STATE OF TEXAS
MEDICAID MANAGED CARE
STAR HEALTH PROGRAM RATE SETTING
STATE FISCAL YEAR 2020

Prepared for:
Texas Health and Human Services Commission
STAR Health 529-15-0001 V2.10

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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 2020 (FY2020, September 2019 through August 2020) 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 FY2020 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 FY2020 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 administers the STAR Health program.

- Monthly STAR Health enrollment for the period September 2012 through May 2019 with a projection through August 2020. These enrollment figures were provided by HHS System Forecasting staff.

- Claim lag reports provided by Superior for the period September 2015 through March 2019. 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 FY2016, FY2017, FY2018 and the first six months of FY2019. 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 plan 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 5.4% 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 FY2019 and FY2020 Medicaid provider reimbursement rate changes.

- Information provided by HHSC regarding FY2018 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.

- Current (FY2019) 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 (ICHP) as an External Quality Review Organization (EQRO). ICHP 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 in all programs 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 FY2020 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 exclusively on managed care data.

II. Overview of the Rate Setting Methodology

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

The actuarial model used to derive the FY2020 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 FY2018 (September 1, 2017 through August 31, 2018) while the base period for the prescription drug component was defined as CY2018 (January 1, 2018 through December 31, 2018). 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 May 2019 and represents the following percentage of claims by type of service:

- Medical - 0.12%
- Prescription Drug – 0.0%

These estimates were then projected forward to FY2020 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 FY2020 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)
- Certain high cost carve-out prescription drugs

All expenses related to these, any other non-capitated services and any value-added services have been excluded from the FY2020 rating analysis.

We projected the FY2020 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 FY2020 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 summarizing the applicable sections from the 2019-2020 Medicaid Managed Care Rate Development Guide.

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 FY2018 trend has been calculated as the change in average cost per member per month during the period September 1, 2017 through August 31, 2018 (FY2018) compared to the average cost per member per month during the period September 1, 2016 through August 31, 2017 (FY2017). 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 FY2019 trend assumption was developed from two components: (i) the actual estimated trend for the period September 2018 through March 2019 and (ii) the projected trend for the period April 2019 through August 2019. The actual estimated trend during the period September 2018 through March 2019 was 11.3%. The projected trend for the period April 2019 through August 2019 was calculated as the average trend during FY2015, FY2016, FY2017, FY2018 and the first seven months of FY2019 and equaled 2.9%. The actual trend during the first seven months and the projected trend during the final five months of FY2019 were then blended together to develop the FY2019 trend assumption of 7.8%.

The FY2020 trend assumption was calculated as the average trend during FY2015, FY2016, FY2017, FY2018 and the first seven months of FY2019 and equals 2.9%.

Trend Factors – Rx

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2018) claims cost to the rating period (FY2020). The trend rate assumptions were 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 trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 2019. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by risk group and drug type (brand, generic and specialty) through February 2019. From this experience, the average annual utilization and cost per service were determined for each of the four 12-month periods ending February 2019.

Certain drugs and drug categories are excluded from the pharmacy trend analysis. Anti-viral agents used for the treatment of the Hepatitis C virus and the drug Orkambi were carved in to the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on recent trends. 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. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates.

The STAR Health pharmacy trend assumptions for the remainder of FY2019 and all of FY2020 were 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 2017 plus two-sixths of the experience trend rate for the 12-month period ending February 2018 plus three-sixths of the experience trend rate for the 12-month period ending February 2019. The final cost trend assumptions were 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 2019 and combining the results into a single trend assumption. Attachment 3 – Exhibit B presents a summary of the historical pharmacy trend analysis.

The preferred drug list (PDL) changes implemented in FY2018 had a material impact on pharmacy cost and trends. As a result, recent pharmacy experience trends will tend to understate the expected underlying trend. In order to correct for this understatement, we developed adjustment factors to restate pharmacy experience for the two most recent 12-month periods assuming that the FY2018 PDL changes had not been implemented. Attachment 3 – Exhibit C presents these adjustment factors and the resulting pharmacy trend assumptions used for the STAR Health program. We selected a prospective pharmacy trend assumption of 1.5% per annum.

Please note that the MCO was 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 assumption.

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, ambulance reimbursement reductions, anesthesiology reimbursement revisions and private duty nursing 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.

Potentially Preventable Readmission Quality Improvement

Effective September 1, 2019 HHSC is utilizing an adjustment to the FY2018 base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2020. Exhibit E of Attachment 4 presents a summary of the derivation of these adjustment factors.

Readmissions are an indicator of quality of care because they may reflect poor clinical care and poor coordination of services either during hospitalization or in the immediate post discharge period. A potentially preventable readmission (PPR) is a readmission (return hospitalization within the specified readmission time interval) that is clinically related to the initial hospital admission. HHSC expects the MCOs to provide their members with timely access to appropriate care at the proper level by coordinating care across the entire continuum of the health care spectrum. Preventable readmissions should be avoided through high-quality outpatient care thus improving efficiency of the managed care programs.

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.

Federally Qualified Health Center (FQHC) Wrap Payment Removal

Effective September 1, 2017, MCOs were no 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 collecting the FQHC wrap payments paid by the MCOs during the FY2018 base period. 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.

Drug Carve In

HHSC has carved-in several low-utilization, high-cost drugs to the managed care capitated arrangement. These drugs were previously covered services under the plan but their cost was reimbursed to the MCOs using a non-risk arrangement. Anti-viral medications for the treatment of Hepatitis C (Epclusa, Harvoni, Viekira Pak, etc.) and Orkambi (a treatment for Cystic Fibrosis) have been added to capitated services effective September 1, 2018. As a result, a portion of the base period (CY2018) excludes the cost of these drugs and an adjustment factor is required to account for this understatement. Attachment 4 includes additional information regarding the derivation of the rate adjustment factors 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 $30.00 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.

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 three fiscal years for the STAR Health program.

FY17	79.77
FY18	82.93
FY19	77.80
3 Year Average	80.17

Based on the administrative fee formula included in the rate development, the average administrative expense included in the capitation rate (medical and pharmacy components combined) is approximately $82 which is in line with the historical average range. This formula is reviewed annually to ensure consistency with the reported administrative costs.

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, 2016 and 2018 through amendments to the initially certified rates for these time periods.

V. Summary

The FY2020 total premium rate for the STAR Health program is $986.42 per member per month. The total premium rate is made up of the total medical component of $877.02 and the prescription drug component of $109.40. This rate will be effective for the period September 1, 2019 through August 31, 2020. 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 $3.38 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 FY2020 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, 2019 through August 31, 2020 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;

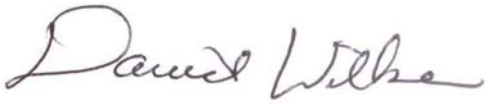
(b) The premium rate is appropriate for the populations and services covered under the managed care contract; and

(c) The premium rate is actuarially sound as defined in the regulations.

