis
 STAR Health Pharmacy Trends

Total

Annual Trend in Number of Scripts per Member per Month

Brand Drugs

3/2014-2/2015	-15.6 %
3/2015-2/2016	-11.5 %
3/2016-2/2017	-12.8 %
3/2017-2/2018	-15.9 %
Use	-14.1 %

Generic Drugs

3/2014-2/2015	-0.1 %
3/2015-2/2016	-0.1 %
3/2016-2/2017	-0.2 %
3/2017-2/2018	5.6 %
Use	2.7 %

Specialty Drugs

3/2014-2/2015	-8.3 %
3/2015-2/2016	-8.1 %
3/2016-2/2017	-4.7 %
3/2017-2/2018	-6.0 %
Use	-5.9 %

All Drugs

3/2014-2/2015	-4.5 %
3/2015-2/2016	-3.0 %
3/2016-2/2017	-3.1 %
3/2017-2/2018	1.1 %
Use	-0.1 %

Annual Trend in Days Supply per Member per Month

Brand Drugs

3/2014-2/2015	-15.8 %
3/2015-2/2016	-12.8 %
3/2016-2/2017	-14.2 %
3/2017-2/2018	-17.7 %
Use	-15.7 %

Generic Drugs

3/2014-2/2015	-0.7 %
3/2015-2/2016	1.6 %
3/2016-2/2017	-0.3 %
3/2017-2/2018	6.4 %
Use	3.4 %

FY2019 Prescription Drug Rating Analysis
STAR Health Pharmacy Trends

	<u>Total</u>
Specialty Drugs	
3/2014-2/2015	-8.3 %
3/2015-2/2016	-8.9 %
3/2016-2/2017	-4.9 %
3/2017-2/2018	-7.1 %
Use	-6.6 %
All Drugs	
3/2014-2/2015	-5.4 %
3/2015-2/2016	-2.5 %
3/2016-2/2017	-3.7 %
3/2017-2/2018	1.0 %
Use	0.0 %

Annual Trend in Incurred Claims per Days Supply

Brand Drugs	
3/2014-2/2015	17.0 %
3/2015-2/2016	16.1 %
3/2016-2/2017	7.7 %
3/2017-2/2018	-10.8 %
Use	-0.1 %

Generic Drugs	
3/2014-2/2015	6.5 %
3/2015-2/2016	-0.6 %
3/2016-2/2017	-11.5 %
3/2017-2/2018	10.5 %
Use	1.3 %

Specialty Drugs	
3/2014-2/2015	2.8 %
3/2015-2/2016	10.0 %
3/2016-2/2017	46.2 %
3/2017-2/2018	7.5 %
Use	20.8 %

All Drugs	
3/2014-2/2015	5.0 %
3/2015-2/2016	3.7 %
3/2016-2/2017	0.4 %
3/2017-2/2018	-15.7 %
Use	-5.3 %

FY2019 Prescription Drug Rating Analysis
 STAR Health Pharmacy Trends

Total

Annual Trend in Incurred Claims per Member per Month

Brand Drugs

3/2014-2/2015	-1.5 %
3/2015-2/2016	1.3 %
3/2016-2/2017	-7.6 %
3/2017-2/2018	-26.5 %
Use	-15.8 %

Generic Drugs

3/2014-2/2015	5.7 %
3/2015-2/2016	1.0 %
3/2016-2/2017	-11.8 %
3/2017-2/2018	17.5 %
Use	4.7 %

Specialty Drugs

3/2014-2/2015	-5.6 %
3/2015-2/2016	0.2 %
3/2016-2/2017	39.1 %
3/2017-2/2018	-0.1 %
Use	12.8 %

All Drugs

3/2014-2/2015	-0.7 %
3/2015-2/2016	1.1 %
3/2016-2/2017	-3.3 %
3/2017-2/2018	-14.9 %

Use	-5.3 %
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Generic Dispensing Rate (Days Supply)

3/2014-2/2015	71.0 %
3/2015-2/2016	74.0 %
3/2016-2/2017	76.6 %
3/2017-2/2018	80.7 %
FY2019	84.9 %

Attachment 4

Provider Reimbursement Adjustments

This attachment presents information regarding rating adjustments for the various provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting and before the end of FY2019.

