STATE OF TEXAS
MEDICAID AND CHIP
MANAGED CARE
DENTAL RATE SETTING
FY2021

Prepared for:
Texas Health and Human Services Commission
Texas Dental Services 529-12-0003 V1.22

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Rudd and Wisdom, Inc.

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop premium rates for the period September 1, 2020 through August 31, 2021 (FY2021) for the Dental Health Maintenance Organizations (DHMOs) participating in the Texas Children's Medicaid Dental Services (Medicaid Dental) and CHIP Dental programs. This report presents the rating methodology and assumptions used in developing the FY2021 Medicaid and CHIP Dental premium rates.

Effective March 1, 2012 the Medicaid and CHIP Dental programs provided dental benefits through a managed care model. Effective September 1, 2020 a new DMO will participate in the dental programs for a total of three DMOs operating statewide.

The Medicaid Dental program provides dental services for Medicaid children through age 20. The following Medicaid members are not eligible to participate in the Medicaid Dental program.

- Medicaid members age 21 and over.
- Medicaid members enrolled in STAR Health program. Dental services for STAR Health members are provided by the MCO.
- Medicaid members residing in Medicaid paid facilities such as nursing facilities, state supported living centers, or intermediate care facilities for individuals with an intellectual disability or related condition.

The CHIP Dental program provides dental services for all CHIP members through age 18. Under CHIP Dental, children receive up to $564 in dental benefits per 12-month enrollment period, not including emergency dental services, to cover preventive and therapeutic services. Members can also receive certain medically necessary services beyond the annual limit through a prior authorization process.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 30 years. We have participated in the state's Medicaid managed care rating process since its inception in 1993 and in developing premium rates for CHIP plans since that program's inception in 2000. We have worked closely with HHSC's staff in developing the premium rates documented in this report.

Rudd and Wisdom has relied on the following data sources as provided by HHSC, the participating dental plans and the agency's External Quality Review Organization (EQRO):

- Monthly enrollment by age group for each dental plan. This includes historical enrollment since March 2012 and a projection of future enrollment through August 2021. These projections were prepared by HHS System Forecasting staff.

- Financial Statistical Reports (FSR) for each participating health plan for the period March 2012 through February 2020. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan. These reports were provided by HHSC.

- Claim lag reports by type of service and by age group for each dental plan for the period September 2016 through February 2020. These reports were provided by the dental plans and include monthly paid claims by month of service.

- Reports from the EQRO summarizing their analysis of the DHMO's encounter claims data.

- DHMO's detailed encounter claims data for the FY2019 period provided by the EQRO.

- Information provided by HHSC regarding dental fee schedule reimbursement changes.

- Information provided by the DHMOs regarding prior authorization changes to repetitive restorative dental service.

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the DHMOs, (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, 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 level. DHMO summary reports provide HHSC-specified data points at a more granular level such as claim lag data by type of service. 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 DHMOs. Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

In addition, HHSC employs the Institute for Child Health Policy (ICHP) as an External Quality Review Organization. ICHP reviews the encounter data and provides certification of the data quality. Below is an excerpt from the data certification report for the detail encounter period September 1, 2018 through August 31, 2019 (FY2019).

Medicaid Dental Certification

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

1. *The encounter data for the most recent measurement year are complete, accurate, and reliable.*

2. *No statistically significant variability in the encounter data is attributable to incompleteness, inaccuracy, or other deficiency as compared to equivalent data for similar populations and when evaluated against professionally accepted standards.*

CHIP Dental Certification

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

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

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 FY2021 rate development. The accumulation of data sources noted above have been assigned full credibility.

Given the history of managed care data available for the Medicaid and CHIP Dental programs, the rate development is based exclusively on managed care data.

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2021 Medicaid and CHIP Dental Plan premium rates relies primarily on health plan financial experience. After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the health plans, (ii) the claim amounts included in the FSRs and (iii) the claim amounts in the encounter data files as provided by the EQRO. There was satisfactory consistency between the three claims data sources for each of the health plans.

The historical claims experience data for each dental plan was analyzed and estimates for the base period January 1, 2019 through December 31, 2019 (CY2019) were developed. These estimates were then projected forward to FY2021 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III. We added a reasonable provision for administrative expenses, taxes, and risk margin in order to project the total cost for the rating period. The results of this analysis were then combined for all dental plans in order to develop a set of statewide community rates that vary by the following age groups:

Medicaid Dental Program

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

CHIP Dental Program

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

Attachment 1 to this report provides a description of the calculation of the FY2021 Medicaid and CHIP Dental Plan premium rates. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 provides details regarding the calculation of the trend assumption. Attachment 4 provides details regarding the calculation of the rate adjustment factors.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the Medicaid and CHIP Dental Plan rate setting process.