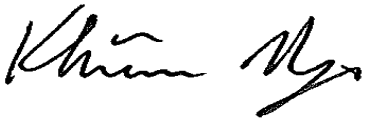
We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

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.

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.

VII. Attachments

Attachment 1

Summary of FY2020 STAR Health Rating Analysis

Exhibit A presents summary information regarding the FY2020 STAR Health medical rate development. Included on the exhibit are base period (FY2018) experience, projected FY2020 enrollment, trend and provider reimbursement adjustment factors, assumed capitation rates, reinsurance and administrative costs.

The actuarial model used to derive the FY2020 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 FY2020 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 FY2020 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 FY2020 STAR Health prescription drug rate development. Included on the exhibit are base period (CY2018) experience, projected FY2020 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 (FY2019) premium rates and the FY2020 premium rates. The projection is split by medical and pharmacy.

The primary cost driver behind the larger than average rate increase is increased private duty nursing (PDN) utilization. PDN expenditures increased significantly beginning in March 2018. This increased level of utilization has resulted in higher than average trend during recent periods and an increase in premiums for FY2020 that is larger than past increases.

FY2020 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Medical

	Rating Period FY2020
Base Period Used in Rating	FY2018
Base Period Experience	
Member Months	405,017
Estimated Incurred Claims	262,214,478
Estimated Incurred Claims pmpm	$ 647.42
Projected Rating Period Experience	
Member Months	403,440
Current Premium Rate (FY2019)	$ 766.92
Projected Premium at Current Rate	309,406,487
Assumed Annual Trend Rate	
- FY2019	7.8 %
- FY2020	2.9 %
Provider Reimbursement Adjustment	-0.51 %
Hospital Reimbursement Adjustment	0.44 %
Projected Incurred Claims pmpm	$ 717.64
Projected Incurred Claims	289,523,237
Capitation Expenses	
Dental Services	$ 43.08
OT/PT/ST	$ 1.75
Radiology	$ 1.52
Settlements and Miscellaneous Expenses	$ 4.04
Total	$ 50.39
Reinsurance Expenses	
Gross Premium	$ 0.04
Projected Reinsurance Recoveries	$ 0.04
Net Reinsurance Cost	$ 0.00
Administrative Expenses	
Fixed Amount	$ 30.00
Percentage of Premium	5.75 %
Total	$ 80.43
Premium Tax	1.75 %
Maintenance Tax pmpm	$ 0.06
Risk Margin	1.50 %
Premium Rate pmpm	$ 877.02
Projected Premium	353,825,272
% Change	14.4%

FY2020 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Prescription Drug

	Rating Period FY2020
Base Period Used in Rating	CY2018
Base Period Experience	
Member Months	407,028
Estimated Incurred Claims	43,555,459
Other Costs/Refunds	-268,639
Estimated Incurred Claims pmpm	$ 106.35
Projected Rating Period Experience	
Member Months	403,440
Current Premium Rate (FY2019)	$ 113.65
Projected Premium at Current Rate	45,850,998
Assumed Annual Trend Rate	1.50 %
PDL Change FY2018	-3.71 %
PDL Change 7/1/2019	-1.31 %
Carve-in Adjustment	0.43 %
Projected Incurred Claims pmpm	$ 104.05
Projected Incurred Claims	41,976,360
Administrative Expenses	$ 1.80
Premium Tax	1.75 %
Risk Margin	1.50 %
Premium Rate pmpm	$ 109.40
Projected Premium	44,136,376
% Change	-3.7%

FY2020 STAR Health Rating Analysis

	Projected PMPM		Projected FY2020 Premium		
	FY2019 Rates	FY2020 Rates	FY2019 Rates	FY2020 Rates	% Rate Change
Medical	766.92	877.02	309,406,487	353,825,272	14.4%
Pharmacy	113.65	109.40	45,850,998	44,136,376	-3.7%
Total	880.57	986.42	355,257,485	397,961,648	12.0%

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 May 31, 2019 and estimated incurred claims. All information has been provided by type of service.

FY2020 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-15	30,698	6,315,737	1.0000	6,315,737	205.74	
Oct-15	30,818	6,305,987	1.0000	6,305,987	204.62	
Nov-15	30,659	5,742,038	1.0000	5,742,038	187.29	
Dec-15	30,174	5,845,123	1.0000	5,845,123	193.71	
Jan-16	30,200	6,185,197	1.0000	6,185,197	204.81	
Feb-16	30,717	6,396,866	1.0000	6,396,866	208.25	
Mar-16	30,912	6,569,109	1.0000	6,569,109	212.51	
Apr-16	31,141	6,354,516	1.0000	6,354,516	204.06	
May-16	31,254	6,444,798	1.0000	6,444,798	206.21	
Jun-16	31,442	6,433,415	1.0000	6,433,415	204.61	
Jul-16	31,366	6,134,550	1.0000	6,134,550	195.58	
Aug-16	31,417	6,661,348	1.0000	6,661,348	212.03	
Sep-16	31,749	6,462,177	1.0000	6,462,177	203.54	0.989
Oct-16	31,848	6,396,797	1.0000	6,396,797	200.85	0.982
Nov-16	31,885	6,181,689	1.0000	6,181,689	193.87	1.035
Dec-16	31,666	5,856,751	1.0000	5,856,751	184.95	0.955
Jan-17	31,578	6,703,025	1.0000	6,703,025	212.27	1.036
Feb-17	31,745	6,309,144	1.0000	6,309,144	198.74	0.954
Mar-17	31,845	6,817,533	1.0000	6,817,533	214.08	1.007
Apr-17	31,979	6,345,713	1.0000	6,345,713	198.43	0.972
May-17	32,421	6,946,680	1.0000	6,946,680	214.26	1.039
Jun-17	32,617	6,638,233	1.0000	6,638,233	203.52	0.995
Jul-17	32,735	6,298,559	1.0000	6,298,559	192.41	0.984
Aug-17	33,027	6,844,540	1.0000	6,844,540	207.24	0.977
Sep-17	33,226	6,611,444	1.0000	6,611,444	198.98	0.978
Oct-17	33,433	7,238,529	1.0000	7,238,529	216.51	1.078
Nov-17	33,713	6,910,873	1.0000	6,910,873	204.99	1.057
Dec-17	33,623	6,235,336	1.0000	6,235,336	185.45	1.003
Jan-18	33,538	7,078,181	1.0000	7,078,181	211.05	0.994
Feb-18	33,670	6,833,374	0.9990	6,840,214	203.15	1.022
Mar-18	33,635	7,336,571	0.9990	7,343,915	218.34	1.020
Apr-18	33,786	7,436,254	0.9990	7,443,698	220.32	1.110
May-18	33,962	7,774,019	0.9990	7,781,800	229.13	1.069
Jun-18	34,228	7,227,188	0.9980	7,241,672	211.57	1.040
Jul-18	34,117	7,439,878	0.9980	7,454,788	218.51	1.136
Aug-18	34,086	7,892,124	0.9940	7,939,763	232.94	1.124
Sep-18	34,125	7,188,588	0.9880	7,275,899	213.22	1.072
Oct-18	34,293	8,279,532	0.9880	8,380,093	244.37	1.129
Nov-18	34,085	7,442,452	0.9830	7,571,162	222.12	1.084
Dec-18	33,504	6,774,554	0.9760	6,941,141	207.17	1.117
Jan-19	32,964	7,829,852	0.9690	8,080,343	245.13	1.161
Feb-19	32,837	7,357,640	0.9500	7,744,884	235.86	1.161
Mar-19	34,363	7,271,840	0.9030	8,052,979	234.35	1.073
FY2016	370,798			75,388,683	203.31	
FY2017	385,095			77,800,841	202.03	0.994
FY2018	405,017			86,120,213	212.63	1.052
9/17-3/18	234,838			48,258,492	205.50	
9/18-3/19	236,170			54,046,502	228.85	1.114