The benefit and provider reimbursement changes recognized in the FY2019 rate setting are listed below. The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement bases and the resulting impact determined. The attached exhibit presents a summary of the derivation of the adjustment factors.

- Beginning May 1, 2013 HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Readmissions (PPR). The reimbursement reductions amount to 1-2% depending on a hospital's performance during the evaluation time period and can change from one fiscal year to the next. A new PPR reduction list will become effective September 1, 2018. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2017 net of those reductions that will be in place during FY2019.
- Beginning March 1, 2014 HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Complications (PPC). The reimbursement reductions amount to 2-2.5% depending on a hospital's performance during the evaluation time period and can change from one fiscal year to the next. A new PPC reduction list will become effective September 1, 2018. As of the completion of this report, the final FY2019 PPC list was not yet available. When completed, HHSC and its actuaries will evaluate if there is a material difference between the updated PPC list and the list in place during the FY2017 base period. If determined to be material a mid-year rate adjustment may be necessary.
- Several hospitals have had their inpatient Standard Dollar Amount (SDA) revised as a result of annual reevaluations.
- Effective December 15, 2016 HHSC made revisions to the reimbursement for certain speech, physical and occupational therapy services. Further revisions were effective September 1, 2017.
- Effective February 1, 2017 HHSC revised the fee schedule for diagnostic radiology services, which includes hospital outpatient diagnostic radiology services. Fee schedule changes varied for professional, urban hospitals and rural hospitals.
- Invalid clinician administered drugs have been removed from the base period. HHSC has provided guidance to the MCOs which specifies the reporting requirements for a CAD to be considered a valid claim.

- Effective November 1, 2016 STAR Health members who are eligible for the Medically Dependent Children Program (MDCP) had their MDCP services carved into STAR Health. Prior to November 1, 2016 these members were receiving their acute care services through STAR Health and their MDCP waiver services through The Department of Aging and Disability Services (DADS).
- Effective November 1, 2016 STAR Health members who receive hospice care are no longer disenrolled from the program. The hospice services for these members continue to be carved out and paid through the fee-for-service program; however, all other acute care received will be carved in.
- Effective September 1, 2017 FQHC wrap payments were carved out of managed care. HHSC has developed policy language to ensure that FQHCs are reimbursed their full encounter rate; however, the MCO will only be responsible for reimbursing the FQHC an amount no less than the rate paid to non-FQHC providers providing similar services.
- Effective November 1, 2017 HHSC made revisions to the reimbursement for anesthesiology services.
- Effective September 1, 2018 HHSC will make revisions to the therapy policies which will impact the reimbursement for therapy services provided by an assistant. Therapy assistant services will be reimbursed at a rate that is 70% of the therapy fee schedule.
- Effective September 1, 2018 HHSC will make revision to the reimbursement for ambulance services.
- Effective September 1, 2018 state legislation will require all newly enrolled STAR Health members to be provided an initial medical exam within three days of enrollment. As a result of this requirement the STAR Health managed care plan will incur additional expenses associated with these newly required medical exams.
- HHSC has recently implemented numerous changes to the Preferred Drug List (PDL) as part of a cost containment initiative. These changes include some of the program's highest expenditure drugs (Abilify, Nasonex, Suprax and Tamiflu).
- Effective September 1, 2018 HHSC will add anti-viral medications for the treatment of Hepatitis C (Epclusa, Harvoni, Viekira Pak, etc.) and Orkambi (a treatment for Cystic Fibrosis) to capitated services effective September 1, 2018. These services are currently reimbursed to the MCOs on a non-risk basis.