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period claims cost to the rating period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience. Orthodontia claim experience was excluded from the Medicaid Dental trend analysis in order to not skew results due to Medicaid policy changes that resulted in large reductions to orthodontia claims experience. A single trend assumption was used for all age groups in order to reduce fluctuation from year to year and to increase credibility. The annual trend assumption used in the rating analysis for all dental services was 0.31% for Medicaid Dental and 0.78% for CHIP Dental.

Attachment 3 – Exhibits A and B provides details regarding the calculation of the trend assumptions applicable to the Medicaid and CHIP Dental programs.

Federally Qualified Health Center (FQHC) Wrap Payment Removal

Effective March 1, 2018 DMOs were no longer required to reimburse FQHC's the full encounter rate. The DMOs 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 up to their full encounter rate through the FQHC wrap payments outside of the capitation rate. The rating adjustment was calculated by collecting the FQHC wrap payments paid by the DMOs during the FY2019 period. Attachment 4 Exhibit A provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid and CHIP Dental programs.

Restorative Dental Service Prior Authorization Change

Effective February 1, 2019 and March 9, 2019, the two dental plans made prior authorization changes to restorative dental services which required providers to submit additional documentation for previously provided repetitive restoration (same tooth, same dental service) for the same provider or location. Attachment 4 Exhibit B provides details regarding the calculation of the restorative dental service prior authorization change adjustment factor for the Medicaid and CHIP dental programs.

Pay-for-Quality

The Pay-for-Quality (P4Q) Program creates incentives and disincentives for DHMOs based on their performance on certain quality measures. Dental plans that excel on meeting the measures are eligible for a bonus while dental plans that don't meet their measures are subject to a penalty.

The DHMO's will only be penalized if utilization for the P4Q measure decreases more than the threshold amount for a two-year period. We don't expect utilization for the P4Q measures to decrease beyond the threshold amount for a two-year period. As a result, we do not believe the P4Q program has a material impact on the premium rate development.

Attachment 5 provides more details on the Dental P4Q Program.

COVID-19

No adjustments to the rate development assumptions have been made as a result of the COVID-19 pandemic and its potential impact on utilization and cost. At the time the FY2021 rates were calculated there was no credible information on the impact to the specific Texas Medicaid programs and populations. While the preliminary insight is that utilization may be depressed for certain services and populations during parts of the remainder of FY2020, it is expected that there will be a rebound in utilization as pent up demand shifts services that were forgone during FY2020 into FY2021. At this time the impact cannot be estimated with any degree of certainty and has been excluded from these calculations.

In order to mitigate the risk to both HHSC and the DMOs resulting from COVID-19, HHSC and its actuaries will collect additional information from the participating DMOs during the summer and fall of 2020 to determine if a retroactive adjustment is necessary to properly account for COVID-19 related impacts to program expenditures.

IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is $1.75 pmpm. This amount is intended to provide for all administrative-related services performed by the DHMO.

The data used in developing the administrative expense assumption are the detailed administrative costs reported by the dental plans in their audited financial statistical reports (FSRs) for the past three fiscal years. These reports provide a detailed breakdown of monthly administrative expenses by category including salaries, technology, equipment, marketing, legal and other expenses. These reports are provided quarterly and audited annually by an external auditor.

One of the DHMO outsource part of their administrative function to a related party. We recognized 50% of the outsourced administrative expense to a related party. The table below summarized the reported per capita administrative expense for the past three fiscal years for the dental programs.

	Average
FY17	1.89
FY18	1.80
FY19	1.86

The administrative expense included in the capitation rates of $1.75 pmpm is line with the historical averages.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax ($0.02 pmpm) and a risk margin (1.50% of premium).

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC has developed a CMS-approved procedure for reimbursing the DMOs 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 retrospectively once the exact fee amounts are available. 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. 2020 will follow a similar methodology

V. Summary

The chart below presents the resulting statewide FY2021 Medicaid and CHIP Dental Plan premium rates pmpm. Attachment 1 presents the derivation of the premium rates.

Program	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20
CHIP Dental	3.36	17.39	24.46	23.93	
Medicaid Dental	12.56	31.50	33.55	34.07	23.38

Attachment 1 presents a description of the calculation of the FY2021 Medicaid and CHIP Dental Plan premium rates.

Attachment 6 presents the required rating index summarizing the applicable sections from the 2020-2021 Medicaid Managed Care Rate Development Guide.