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Emergency Room				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	464,604	1.0000	464,604	15.13	
Oct-15	30,818	502,780	1.0000	502,780	16.31	
Nov-15	30,659	477,047	1.0000	477,047	15.56	
Dec-15	30,174	474,387	1.0000	474,387	15.72	
Jan-16	30,200	546,067	1.0000	546,067	18.08	
Feb-16	30,717	531,335	1.0000	531,335	17.30	
Mar-16	30,912	570,367	1.0000	570,367	18.45	
Apr-16	31,141	551,873	1.0000	551,873	17.72	
May-16	31,254	584,373	1.0000	584,373	18.70	
Jun-16	31,442	469,089	1.0000	469,089	14.92	
Jul-16	31,366	492,895	1.0000	492,895	15.71	
Aug-16	31,417	513,903	1.0000	513,903	16.36	
Sep-16	31,749	545,341	1.0000	545,341	17.18	1.135
Oct-16	31,848	538,431	1.0000	538,431	16.91	1.036
Nov-16	31,885	543,983	1.0000	543,983	17.06	1.096
Dec-16	31,666	526,730	1.0000	526,730	16.63	1.058
Jan-17	31,578	583,375	1.0000	583,375	18.47	1.022
Feb-17	31,745	542,426	1.0000	542,426	17.09	0.988
Mar-17	31,845	583,298	1.0000	583,298	18.32	0.993
Apr-17	31,979	585,745	1.0000	585,745	18.32	1.034
May-17	32,421	590,840	1.0000	590,840	18.22	0.975
Jun-17	32,617	480,559	1.0000	480,559	14.73	0.988
Jul-17	32,735	540,183	1.0000	540,183	16.50	1.050
Aug-17	33,027	479,357	1.0000	479,357	14.51	0.887
Sep-17	33,226	544,289	1.0000	544,289	16.38	0.954
Oct-17	33,433	670,113	1.0000	670,113	20.04	1.186
Nov-17	33,713	647,503	1.0000	647,503	19.21	1.126
Dec-17	33,623	692,364	1.0000	692,364	20.59	1.238
Jan-18	33,538	714,708	1.0000	714,708	21.31	1.154
Feb-18	33,670	623,355	0.9990	623,979	18.53	1.085
Mar-18	33,635	631,168	0.9990	631,800	18.78	1.026
Apr-18	33,786	601,491	0.9990	602,093	17.82	0.973
May-18	33,962	603,782	0.9990	604,386	17.80	0.977
Jun-18	34,228	577,735	0.9980	578,893	16.91	1.148
Jul-18	34,117	507,873	0.9980	508,891	14.92	0.904
Aug-18	34,086	585,323	0.9940	588,856	17.28	1.190
Sep-18	34,125	637,594	0.9880	645,338	18.91	1.154
Oct-18	34,293	665,629	0.9880	673,714	19.65	0.980
Nov-18	34,085	632,643	0.9830	643,584	18.88	0.983
Dec-18	33,504	678,342	0.9760	695,023	20.74	1.007
Jan-19	32,964	673,210	0.9690	694,747	21.08	0.989
Feb-19	32,837	687,343	0.9500	723,519	22.03	1.189
Mar-19	34,363	650,876	0.9030	720,793	20.98	1.117
FY2016	370,798			6,178,720	16.66	
FY2017	385,095			6,540,268	16.98	1.019
FY2018	405,017			7,407,876	18.29	1.077
9/17-3/18	234,838			4,524,756	19.27	
9/18-3/19	236,170			4,796,717	20.31	1.054

FY2020 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-15	30,698	1,023,313	1.0000	1,023,313	33.33	
Oct-15	30,818	939,199	1.0000	939,199	30.48	
Nov-15	30,659	796,035	1.0000	796,035	25.96	
Dec-15	30,174	831,183	1.0000	831,183	27.55	
Jan-16	30,200	775,340	1.0000	775,340	25.67	
Feb-16	30,717	880,098	1.0000	880,098	28.65	
Mar-16	30,912	891,906	1.0000	891,906	28.85	
Apr-16	31,141	913,867	1.0000	913,867	29.35	
May-16	31,254	898,180	1.0000	898,180	28.74	
Jun-16	31,442	956,902	1.0000	956,902	30.43	
Jul-16	31,366	878,019	1.0000	878,019	27.99	
Aug-16	31,417	904,927	1.0000	904,927	28.80	
Sep-16	31,749	891,748	1.0000	891,748	28.09	0.843
Oct-16	31,848	851,121	1.0000	851,121	26.72	0.877
Nov-16	31,885	722,489	1.0000	722,489	22.66	0.873
Dec-16	31,666	818,723	1.0000	818,723	25.85	0.939
Jan-17	31,578	990,856	1.0000	990,856	31.38	1.222
Feb-17	31,745	948,630	1.0000	948,630	29.88	1.043
Mar-17	31,845	1,017,857	1.0000	1,017,857	31.96	1.108
Apr-17	31,979	874,043	1.0000	874,043	27.33	0.931
May-17	32,421	998,941	1.0000	998,941	30.81	1.072
Jun-17	32,617	943,194	1.0000	943,194	28.92	0.950
Jul-17	32,735	748,598	1.0000	748,598	22.87	0.817
Aug-17	33,027	853,013	1.0000	853,013	25.83	0.897
Sep-17	33,226	926,687	1.0000	926,687	27.89	0.993
Oct-17	33,433	1,056,394	1.0000	1,056,394	31.60	1.182
Nov-17	33,713	1,089,603	1.0000	1,089,603	32.32	1.426
Dec-17	33,623	915,346	1.0000	915,346	27.22	1.053
Jan-18	33,538	1,039,128	1.0000	1,039,128	30.98	0.987
Feb-18	33,670	1,014,022	0.9990	1,015,037	30.15	1.009
Mar-18	33,635	1,009,324	0.9990	1,010,334	30.04	0.940
Apr-18	33,786	1,035,634	0.9990	1,036,671	30.68	1.123
May-18	33,962	1,111,383	0.9990	1,112,496	32.76	1.063
Jun-18	34,228	987,406	0.9980	989,385	28.91	1.000
Jul-18	34,117	960,938	0.9980	962,864	28.22	1.234
Aug-18	34,086	1,165,566	0.9940	1,172,602	34.40	1.332
Sep-18	34,125	857,864	0.9880	868,283	25.44	0.912
Oct-18	34,293	1,108,294	0.9880	1,121,756	32.71	1.035
Nov-18	34,085	1,004,570	0.9830	1,021,943	29.98	0.928
Dec-18	33,504	1,107,933	0.9760	1,135,177	33.88	1.245
Jan-19	32,964	1,175,988	0.9690	1,213,610	36.82	1.188
Feb-19	32,837	1,594,185	0.9500	1,678,089	51.10	1.695
Mar-19	34,363	1,088,595	0.9030	1,205,532	35.08	1.168
FY2016	370,798			10,688,968	28.83	
FY2017	385,095			10,659,212	27.68	0.960
FY2018	405,017			12,326,547	30.43	1.100
9/17-3/18	234,838			7,052,530	30.03	
9/18-3/19	236,170			8,244,390	34.91	1.162