The attached exhibit presents a summary of the rating adjustment factors. With the exception of MDCP, hospice, FQHC and new visit requirements, all adjustment factors were calculated by repricing the FY2017 (CY2017 for pharmacy services) base period encounter data with both the old and new reimbursement terms and comparing the relative difference. Although the MCOs are not required to change their reimbursement levels based on changes implemented by HHSC, the

Medicaid fee schedule serves as a primary negotiating tool for both MCOs and providers in Texas. Many MCO/provider reimbursement contracts are directly tied to the Medicaid FFS fee schedule through established percentages (e.g. 100%, 102%, 95% etc.). As a result, MCO reimbursement has historically changed in conjunction with Medicaid FFS fee schedule changes, both increases and decreases. Furthermore, it is common for provider reimbursement contracts that are directly tied to the Medicaid fee schedule (i.e. set at a % of Medicaid) to automatically adjust when the Medicaid fee schedule changes with no further need for recontracting. The correlation between managed care reimbursement and FFS fee schedules has been consistently observed throughout the history of the Texas managed care programs and is reiterated through discussions with the MCOs.

The MDCP and hospice adjustment factors were calculated by accumulating the services previously carved out and paid under the FFS program. These applicable claims were collected by compiling a list of STAR Health members who were eligible for MDCP waiver services or were disenrolled from the program as a result of receiving hospice. Using these member IDs, all claims previously carved out and paid through FFS were collected from the internal HHSC data warehouse.

The FQHC adjustment was calculated by repricing all FQHC claims to the corresponding fee-for-service equivalent using the Medicaid fee schedule by procedure code. The difference between the full encounter rate and the fee-for-service equivalent is assumed to be the wrap payment which will be carved out and paid outside the monthly capitation rate based on HHSC-approved methodology.

The new visit requirement was calculated by collecting the average number of new members enrolled annually as provided by HHSC System Forecasting and multiplying by the FFS reimbursement rate for the newly required medical exam.

All adjustments were calculated independently by both HHSC and the actuary to ensure consistent results.

FY2019 STAR Health Rating Analysis
 Provider Reimbursement Adjustments
 Estimates Based on FY2017 STAR Health Encounter Data

Provider Reimbursement Adjustment Factor

Therapy Reimbursement Reduction	-292,615
Therapy Policy Reduction	-1,025,069
Radiology Reimbursement Reduction	-99,759
Anesthesiology Reimbursement Changes	4,629
Removal of Invalid CAD	-413
Carve In MDCP Services	153,770
Carve In Hospice Members	433,729
Remove FQHC Wrap Payment	-1,722,709
Ambulance Reimbursement Reduction	-22,409
SB 11 New Visit Requirement	1,258,665
Total Provider Reimbursement Changes	-1,312,181
FY2017 Total Claims	234,718,123
Provider Reimbursement Adjustment	-0.56 %

Hospital Adjustment Factor

Standard Dollar Amount Changes	272,667
PPR Reduction/Restoration	43,639
PPC Reduction/Restoration	0
Total Hospital Reimbursement Changes	316,306
FY2017 Total Claims	234,718,123
Hospital Reimbursement Adjustment	0.13 %

Pharmacy Adjustment Factors

CY2017 Incurred Claims	48,470,636
Impact of PDL Changes	-6,144,733
PDL Changes Adjustment	-12.68 %
Impact of Drug Carve-in	70,240
Carve-in Adjustment	0.14 %

Attachment 5

Community First Choice (CFC)

As a result of CFC, Texas is eligible for an enhanced federal match rate on all CFC eligible services. The calculation of the CFC portion of the rate is based on an estimation of the CFC eligible services included in the STAR Health premium rate.