VI. Actuarial Certification of FY2021 Medicaid and CHIP Dental Plan Premium Rates

I, Khiem D. Ngo, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid and CHIP Dental Plan premium rates for state fiscal year 2021 (FY2021) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

I certify that the Medicaid and CHIP Dental Plan premium rates developed by HHSC and Rudd and Wisdom satisfy the following:

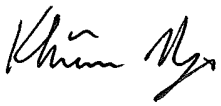
(a) The premium rates have been developed in accordance with generally accepted actuarial principles and practices;

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

(c) The premium rates are actuarially sound as defined in the regulations.

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

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



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

VII. Attachments

Attachment 1 - Summary of FY2021 Medicaid and CHIP Dental Rating Analysis

Attachment 2 - Medicaid and CHIP Dental Incurred Claims Experience

Attachment 3 - Dental Rating Trend Analysis

Attachment 4 - Dental Rating Adjustment Factors

Attachment 5 - Dental Pay-for-Quality (P4Q) Program

Attachment 6 - Index for 2020-2021 Medicaid Managed Care Rate Development Guide

Attachment 1

Summary of FY2021 Medicaid and CHIP Dental Rating Analysis

Attachment 1 presents summary information regarding the FY2021 Medicaid and CHIP Dental Plan rate development. Exhibit A presents rate development for Medicaid Dental and Exhibit B presents rate development for CHIP Dental. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2021 cost for the dental plans by estimating their base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in more detail in Section III of this report.

The rating methodology includes an explicit provision for administrative expenses. The amount allocated for administrative expenses is $1.75 pmpm. Provisions are also included for risk margin (1.50% of gross premium), premium tax (1.75%) and maintenance tax ($.02 pmpm).

The bottom of the exhibit presents the projected FY2021 cost based on the above assumptions.

The main reason for the FY2021 rate reduction is the recent prior authorization changes to restorative services. This is described further in Attachment 4 – Exhibit B.

Medicaid Dental
Rating Period: 9/1/2020 - 8/31/2021
Statewide

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2019 Experience Period												
Member Months	2,079,399		9,811,080		15,913,082		5,390,589		472,630		33,666,779	
Estimated CY2019 Incurred Claims												
Non Ortho - Diagnostic	21,533,610	10.36	122,104,661	12.45	134,440,388	8.45	40,744,247	7.56	1,999,001	4.23	320,821,907	9.53
Non Ortho - Preventive	73,376	0.04	42,247,056	4.31	141,423,294	8.89	35,513,739	6.59	1,515,291	3.21	220,772,757	6.56
Non Ortho - Restorative	7,437	0.00	92,509,777	9.43	176,127,972	11.07	60,057,788	11.14	3,974,648	8.41	332,677,621	9.88
Non Ortho - Other	43,217	0.02	25,005,302	2.55	38,121,536	2.40	32,362,518	6.00	2,250,304	4.76	97,782,877	2.90
Orthodontic	0	0.00	11,210	0.00	787,677	0.05	480,496	0.09	61,431	0.13	1,340,814	0.04
Other Dental Expense/Capitation	100,702	0.05	925,513	0.09	1,597,001	0.10	739,320	0.14	127,095	0.27	3,489,631	0.10
Total	21,758,343	10.46	282,803,519	28.82	492,497,869	30.95	169,898,108	31.52	9,927,770	21.01	976,885,608	29.02
Projected FY2021 Member Months	2,072,940		9,827,268		16,006,537		5,480,583		459,302		33,846,630	
Projected FY2021 Premium												
Current Rates	26,056,850	12.57	311,229,567	31.67	567,911,940	35.48	198,397,109	36.20	11,487,150	25.01	1,115,082,616	32.95
Annual Cost Trend Assumptions	0.31 %		0.31 %		0.31 %		0.31 %		0.31 %			
Non Orthodontia Adjustment Factors												
FQHC Wrap Adjustment	0.9869		0.9936		0.9944		0.9941		0.9941			
Restorative PA Change	1.0000		0.9971		0.9918		0.9903		0.9930			
Orthodontia Adjustment Factors												
Adjustment #1	1.0000		1.0000		1.0000		1.0000		1.0000			
Adjustment #2	1.0000		1.0000		1.0000		1.0000		1.0000			
Projected FY2021 Incurred Claims												
Non Orthodontia	21,416,673	10.33	281,170,892	28.61	488,705,395	30.53	169,700,084	30.96	9,390,974	20.45	970,384,017	28.67
Orthodontia	0	0.00	11,287	0.00	796,400	0.05	491,044	0.09	60,008	0.13	1,358,739	0.04
Other Dental Expense/Capitation	100,909	0.05	931,834	0.09	1,614,688	0.10	755,550	0.14	124,150	0.27	3,527,132	0.10
Total	21,517,582	10.38	282,114,013	28.71	491,116,483	30.68	170,946,679	31.19	9,575,131	20.85	975,269,888	28.81
Administrative Fee	3,627,644	1.75	17,197,718	1.75	28,011,440	1.75	9,591,020	1.75	803,779	1.75	59,231,602	1.75
Risk Margin	390,598	1.50%	4,644,047	1.50%	8,054,285	1.50%	2,801,017	1.50%	161,079	1.50%	16,051,027	1.50%
Premium Tax	455,698	1.75%	5,418,055	1.75%	9,396,666	1.75%	3,267,853	1.75%	187,926	1.75%	18,726,198	1.75%
Maintenance Tax	48,369	0.02	229,303	0.02	373,486	0.02	127,880	0.02	10,717	0.02	789,755	0.02
Projected Total Cost	26,039,891	12.56	309,603,136	31.50	536,952,361	33.55	186,734,449	34.07	10,738,633	23.38	1,070,068,470	31.62
Rate Change %		-0.1%		-0.5%		-5.5%		-5.9%		-6.5%		-4.0%