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

Month	Number of Members	Inpatient Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	4,479,558	1.0000	4,479,558	145.92	
Oct-15	30,818	4,329,518	1.0000	4,329,518	140.49	
Nov-15	30,659	4,720,495	1.0000	4,720,495	153.97	
Dec-15	30,174	5,066,884	1.0000	5,066,884	167.92	
Jan-16	30,200	5,194,147	1.0000	5,194,147	171.99	
Feb-16	30,717	6,110,346	1.0000	6,110,346	198.92	
Mar-16	30,912	5,108,985	1.0000	5,108,985	165.28	
Apr-16	31,141	5,775,346	1.0000	5,775,346	185.46	
May-16	31,254	5,687,246	1.0000	5,687,246	181.97	
Jun-16	31,442	4,160,554	1.0000	4,160,554	132.32	
Jul-16	31,366	4,368,439	1.0000	4,368,439	139.27	
Aug-16	31,417	4,376,052	1.0000	4,376,052	139.29	
Sep-16	31,749	5,487,694	1.0000	5,487,694	172.85	1.184
Oct-16	31,848	5,071,733	1.0000	5,071,733	159.25	1.134
Nov-16	31,885	5,407,122	1.0000	5,407,122	169.58	1.101
Dec-16	31,666	3,981,804	1.0000	3,981,804	125.74	0.749
Jan-17	31,578	4,732,259	1.0000	4,732,259	149.86	0.871
Feb-17	31,745	4,923,476	1.0000	4,923,476	155.09	0.780
Mar-17	31,845	4,842,084	1.0000	4,842,084	152.05	0.920
Apr-17	31,979	4,922,648	1.0000	4,922,648	153.93	0.830
May-17	32,421	6,387,914	1.0000	6,387,914	197.03	1.083
Jun-17	32,617	4,840,494	1.0000	4,840,494	148.40	1.122
Jul-17	32,735	4,390,594	1.0000	4,390,594	134.13	0.963
Aug-17	33,027	5,366,993	1.0000	5,366,993	162.50	1.167
Sep-17	33,226	4,880,347	1.0000	4,880,347	146.88	0.850
Oct-17	33,433	5,425,686	1.0000	5,425,686	162.29	1.019
Nov-17	33,713	6,757,709	1.0000	6,757,709	200.45	1.182
Dec-17	33,623	5,239,016	1.0000	5,239,016	155.82	1.239
Jan-18	33,538	5,533,754	1.0000	5,533,754	165.00	1.101
Feb-18	33,670	7,115,200	0.9990	7,122,322	211.53	1.364
Mar-18	33,635	4,496,655	0.9990	4,501,156	133.82	0.880
Apr-18	33,786	6,394,189	0.9990	6,400,590	189.45	1.231
May-18	33,962	4,842,720	0.9990	4,847,568	142.74	0.724
Jun-18	34,228	5,896,536	0.9980	5,908,353	172.62	1.163
Jul-18	34,117	5,402,442	0.9980	5,413,269	158.67	1.183
Aug-18	34,086	6,398,356	0.9940	6,436,978	188.85	1.162
Sep-18	34,125	6,607,786	0.9880	6,688,043	195.99	1.334
Oct-18	34,293	5,606,888	0.9880	5,674,988	165.49	1.020
Nov-18	34,085	5,237,331	0.9830	5,327,906	156.31	0.780
Dec-18	33,504	5,486,512	0.9760	5,621,426	167.78	1.077
Jan-19	32,964	7,082,853	0.9690	7,309,446	221.74	1.344
Feb-19	32,837	4,484,620	0.9500	4,720,653	143.76	0.680
Mar-19	34,363	5,435,416	0.9030	6,019,286	175.17	1.309
FY2016	370,798			59,377,570	160.13	
FY2017	385,095			60,354,815	156.73	0.979
FY2018	405,017			68,466,747	169.05	1.079
9/17-3/18	234,838			39,459,991	168.03	
9/18-3/19	236,170			41,361,748	175.14	1.042

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Vision				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	129,505	1.0000	129,505	4.22	
Oct-15	30,818	116,620	1.0000	116,620	3.78	
Nov-15	30,659	110,343	1.0000	110,343	3.60	
Dec-15	30,174	106,650	1.0000	106,650	3.53	
Jan-16	30,200	108,891	1.0000	108,891	3.61	
Feb-16	30,717	122,788	1.0000	122,788	4.00	
Mar-16	30,912	132,467	1.0000	132,467	4.29	
Apr-16	31,141	109,041	1.0000	109,041	3.50	
May-16	31,254	122,004	1.0000	122,004	3.90	
Jun-16	31,442	115,464	1.0000	115,464	3.67	
Jul-16	31,366	100,782	1.0000	100,782	3.21	
Aug-16	31,417	135,293	1.0000	135,293	4.31	
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	119,629	1.0000	119,629	3.76	0.877
Apr-17	31,979	102,509	1.0000	102,509	3.21	0.915
May-17	32,421	113,363	1.0000	113,363	3.50	0.896
Jun-17	32,617	116,457	1.0000	116,457	3.57	0.972
Jul-17	32,735	121,768	1.0000	121,768	3.72	1.158
Aug-17	33,027	139,476	1.0000	139,476	4.22	0.981
Sep-17	33,226	132,325	1.0000	132,325	3.98	0.948
Oct-17	33,433	138,335	1.0000	138,335	4.14	1.151
Nov-17	33,713	116,798	1.0000	116,798	3.46	0.901
Dec-17	33,623	103,644	1.0000	103,644	3.08	0.913
Jan-18	33,538	135,068	1.0000	135,068	4.03	1.099
Feb-18	33,670	132,449	0.9990	132,581	3.94	1.273
Mar-18	33,635	123,888	0.9990	124,012	3.69	0.981
Apr-18	33,786	126,550	0.9990	126,676	3.75	1.170
May-18	33,962	142,134	0.9990	142,276	4.19	1.198
Jun-18	34,228	121,198	0.9980	121,441	3.55	0.994
Jul-18	34,117	135,836	0.9980	136,108	3.99	1.072
Aug-18	34,086	149,820	0.9940	150,724	4.42	1.047
Sep-18	34,125	112,485	0.9880	113,851	3.34	0.838
Oct-18	34,293	143,562	0.9880	145,306	4.24	1.024
Nov-18	34,085	72,324	0.9830	73,575	2.16	0.623
Dec-18	33,504	96,793	0.9760	99,173	2.96	0.960
Jan-19	32,964	134,207	0.9690	138,501	4.20	1.043
Feb-19	32,837	124,754	0.9500	131,321	4.00	1.016
Mar-19	34,363	112,495	0.9030	124,579	3.63	0.983
FY2016	370,798			1,409,848	3.80	
FY2017	385,095			1,404,402	3.65	0.959
FY2018	405,017			1,559,989	3.85	1.056
9/17-3/18	234,838			882,764	3.76	
9/18-3/19	236,170			826,305	3.50	0.931