Certain services such as personal care services are currently provided under the STAR Health program and are currently included in the STAR Health premium rate. These services are now eligible for the enhanced federal match rate and must be identified. This calculation involved the following steps:

- a. Determine the percentage of all claim payments which are associated with the personal care services now eligible for the enhanced CFC match.
- b. Determine the percentage of individuals receiving personal care services eligible for the enhanced CFC match. There is limited information regarding the number of STAR Health members that are eligible for CFC services. This estimated percentage is based on information from the Department of Aging and Disability Services (DADS) and represents the percentage of recipients receiving personal care services through DADS who are eligible for CFC. This estimate was confirmed through an evaluation of preliminary information regarding the number of CFC eligible members enrolled in STAR Health which varied from 28-32%.
- c. The CFC eligible services included in the STAR Health premium rate are then determined as the current premium rate multiplied by the percentage of total claims provided for personal care services multiplied by the percentage of members eligible for CFC.

Based on this calculation, the projected CFC portion of the total premium rate which is eligible for the enhanced federal match is \$3.99 per member per month.

FY2019 STAR Health Rating Analysis
CFC Enhanced Match Calculation

FY2017 Personal Care Services	4,066,027
FY2017 Total Claims	234,718,123
PCS % of Total	1.7%
% Eligible (1)	30.0%
CFC % of Total Premium (2)	0.52%
FY2019 Premium Rate	766.92
CFC Portion of Premium Rate	3.99

Footnotes:

(1) Projected percentage of total STAR Health population eligible for CFC.

(2) PCS % of Total Claims multiplied by % Eligible.

Attachment 6

FY2019 STAR Kids 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 September 1, 2018 through August 31, 2019 (FY2019).
- ii. (a) The certification letter is on page 12 of the report.

(b) The final capitation rates are shown on page 11 of the report.

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

(ii) See page 1 of the report.

(iii) See page 1 of the report.

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

(v) Not applicable. There are no special contract provisions related to payment within the STAR Health program.

(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 40 through 41 of the report.

iv. (a) See pages 15 through 17 of the report.

(b) Not applicable. All rating adjustment factors have been included in the report.

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 report.

ii. (a) See pages 1 through 3 of the report.

(b) See pages 2 through 3 of the report.

(c) See pages 2 through 3 of the report.

(d) Not applicable.

iii. (a) Base period data is fully credible.

(b) See page 4 of the report.

- (c) No errors found in the data.
- (d) See pages 36 through 39 of the 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. Not applicable. STAR Health eligibility ends at age 21 and therefore the IMD regulation does not impact this population.
- vi. Not applicable. STAR Health eligibility ends at age 21.

B. Appropriate Documentation

- i. See pages 14 through 16 of the report.
- ii. See pages 14 through 16 of the report. There have been no significant changes in the development of the benefit cost since the last certification.
- iii. (a) See 29 through 35 of the report.
 - (b) See 29 through 35 of the report.
 - (c) See 29 through 35 of the report.
 - (d) See 29 through 35 of the report.
 - (e) Not applicable.
- iv. Not applicable.

- v. The STAR Health 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.

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

- 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 pages 36 through 39 of the report.

viii. See pages 36 through 39 of the report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

B. Withhold Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

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

Not applicable.

ii. Appropriate Documentation

(a) Not applicable. No such arrangements exist in the STAR Health program.

E. Pass-Through Payments

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

(a) Not applicable. No such arrangements exist in the STAR Health program.

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Acknowledged.

B. Appropriate Documentation

i. See page 10 of the report.

ii. See page 10 of the report.

iii. (a) See page 10 of the report.

(b) Not applicable.

(c) Not applicable.

(d) See page 10 of the report.

(e) Not applicable.

(f) See page 10 of the report.

6. Risk Adjustment and Acuity Adjustments

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

B. Appropriate Documentation

i. Not applicable, risk adjustment is not applied to the STAR Health rate development.

ii. Not applicable, risk adjustment is not applied to the STAR Health rate development.

iii. Not applicable, risk adjustment is not applied to the STAR Health rate development.

iv. Not applicable, risk adjustment is not applied to the STAR Health rate development.