CHIP Dental
Rating Period: 9/1/2020 - 8/31/2021
Statewide

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2019 Experience Period										
Member Months	2,694		1,068,756		2,490,766		860,580		4,422,796	
Estimated CY2019 Incurred Claims										
Non Ortho - Diagnostic	2,093	0.78	6,042,479	5.65	19,828,866	7.96	6,177,658	7.18	32,051,095	7.25
Non Ortho - Preventive	1,600	0.59	5,030,704	4.71	18,142,431	7.28	5,261,054	6.11	28,435,790	6.43
Non Ortho - Restorative	254	0.09	4,323,729	4.05	14,675,198	5.89	4,756,927	5.53	23,756,109	5.37
Non Ortho - Other	0	0.00	670,487	0.63	1,692,458	0.68	2,142,371	2.49	4,505,316	1.02
Orthodontic	0	0.00	0	0.00	25,059	0.01	29,421	0.03	54,480	0.01
Other Dental Expense/Capitation	-15	-0.01	-8,136	-0.01	-17,656	-0.01	-6,144	-0.01	-31,951	-0.01
Total	3,932	1.46	16,059,264	15.03	54,346,356	21.82	18,361,287	21.34	88,770,839	20.07
Projected FY2021 Member Months	2,808		1,026,432		2,410,872		824,208		4,264,320	
Projected FY2021 Premium										
Current Rates	8,284	2.95	18,178,111	17.71	61,477,236	25.50	20,621,684	25.02	100,285,314	23.52
Annual Cost Trend Assumptions	0.78 %		0.78 %		0.78 %		0.78 %			
Adjustment Factors										
FQHC Wrap Adjustment	1.0000		0.9911		0.9940		0.9935			
Restorative PA Change	1.0000		0.9980		0.9963		0.9956			
Projected FY2021 Incurred Claims	4,151	1.48	15,452,579	15.05	52,768,381	21.89	17,620,134	21.38	85,845,245	20.13
Administrative Fee	4,914	1.75	1,796,256	1.75	4,219,026	1.75	1,442,364	1.75	7,462,560	1.75
Risk Margin	142	1.50%	267,795	1.50%	884,398	1.50%	295,841	1.50%	1,448,175	1.50%
Premium Tax	165	1.75%	312,428	1.75%	1,031,797	1.75%	345,148	1.75%	1,689,538	1.75%
Maintenance Tax	66	0.02	23,950	0.02	56,254	0.02	19,232	0.02	99,501	0.02
Projected Total Cost	9,438	3.36	17,853,008	17.39	58,959,856	24.46	19,722,718	23.93	96,545,019	22.64
Rate Change %		13.9%		-1.8%		-4.1%		-4.4%		-3.7%

Attachment 2

Medicaid and CHIP Dental Incurred Claims Experience

The attached exhibit presents a summary of the historical incurred claims experience used in the rate setting analysis for Medicaid and CHIP Dental programs. For each month, the exhibit shows enrollment, claims incurred during the month and paid through February 2020 and estimated incurred claims. The attachment includes separate exhibits for (i) non-orthodontia (dental) services and (ii) orthodontia services. The exhibits also present the experience separated by risk group.

Exhibits A and B presents the claims experience applicable to the Medicaid and CHIP Dental programs.