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Other - PDN, DME, Therapy				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	6,408,350	1.0000	6,408,350	208.75	
Oct-15	30,818	6,660,836	1.0000	6,660,836	216.13	
Nov-15	30,659	6,369,198	1.0000	6,369,198	207.74	
Dec-15	30,174	6,595,735	1.0000	6,595,735	218.59	
Jan-16	30,200	6,531,243	1.0000	6,531,243	216.27	
Feb-16	30,717	6,515,513	1.0000	6,515,513	212.11	
Mar-16	30,912	6,910,880	1.0000	6,910,880	223.57	
Apr-16	31,141	6,700,793	1.0000	6,700,793	215.18	
May-16	31,254	6,984,836	1.0000	6,984,836	223.49	
Jun-16	31,442	7,005,760	1.0000	7,005,760	222.82	
Jul-16	31,366	6,535,579	1.0000	6,535,579	208.37	
Aug-16	31,417	6,610,958	1.0000	6,610,958	210.43	
Sep-16	31,749	6,515,971	1.0000	6,515,971	205.23	0.983
Oct-16	31,848	6,563,006	1.0000	6,563,006	206.07	0.953
Nov-16	31,885	6,635,203	1.0000	6,635,203	208.10	1.002
Dec-16	31,666	6,842,626	1.0000	6,842,626	216.09	0.989
Jan-17	31,578	6,788,800	1.0000	6,788,800	214.99	0.994
Feb-17	31,745	6,151,960	1.0000	6,151,960	193.79	0.914
Mar-17	31,845	6,795,923	1.0000	6,795,923	213.41	0.955
Apr-17	31,979	6,356,558	1.0000	6,356,558	198.77	0.924
May-17	32,421	6,980,587	1.0000	6,980,587	215.31	0.963
Jun-17	32,617	6,805,157	1.0000	6,805,157	208.64	0.936
Jul-17	32,735	6,718,868	1.0000	6,718,868	205.25	0.985
Aug-17	33,027	6,752,190	1.0000	6,752,190	204.44	0.972
Sep-17	33,226	6,718,384	1.0000	6,718,384	202.20	0.985
Oct-17	33,433	7,107,075	1.0000	7,107,075	212.58	1.032
Nov-17	33,713	6,983,628	1.0000	6,983,628	207.15	0.995
Dec-17	33,623	6,801,530	1.0000	6,801,530	202.29	0.936
Jan-18	33,538	7,110,532	1.0000	7,110,532	212.01	0.986
Feb-18	33,670	6,667,791	0.9990	6,674,465	198.23	1.023
Mar-18	33,635	7,309,119	0.9990	7,316,435	217.52	1.019
Apr-18	33,786	7,196,541	0.9990	7,203,745	213.22	1.073
May-18	33,962	7,538,846	0.9990	7,546,392	222.20	1.032
Jun-18	34,228	7,400,580	0.9980	7,415,410	216.65	1.038
Jul-18	34,117	7,559,487	0.9980	7,574,636	222.02	1.082
Aug-18	34,086	7,833,588	0.9940	7,880,874	231.21	1.131
Sep-18	34,125	7,637,407	0.9880	7,730,169	226.53	1.120
Oct-18	34,293	8,275,430	0.9880	8,375,941	244.25	1.149
Nov-18	34,085	7,833,481	0.9830	7,968,953	233.79	1.129
Dec-18	33,504	8,037,563	0.9760	8,235,208	245.80	1.215
Jan-19	32,964	8,571,511	0.9690	8,845,728	268.34	1.266
Feb-19	32,837	7,614,142	0.9500	8,014,887	244.08	1.231
Mar-19	34,363	8,203,322	0.9030	9,084,520	264.37	1.215
FY2016	370,798			79,829,681	215.29	
FY2017	385,095			79,906,849	207.50	0.964
FY2018	405,017			86,333,106	213.16	1.027
9/17-3/18	234,838			48,712,049	207.43	
9/18-3/19	236,170			58,255,407	246.67	1.189