Medicaid Dental Plan
Estimated Claims Experience
All Age Groups
Non-Orthodontia Services

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-16	2,950,965	84,731,743	1.000	84,731,743	28.71	
Oct-16	2,956,882	88,876,508	1.000	88,876,508	30.06	
Nov-16	2,974,982	85,924,137	1.000	85,924,137	28.88	
Dec-16	2,981,368	83,311,214	1.000	83,311,214	27.94	
Jan-17	2,966,124	92,787,088	1.000	92,787,088	31.28	
Feb-17	2,971,269	85,030,227	1.000	85,030,227	28.62	
Mar-17	2,962,496	98,155,552	1.000	98,155,552	33.13	
Apr-17	2,946,074	86,860,731	1.000	86,860,731	29.48	
May-17	2,939,164	86,284,368	1.000	86,284,368	29.36	
Jun-17	2,946,021	94,944,734	1.000	94,944,734	32.23	
Jul-17	2,933,650	89,633,429	1.000	89,633,429	30.55	
Aug-17	2,931,007	103,142,118	1.000	103,142,118	35.19	
Sep-17	2,937,144	81,925,421	1.000	81,925,421	27.89	0.971
Oct-17	2,943,694	91,562,538	1.000	91,562,538	31.10	1.035
Nov-17	2,974,571	86,217,800	1.000	86,217,800	28.98	1.004
Dec-17	2,976,990	77,682,658	1.000	77,682,658	26.09	0.934
Jan-18	2,944,452	91,875,155	1.000	91,875,155	31.20	0.997
Feb-18	2,931,308	84,790,938	1.000	84,790,938	28.93	1.011
Mar-18	2,918,340	97,070,806	1.000	97,070,806	33.26	1.004
Apr-18	2,902,092	86,795,841	1.000	86,795,841	29.91	1.014
May-18	2,901,837	84,953,162	1.000	84,953,162	29.28	0.997
Jun-18	2,892,540	89,416,589	1.000	89,416,589	30.91	0.959
Jul-18	2,879,944	92,747,307	1.000	92,747,307	32.20	1.054
Aug-18	2,877,622	102,473,520	1.000	102,473,520	35.61	1.012
Sep-18	2,870,548	77,219,893	1.000	77,219,893	26.90	0.964
Oct-18	2,866,016	91,842,752	1.000	91,842,752	32.05	1.030
Nov-18	2,877,675	81,681,221	1.000	81,681,226	28.38	0.979
Dec-18	2,877,012	70,871,999	1.000	70,872,083	24.63	0.944
Jan-19	2,855,064	92,468,925	1.000	92,469,116	32.39	1.038
Feb-19	2,846,418	78,733,093	1.000	78,733,322	27.66	0.956
Mar-19	2,838,049	85,498,948	1.000	85,499,432	30.13	0.906
Apr-19	2,799,601	81,763,053	1.000	81,763,752	29.21	0.977
May-19	2,791,351	75,889,916	1.000	75,892,816	27.19	0.929
Jun-19	2,783,060	78,385,361	1.000	78,391,518	28.17	0.911
Jul-19	2,773,062	88,415,102	1.000	88,429,754	31.89	0.990
Aug-19	2,793,401	92,216,063	1.000	92,244,717	33.02	0.927
Sep-19	2,794,606	73,617,465	0.999	73,673,225	26.36	0.980
Oct-19	2,797,323	85,111,880	0.998	85,249,666	30.48	0.951
Nov-19	2,798,719	72,015,470	0.994	72,473,005	25.90	0.912
Dec-19	2,796,126	65,881,637	0.980	67,234,841	24.05	0.976
CY2017	35,428,204			1,074,226,664	30.32	
CY2018	34,739,386			1,051,739,273	30.28	0.998
CY2019	33,666,779			972,055,163	28.87	0.954

Medicaid Dental Plan
Estimated Claims Experience
All Age Groups
Orthodontia Services

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-16	2,950,965	211,540	1.000	211,540	0.07	
Oct-16	2,956,882	194,847	1.000	194,847	0.07	
Nov-16	2,974,982	181,921	1.000	181,921	0.06	
Dec-16	2,981,368	168,819	1.000	168,819	0.06	
Jan-17	2,966,124	185,682	1.000	185,682	0.06	
Feb-17	2,971,269	165,612	1.000	165,612	0.06	
Mar-17	2,962,496	181,705	1.000	181,705	0.06	
Apr-17	2,946,074	182,318	1.000	182,318	0.06	
May-17	2,939,164	176,250	1.000	176,250	0.06	
Jun-17	2,946,021	194,245	1.000	194,245	0.07	
Jul-17	2,933,650	150,238	1.000	150,238	0.05	
Aug-17	2,931,007	174,575	1.000	174,575	0.06	
Sep-17	2,937,144	168,318	1.000	168,318	0.06	0.799
Oct-17	2,943,694	177,989	1.000	177,989	0.06	0.918
Nov-17	2,974,571	176,816	1.000	176,816	0.06	0.972
Dec-17	2,976,990	150,962	1.000	150,962	0.05	0.896
Jan-18	2,944,452	159,700	1.000	159,700	0.05	0.866
Feb-18	2,931,308	139,834	1.000	139,834	0.05	0.856
Mar-18	2,918,340	136,942	1.000	136,942	0.05	0.765
Apr-18	2,902,092	140,568	1.000	140,568	0.05	0.783
May-18	2,901,837	125,560	1.000	125,560	0.04	0.722
Jun-18	2,892,540	134,981	1.000	134,981	0.05	0.708
Jul-18	2,879,944	135,571	1.000	135,571	0.05	0.919
Aug-18	2,877,622	127,275	1.000	127,275	0.04	0.743
Sep-18	2,870,548	124,458	1.000	124,458	0.04	0.757
Oct-18	2,866,016	127,600	1.000	127,600	0.04	0.736
Nov-18	2,877,675	129,089	1.000	129,089	0.04	0.755
Dec-18	2,877,012	104,335	1.000	104,335	0.04	0.715
Jan-19	2,855,064	140,080	1.000	140,080	0.05	0.905
Feb-19	2,846,418	119,306	1.000	119,313	0.04	0.879
Mar-19	2,838,049	118,545	1.000	118,552	0.04	0.890
Apr-19	2,799,601	119,695	1.000	119,717	0.04	0.883
May-19	2,791,351	112,531	1.000	112,580	0.04	0.932
Jun-19	2,783,060	104,868	0.999	104,970	0.04	0.808
Jul-19	2,773,062	100,681	0.998	100,843	0.04	0.773
Aug-19	2,793,401	115,815	0.998	116,087	0.04	0.940
Sep-19	2,794,606	106,402	0.997	106,750	0.04	0.881
Oct-19	2,797,323	106,967	0.996	107,441	0.04	0.863
Nov-19	2,798,719	101,738	0.988	102,942	0.04	0.820
Dec-19	2,796,126	87,484	0.956	91,538	0.03	0.903
CY2017	35,428,204			2,084,712	0.06	
CY2018	34,739,386			1,585,913	0.05	0.776
CY2019	33,666,779			1,340,814	0.04	0.872

Medicaid Dental Plan
Estimated Claims Experience
All Age Groups
Total - All Services

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-16	2,950,965	84,943,283	1.000	84,943,283	28.78	
Oct-16	2,956,882	89,071,355	1.000	89,071,355	30.12	
Nov-16	2,974,982	86,106,058	1.000	86,106,058	28.94	
Dec-16	2,981,368	83,480,033	1.000	83,480,033	28.00	
Jan-17	2,966,124	92,972,770	1.000	92,972,770	31.34	
Feb-17	2,971,269	85,195,839	1.000	85,195,839	28.67	
Mar-17	2,962,496	98,337,257	1.000	98,337,257	33.19	
Apr-17	2,946,074	87,043,049	1.000	87,043,049	29.55	
May-17	2,939,164	86,460,618	1.000	86,460,618	29.42	
Jun-17	2,946,021	95,138,979	1.000	95,138,979	32.29	
Jul-17	2,933,650	89,783,667	1.000	89,783,667	30.60	
Aug-17	2,931,007	103,316,694	1.000	103,316,694	35.25	
Sep-17	2,937,144	82,093,739	1.000	82,093,739	27.95	0.971
Oct-17	2,943,694	91,740,528	1.000	91,740,528	31.17	1.035
Nov-17	2,974,571	86,394,616	1.000	86,394,616	29.04	1.003
Dec-17	2,976,990	77,833,620	1.000	77,833,620	26.15	0.934
Jan-18	2,944,452	92,034,855	1.000	92,034,855	31.26	0.997
Feb-18	2,931,308	84,930,772	1.000	84,930,772	28.97	1.010
Mar-18	2,918,340	97,207,748	1.000	97,207,748	33.31	1.003
Apr-18	2,902,092	86,936,409	1.000	86,936,409	29.96	1.014
May-18	2,901,837	85,078,723	1.000	85,078,723	29.32	0.997
Jun-18	2,892,540	89,551,570	1.000	89,551,570	30.96	0.959
Jul-18	2,879,944	92,882,878	1.000	92,882,878	32.25	1.054
Aug-18	2,877,622	102,600,795	1.000	102,600,795	35.65	1.011
Sep-18	2,870,548	77,344,351	1.000	77,344,351	26.94	0.964
Oct-18	2,866,016	91,970,353	1.000	91,970,353	32.09	1.030
Nov-18	2,877,675	81,810,310	1.000	81,810,314	28.43	0.979
Dec-18	2,877,012	70,976,335	1.000	70,976,418	24.67	0.944
Jan-19	2,855,064	92,609,005	1.000	92,609,196	32.44	1.038
Feb-19	2,846,418	78,852,399	1.000	78,852,636	27.70	0.956
Mar-19	2,838,049	85,617,493	1.000	85,617,983	30.17	0.906
Apr-19	2,799,601	81,882,748	1.000	81,883,470	29.25	0.976
May-19	2,791,351	76,002,447	1.000	76,005,396	27.23	0.929
Jun-19	2,783,060	78,490,228	1.000	78,496,489	28.21	0.911
Jul-19	2,773,062	88,515,782	1.000	88,530,597	31.93	0.990
Aug-19	2,793,401	92,331,878	1.000	92,360,804	33.06	0.927
Sep-19	2,794,606	73,723,867	0.999	73,779,975	26.40	0.980
Oct-19	2,797,323	85,218,848	0.998	85,357,107	30.51	0.951
Nov-19	2,798,719	72,117,208	0.994	72,575,948	25.93	0.912
Dec-19	2,796,126	65,969,120	0.980	67,326,379	24.08	0.976
CY2017	35,428,204			1,076,311,376	30.38	
CY2018	34,739,386			1,053,325,186	30.32	0.998
CY2019	33,666,779			973,395,977	28.91	0.954