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Total - Medical				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	18,821,067	1.0000	18,821,067	613.10	
Oct-15	30,818	18,854,938	1.0000	18,854,938	611.82	
Nov-15	30,659	18,215,156	1.0000	18,215,156	594.12	
Dec-15	30,174	18,919,962	1.0000	18,919,962	627.03	
Jan-16	30,200	19,340,885	1.0000	19,340,885	640.43	
Feb-16	30,717	20,556,946	1.0000	20,556,946	669.24	
Mar-16	30,912	20,183,714	1.0000	20,183,714	652.94	
Apr-16	31,141	20,405,435	1.0000	20,405,435	655.26	
May-16	31,254	20,721,436	1.0000	20,721,436	663.00	
Jun-16	31,442	19,141,184	1.0000	19,141,184	608.78	
Jul-16	31,366	18,510,264	1.0000	18,510,264	590.14	
Aug-16	31,417	19,202,482	1.0000	19,202,482	611.21	
Sep-16	31,749	20,036,293	1.0000	20,036,293	631.08	1.029
Oct-16	31,848	19,535,597	1.0000	19,535,597	613.40	1.003
Nov-16	31,885	19,613,042	1.0000	19,613,042	615.12	1.035
Dec-16	31,666	18,133,499	1.0000	18,133,499	572.65	0.913
Jan-17	31,578	19,914,017	1.0000	19,914,017	630.63	0.985
Feb-17	31,745	18,973,844	1.0000	18,973,844	597.70	0.893
Mar-17	31,845	20,176,324	1.0000	20,176,324	633.58	0.970
Apr-17	31,979	19,187,216	1.0000	19,187,216	599.99	0.916
May-17	32,421	22,018,323	1.0000	22,018,323	679.14	1.024
Jun-17	32,617	19,824,093	1.0000	19,824,093	607.78	0.998
Jul-17	32,735	18,818,569	1.0000	18,818,569	574.88	0.974
Aug-17	33,027	20,435,569	1.0000	20,435,569	618.75	1.012
Sep-17	33,226	19,813,476	1.0000	19,813,476	596.32	0.945
Oct-17	33,433	21,636,132	1.0000	21,636,132	647.15	1.055
Nov-17	33,713	22,506,115	1.0000	22,506,115	667.58	1.085
Dec-17	33,623	19,987,236	1.0000	19,987,236	594.45	1.038
Jan-18	33,538	21,611,371	1.0000	21,611,371	644.38	1.022
Feb-18	33,670	22,386,190	0.9990	22,408,598	665.54	1.114
Mar-18	33,635	20,906,726	0.9990	20,927,653	622.20	0.982
Apr-18	33,786	22,790,659	0.9990	22,813,473	675.23	1.125
May-18	33,962	22,012,884	0.9990	22,034,919	648.81	0.955
Jun-18	34,228	22,210,643	0.9980	22,255,153	650.20	1.070
Jul-18	34,117	22,006,454	0.9980	22,050,555	646.32	1.124
Aug-18	34,086	24,024,777	0.9940	24,169,796	709.09	1.146
Sep-18	34,125	23,041,724	0.9880	23,321,583	683.42	1.146
Oct-18	34,293	24,079,336	0.9880	24,371,797	710.70	1.098
Nov-18	34,085	22,222,801	0.9830	22,607,122	663.25	0.994
Dec-18	33,504	22,181,697	0.9760	22,727,148	678.33	1.141
Jan-19	32,964	25,467,622	0.9690	26,282,375	797.30	1.237
Feb-19	32,837	21,862,684	0.9500	23,013,352	700.84	1.053
Mar-19	34,363	22,762,544	0.9030	25,207,690	733.58	1.179
FY2016	370,798			232,873,469	628.03	
FY2017	385,095			236,666,387	614.57	0.979
FY2018	405,017			262,214,478	647.42	1.053
9/17-3/18	234,838			148,890,582	634.01	
9/18-3/19	236,170			167,531,068	709.37	1.119

FY2020 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Prescription Drug				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-15	30,698	4,429,169	1.0000	4,429,169	144.28	
Oct-15	30,818	4,257,439	1.0000	4,257,439	138.15	
Nov-15	30,659	4,219,392	1.0000	4,219,392	137.62	
Dec-15	30,174	4,481,161	1.0000	4,481,161	148.51	
Jan-16	30,200	4,303,598	1.0000	4,303,598	142.50	
Feb-16	30,717	4,516,160	1.0000	4,516,160	147.02	
Mar-16	30,912	4,675,278	1.0000	4,675,278	151.24	
Apr-16	31,141	4,161,306	1.0000	4,161,306	133.63	
May-16	31,254	4,438,740	1.0000	4,438,740	142.02	
Jun-16	31,442	4,134,013	1.0000	4,134,013	131.48	
Jul-16	31,366	3,836,475	1.0000	3,836,475	122.31	
Aug-16	31,417	4,311,340	1.0000	4,311,340	137.23	
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	4,509,396	1.0000	4,509,396	142.05	0.966
Mar-17	31,845	4,872,709	1.0000	4,872,709	153.01	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	3,558,312	1.0000	3,558,312	109.09	0.830
Jul-17	32,735	3,378,858	1.0000	3,378,858	103.22	0.844
Aug-17	33,027	3,431,627	1.0000	3,431,627	103.90	0.757
Sep-17	33,226	3,333,561	1.0000	3,333,561	100.33	0.746
Oct-17	33,433	3,666,456	1.0000	3,666,456	109.67	0.793
Nov-17	33,713	3,761,912	1.0000	3,761,912	111.59	0.777
Dec-17	33,623	4,078,492	1.0000	4,078,492	121.30	0.832
Jan-18	33,538	4,287,163	1.0000	4,287,163	127.83	0.803
Feb-18	33,670	3,918,747	1.0000	3,918,747	116.39	0.819
Mar-18	33,635	3,923,514	1.0000	3,923,514	116.65	0.762
Apr-18	33,786	3,581,057	1.0000	3,581,057	105.99	0.810
May-18	33,962	3,290,494	1.0000	3,290,494	96.89	0.675
Jun-18	34,228	3,229,554	1.0000	3,229,554	94.35	0.865
Jul-18	34,117	3,249,662	1.0000	3,249,662	95.25	0.923
Aug-18	34,086	3,631,284	1.0000	3,631,284	106.53	1.025
Sep-18	34,125	3,247,642	1.0000	3,247,642	95.17	0.949
Oct-18	34,293	3,767,687	1.0000	3,767,687	109.87	1.002
Nov-18	34,085	3,760,281	1.0000	3,760,281	110.32	0.989
Dec-18	33,504	3,668,373	1.0000	3,668,373	109.49	0.903
Jan-19	32,964	3,843,332	1.0000	3,843,332	116.59	0.912
Feb-19	32,837	3,520,105	1.0000	3,520,105	107.20	0.921
Mar-19	34,363	3,355,598	1.0000	3,355,598	97.65	0.837
CY2016	375,597			52,242,692	139.09	
CY2017	391,942			48,454,521	123.63	0.889
CY2018	407,028			43,555,459	107.01	0.866
9/17-3/18	234,838			26,969,846	114.84	
9/18-3/19	236,170			25,163,019	106.55	0.928

Attachment 3

STAR Health Trend Analysis

Medical

The FY2020 rating methodology uses assumed medical trend factors to adjust the base period (FY2018) claims cost to the rating period (FY2020). 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 FY2019 and FY2020.

The trend analysis included a review of health plan claims experience data through May 31, 2019. Based on this information, estimates of monthly incurred claims were made through March 31, 2019. The claims cost and trend experience was reviewed separately by type of service.

Exhibit A provides a summary of the FY2015, FY2016, FY2017, FY2018 and FY2019 trends by category of service. The FY2019 trend represents the trend during the period September 2018 through March 2019. 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 FY2018 trend is calculated as the average cost per member per month during FY2018 divided by the average cost per member per month during FY2017.

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, 2016 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 FY2017 observed trends are adjusted to remove the impact of the increased cost associated with these services to ensure the average cost during FY2016 and FY2017 are based on comparable services and reimbursement levels and the underlying trend is calculated.

The FY2019 trend assumption was developed from two components: (i) the observed trend for the period September 2018 through March 2019 and (ii) the projected trend for the period April 2019 through August 2019. The trend for the final five months of FY2019 was projected using experience from FY2015, FY2016, FY2017, FY2018 and 9/2018-3/2019. The weighting of each time period was based on the number of months within each time period.

The FY2020 trend assumption was then developed from a simple average of the FY2015-FY2019 trends.

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 (CY2018) claims cost to the rating period (FY2020). The trend rate assumptions were 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 trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 2019. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by risk group and drug type (brand, generic and specialty) through February 2019. From this experience, the average annual utilization and cost per service were determined for each of the four 12-month periods ending February 2019.