CHIP Dental Plan
Estimated Claims Experience
All Age Groups
Total - All Services

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-16	373,807	6,921,231	1.000	6,921,231	18.52	
Oct-16	373,017	7,324,712	1.000	7,324,712	19.64	
Nov-16	378,170	7,174,569	1.000	7,174,569	18.97	
Dec-16	386,043	7,485,885	1.000	7,485,885	19.39	
Jan-17	390,796	7,759,645	1.000	7,759,645	19.86	
Feb-17	398,120	7,480,298	1.000	7,480,298	18.79	
Mar-17	395,881	9,289,324	1.000	9,289,324	23.46	
Apr-17	393,620	7,562,533	1.000	7,562,533	19.21	
May-17	394,274	7,360,266	1.000	7,360,266	18.67	
Jun-17	399,037	9,276,686	1.000	9,276,686	23.25	
Jul-17	400,483	8,927,244	1.000	8,927,244	22.29	
Aug-17	402,543	9,726,138	1.000	9,726,138	24.16	
Sep-17	405,597	7,221,983	1.000	7,221,983	17.81	0.962
Oct-17	413,939	8,300,610	1.000	8,300,610	20.05	1.021
Nov-17	418,820	8,099,760	1.000	8,099,760	19.34	1.019
Dec-17	422,491	7,837,365	1.000	7,837,365	18.55	0.957
Jan-18	420,271	8,659,931	1.000	8,659,931	20.61	1.038
Feb-18	419,897	7,993,601	1.000	7,993,601	19.04	1.013
Mar-18	420,456	9,932,019	1.000	9,932,019	23.62	1.007
Apr-18	412,845	8,036,187	1.000	8,036,187	19.47	1.013
May-18	408,583	7,592,415	1.000	7,592,415	18.58	0.995
Jun-18	397,745	8,840,312	1.000	8,840,312	22.23	0.956
Jul-18	393,224	9,137,805	1.000	9,137,805	23.24	1.042
Aug-18	392,267	9,532,906	1.000	9,532,906	24.30	1.006
Sep-18	390,474	6,839,627	1.000	6,839,627	17.52	0.984
Oct-18	384,597	7,864,398	1.000	7,864,398	20.45	1.020
Nov-18	384,195	7,392,740	1.000	7,392,740	19.24	0.995
Dec-18	384,863	6,685,536	1.000	6,685,550	17.37	0.936
Jan-19	382,635	8,378,256	1.000	8,378,265	21.90	1.063
Feb-19	380,342	7,119,402	1.000	7,119,402	18.72	0.983
Mar-19	377,495	8,564,963	1.000	8,565,014	22.69	0.961
Apr-19	375,331	7,532,878	1.000	7,533,250	20.07	1.031
May-19	374,391	6,813,730	1.000	6,814,143	18.20	0.979
Jun-19	369,295	7,680,536	1.000	7,681,241	20.80	0.936
Jul-19	364,481	8,403,191	1.000	8,404,797	23.06	0.992
Aug-19	362,592	8,392,997	1.000	8,396,268	23.16	0.953
Sep-19	361,828	6,172,008	0.999	6,177,952	17.07	0.975
Oct-19	360,487	7,174,723	0.998	7,190,378	19.95	0.975
Nov-19	358,559	6,530,114	0.994	6,569,914	18.32	0.952
Dec-19	355,360	5,854,857	0.980	5,972,166	16.81	0.967
CY2017	4,835,601			98,841,852	20.44	
CY2018	4,809,417			98,507,491	20.48	1.002
CY2019	4,422,796			88,802,790	20.08	0.980

Attachment 3

Trend Analysis

The rating methodology uses assumed trend factors to adjust the base period claims cost to the rating period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience. A single trend assumption was used for all age groups in order to reduce fluctuation from year to year and to increase credibility.