Certain drugs and drug categories are excluded from the pharmacy trend analysis. Anti-viral agents used for the treatment of the Hepatitis C virus and the drug Orkambi were carved in to the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on recent trends. 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. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates.

The STAR Health pharmacy trend assumption for the remainder of FY2019 and all of FY2020 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 2017 plus two-sixths of the experience trend rate for the 12-month period ending February 2018 plus three-sixths of the experience trend rate for the 12-month period ending February 2019. The final 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 2019 and combining the results into a single trend assumption. Exhibit B of this attachment presents a summary of the historical pharmacy trend analysis.

The preferred drug list (PDL) changes implemented in FY2018 had a material impact on pharmacy cost and trends. As a result, recent pharmacy experience trends will tend to understate the expected underlying trend. In order to correct for this understatement, we developed adjustment factors to restate pharmacy experience for the two most recent 12-month periods assuming that the FY2018 PDL changes had not been implemented. Exhibit C of this attachment presents these adjustment factors and the resulting pharmacy trend assumptions used for the STAR Health program.

Please note that the MCO was 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.

FY2020 STAR Health Rating Analysis
Trend Development - Medical

Historical Average Trend (1)	Professional	Outpatient - ER	Outpatient - Non ER	Inpatient	Vision	Other	Total
FY2015	3.6%	5.5%	-3.6%	-9.3%	0.4%	1.4%	-0.8%
FY2016	6.2%	10.4%	-0.3%	6.5%	8.3%	2.9%	5.1%
FY2017	-0.3%	0.7%	-5.1%	-3.3%	-5.2%	-4.8%	-2.8%
FY2018	5.0%	7.4%	9.7%	7.6%	5.4%	2.5%	5.1%
9/2018-1/2019	10.8%	4.9%	15.7%	3.7%	-7.4%	18.3%	11.3%

Trend Assumption	
9/2018-3/2019	11.3%
4/2019-8/2019 (2)	2.9%
FY2019 (3)	7.8%
FY2020 (4)	2.9%

Footnotes:
(1) Trends have been adjusted to remove the impact of policy and reimbursement changes.
(2) Average trend during FY2015, FY2016, FY2017, FY2018 and first seven months of FY2019.
(3) Average of actual 9/2018-3/2019 and assumed 4/2019-8/2019.
(4) Average trend during FY2015-FY2019.

FY2020 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
Annual Trend in Number of Scripts per Member per Month	
Brand Drugs	
3/2014-2/2015	-15.7 %
3/2015-2/2016	-11.4 %
3/2016-2/2017	-12.8 %
3/2017-2/2018	-16.7 %
3/2018-2/2019	-19.4 %
Use	-17.4 %
Generic Drugs	
3/2014-2/2015	-0.1 %
3/2015-2/2016	0.0 %
3/2016-2/2017	-0.3 %
3/2017-2/2018	5.4 %
3/2018-2/2019	2.8 %
Use	3.1 %
Specialty Drugs	
3/2014-2/2015	-8.3 %
3/2015-2/2016	-8.0 %
3/2016-2/2017	-4.7 %
3/2017-2/2018	-5.9 %
3/2018-2/2019	-2.5 %
Use	-4.0 %
All Drugs	
3/2014-2/2015	-4.5 %
3/2015-2/2016	-2.9 %
3/2016-2/2017	-3.1 %
3/2017-2/2018	0.8 %
3/2018-2/2019	-0.9 %
Use	0.4 %
Annual Trend in Days Supply per Member per Month	
Brand Drugs	
3/2014-2/2015	-15.8 %
3/2015-2/2016	-12.7 %
3/2016-2/2017	-14.2 %
3/2017-2/2018	-18.6 %
3/2018-2/2019	-21.1 %
Use	-19.1 %
Generic Drugs	
3/2014-2/2015	-0.7 %
3/2015-2/2016	1.7 %
3/2016-2/2017	-0.4 %
3/2017-2/2018	6.2 %
3/2018-2/2019	4.5 %
Use	4.3 %

FY2020 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
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 %
3/2018-2/2019	-3.0 %
Use	-4.7 %
All Drugs	
3/2014-2/2015	-5.4 %
3/2015-2/2016	-2.4 %
3/2016-2/2017	-3.8 %
3/2017-2/2018	0.6 %
3/2018-2/2019	-0.1 %
Use	1.1 %

Annual Trend in Incurred Claims per Days Supply

Brand Drugs	
3/2014-2/2015	16.9 %
3/2015-2/2016	16.1 %
3/2016-2/2017	7.7 %
3/2017-2/2018	-10.5 %
3/2018-2/2019	-6.0 %
Use	-5.2 %
Generic Drugs	
3/2014-2/2015	6.5 %
3/2015-2/2016	-0.6 %
3/2016-2/2017	-11.5 %
3/2017-2/2018	9.9 %
3/2018-2/2019	0.1 %
Use	1.4 %
Specialty Drugs	
3/2014-2/2015	2.7 %
3/2015-2/2016	9.9 %
3/2016-2/2017	45.7 %
3/2017-2/2018	9.1 %
3/2018-2/2019	12.7 %
Use	17.0 %
All Drugs	
3/2014-2/2015	5.0 %
3/2015-2/2016	3.6 %
3/2016-2/2017	0.3 %
3/2017-2/2018	-15.8 %
3/2018-2/2019	-12.1 %
Use	-7.5 %

FY2020 STAR Health Rating Analysis
Trend Development - Pharmacy

	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	-27.2 %
3/2018-2/2019	-25.8 %
Use	-23.3 %
Generic Drugs	
3/2014-2/2015	5.7 %
3/2015-2/2016	1.1 %
3/2016-2/2017	-11.8 %
3/2017-2/2018	16.7 %
3/2018-2/2019	4.6 %
Use	5.8 %
Specialty Drugs	
3/2014-2/2015	-5.8 %
3/2015-2/2016	0.2 %
3/2016-2/2017	38.5 %
3/2017-2/2018	1.3 %
3/2018-2/2019	9.4 %
Use	11.5 %
All Drugs	
3/2014-2/2015	-0.7 %
3/2015-2/2016	1.2 %
3/2016-2/2017	-3.5 %
3/2017-2/2018	-15.2 %
3/2018-2/2019	-12.1 %
Use	**-6.4 %**
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	80.9 %
3/2018-2/2019	84.6 %
FY2019	88.6 %

FY2020 STAR Health Rating Analysis
Trend Development - Pharmacy

	All Members
Incurred Claims per Member per Month	
3/2015-2/2016	142.440
3/2016-2/2017	137.493
3/2017-2/2018	116.544
3/2018-2/2019	102.404
PDL Adjustment Factors	
3/2017-2/2018	1.1829
3/2018-2/2019	1.3989
Adjusted Incurred Claims per Member per Month	
3/2015-2/2016	142.440
3/2016-2/2017	137.493
3/2017-2/2018	137.860
3/2018-2/2019	143.253
Annual Trend in Adjusted Incurred Claims per Member per Month	
3/2016-2/2017	-3.5 %
3/2017-2/2018	0.3 %
3/2018-2/2019	3.9 %
Use	1.5 %

Notes:
Trend Adjustment Factors include adjustments for the significant PDL changes that took place in 2017 and 2018.

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 FY2020.

The benefit and provider reimbursement changes recognized in the FY2020 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.

Provider Reimbursement Adjustments

- Effective September 1, 2019 HHSC will make revisions to the reimbursement rates for therapy services.

- 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 September 1, 2018 HHSC made revisions to the reimbursement for ambulance services.

- 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, 2017 and March 1, 2019 HHSC made revisions to the reimbursement for anesthesiology services.

- Effective September 1, 2018 HHSC instituted a change in policy that shifts claim recoveries associated with tort and coordination of benefit recoveries beyond 120 days from the MCOs to HHSC.

- Effective September 1, 2019 HHSC will increase the reimbursement for private duty nursing (PDN) by 2.5%.

Hospital Reimbursement Adjustments

- As a result of annual evaluations, several hospitals have had their Standard Dollar Amount (SDA) revised between FY2018 and FY2020. In addition, the SDAs for all rural and children's hospitals will be increased effective September 1, 2019.

- 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 period and can change from one fiscal year to the next. A new PPR reduction list will become effective September 1, 2019. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2018 net of those reductions that will be in place during FY2020.

- 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 period and can change from one fiscal year to the next. A new PPC reduction list will become effective September 1, 2019. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2018 net of those reductions that will be in place during FY2020.

- Effective September 1, 2019 HHSC is utilizing an adjustment to the FY2018 base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2020. The 10% PPR adjustment is intended to be an introductory step in improving the quality and efficiency of the managed care programs. This assumption will be monitored as actual experience develops and reassessed in future rating periods.

Pharmacy Adjustments

- During FY2018, HHSC implemented numerous changes to the Preferred Drug List (PDL). These changes included some of the program's highest expenditure drugs (Abilify, Suprax and Tamiflu) and had a significant impact on managed care pharmacy cost. These changes were implemented during the experience period used to develop the FY2020 capitation rates. As a result, it is necessary to adjust the base period experience to reflect this material change in cost.

- Effective July 1, 2019, HHSC will implement another set of significant PDL changes. Most PDL changes have a relatively minor impact on overall pharmacy cost and, for purposes of rate setting, are assumed to be included in the trend. Occasionally, changes to the PDL include a single drug with a material impact on plan cost. That is the case with the upcoming PDL changes which include Nexium and Focalin, two of the program's top drugs. In order to recognize the anticipated cost impact of these changes we have developed adjustment factors to apply to the base period experience.

- HHSC has carved-in several low-utilization, high-cost drugs to the managed care capitated arrangement. These drugs were previously covered services under the plan but their cost was reimbursed to the MCOs using a non-risk arrangement. Anti-viral medications for the treatment of Hepatitis C (Epclusa, Harvoni, Viekira Pak, etc.) and Orkambi (a treatment for Cystic Fibrosis) have been added to capitated services effective September 1, 2018. As a result, a portion of the base period (CY2018) excludes the cost of these drugs and an adjustment factor is required to account for this understatement.

The attached exhibit presents a summary of the rating adjustment factors. With the exception of the FQHC adjustment factor, all adjustment factors were calculated by repricing the FY2018 (CY2018 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 FQHC adjustment was calculated by collecting the total FQHC wrap payments paid during the FY2018 and removing these amounts from the base period.

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

FY2020 STAR Health Rating Analysis
Provider Reimbursement Adjustments
Estimates Based on FY2018 STAR Health Encounter Data

Provider Reimbursement Adjustment Factor

Therapy Reimbursement Changes	505,477
Remove FQHC Wrap Payment	-3,325,414
Ambulance Reimbursement Reduction	-19,260
Removal of Invalid CAD	-388
Anesthesiology Reimbursement Changes	144,950
Tort and COB Policy Change	43,322
PDN Reimbursement Increase	1,300,952
Total Provider Reimbursement Changes	-1,350,360
FY2018 Total Claims	262,214,478
Provider Reimbursement Adjustment	-0.51 %

Hospital Reimbursement Adjustment Factor

Standard Dollar Amount Changes	2,016,225
PPR Reduction/Restoration	152,650
PPC Reduction/Restoration	-83,524
PPR Efficiency Improvements	-939,232
Total Hospital Reimbursement Changes	1,146,119
FY2018 Total Claims	262,214,478
Hospital Reimbursement Adjustment	0.44 %

Pharmacy Adjustment Factors

CY2018 Incurred Claims	43,286,821
Impact of PDL Changes FY2018	-1,607,009
PDL Changes Adjustment	-3.71 %
Impact of PDL Changes 7/1/2019	-566,996
Carve-in Adjustment	-1.31 %
Impact of Drug Carve-in	186,173
Carve-in Adjustment	0.43 %

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 (PCS) for CFC eligible members. This information was compiled by collecting a list of CFC eligible members and collecting all PCS claims for these members during the FY2018 base period.

b. 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 for CFC eligible members.

Based on this calculation, the projected CFC portion of the total premium rate which is eligible for the enhanced federal match is $3.38 per member per month.

FY2020 STAR Health Rating Analysis
CFC Enhanced Match Calculation

FY2018 Personal Care Services (1)	1,011,457
FY2018 Total Claims	262,214,478
PCS % of Total	0.4%
FY2020 Premium Rate	877.02
CFC Portion of Premium Rate (2)	3.38

Footnotes:
(1) Total PCS provided to CFC eligible members.
(2) PCS % of Total Claims multiplied by FY2020 Premium Rate.

Attachment 6

FY2020 STAR Health Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2019-2020 Medicaid Managed Care Rate Development Guide, dated March 2019.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

i. Rates are for the period September 1, 2019 through August 31, 2020 (FY2020).

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

ix. Acknowledged.

B. Appropriate Documentation

i. Acknowledged.

ii. Acknowledged.

iii. See pages 39 through 40 of the report.

iv. (a) See pages 14 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 35 through 38 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.

B. Appropriate Documentation

i. See pages 14 through 17 of the report.

ii. (a) See pages 14 through 17 of the report.

(b) There have been no significant changes in the development of the benefit cost since the last certification.

(c) All recoupments and recoveries resulting from overpayments to providers have been netted out of the claim payments used in the rate development. MCOs are required to adjust encounter data to remove all overpayments and correct the submitted information. Any provider recoveries not adjust for in the submitted encounter data are excluded from the base period as a negative add-on payment.

iii. (a) See 27 through 34 of the report.

(b) See 27 through 34 of the report.

(c) See 27 through 34 of the report.

(d) See 27 through 34 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 FY2020 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2020 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 35 through 38 of the report.

viii. See pages 35 through 38 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.