The trend analysis included a review of dental plan claims experience through February 2020. Orthodontia claim experience was excluded from the Medicaid Dental trend analysis in order to not skew results due to Medicaid policy changes that resulted in large reductions to orthodontia claims experience. All historical trends were calculated as the average cost per member per calendar year and compared to the prior year. The experience trends for all time periods were adjusted to remove the impact of various provider reimbursement changes and other revisions that have impacted the cost of the program.

The historical cost per member per calendar year was calculated and adjusted for case-mix differences using members in CY2019 as weights. The annual trend assumption was selected based on the weighted average of the trends for the past three years. The annual trend assumption used in the rating analysis for all dental services was 0.31% for Medicaid Dental and 0.78% for CHIP Dental.

Exhibits A and B provides details regarding the calculation of the trend assumptions applicable to the Medicaid and CHIP Dental programs.

Medicaid Dental FY2021 Rating
Statewide Non-Orthodontia Service Experience
Trend Analysis

	<1	1-5	6-14	15-18	19-20	Total
Member Months						
CY2015	2,277,562	10,427,735	16,728,770	5,143,617	497,831	35,075,515
CY2016	2,285,749	10,426,561	16,843,193	5,276,147	491,535	35,323,185
CY2017	2,245,471	10,454,609	16,807,072	5,425,570	495,482	35,428,204
CY2018	2,149,297	10,211,876	16,436,159	5,456,151	485,903	34,739,386
CY2019	2,079,399	9,811,080	15,913,082	5,390,589	472,630	33,666,779
Paid Amount						
CY2015	20,689,841	314,292,202	560,251,629	169,088,304	11,707,814	1,076,029,790
CY2016	22,730,106	308,093,149	563,773,941	174,897,572	11,628,617	1,081,123,385
CY2017	23,111,858	303,987,090	555,668,331	179,888,097	11,576,989	1,074,232,366
CY2018	22,391,182	297,474,431	538,234,243	182,648,624	10,996,375	1,051,744,855
CY2019	21,660,960	281,868,434	490,111,527	168,680,781	9,738,620	972,060,322
PMPM						
CY2015	9.08	30.14	33.49	32.87	23.52	30.68
CY2016	9.94	29.55	33.47	33.15	23.66	30.61
CY2017	10.29	29.08	33.06	33.16	23.37	30.32
CY2018	10.42	29.13	32.75	33.48	22.63	30.28
CY2019	10.42	28.73	30.80	31.29	20.61	28.87
Benefit Change Annual Impact (1)						
Reimbursement Change	0.00%	1.05%	1.14%	1.42%	1.89%	
Restorative PA Change	0.00%	2.29%	6.62%	7.57%	6.62%	
DQ Capitation CY18	0.00%	0.06%	0.04%	0.08%	0.47%	
DQ Capitation CY19	0.63%	0.39%	0.37%	0.50%	1.39%	
Adjusted PMPM to Remove Impact of Benefit Change						
CY2015	9.08	30.14	33.49	32.87	23.52	30.77
CY2016	9.94	29.55	33.47	33.15	23.66	30.69
CY2017	10.29	29.08	33.06	33.16	23.37	30.37
CY2018	10.42	29.25	32.88	33.66	22.88	30.42
CY2019	10.48	29.73	33.08	34.01	22.52	30.71

Case Mix Adjusted Trend

CY2016	-0.27%
CY2017	-1.02%
CY2018	0.16%
CY2019	0.94%
Selected	**0.31%**

(1) Notes
Reimbursement change effective 9/1/2018
Restorative PA Change effective 2/1/2019 for Dentaquest and 3/9/2019 for MCNA

CHIP Dental FY2021 Rating
Trend Analysis

	<1	1-5	6-14	15-18	Total
Member Months					
CY2015	1,988	918,845	2,320,332	820,618	4,061,783
CY2016	2,126	1,009,660	2,530,881	891,820	4,434,487
CY2017	2,468	1,132,357	2,730,779	969,997	4,835,601
CY2018	2,643	1,143,204	2,696,143	967,427	4,809,417
CY2019	2,694	1,068,756	2,490,766	860,580	4,422,796
Paid Amount					
CY2015	2,233	13,621,606	51,678,373	16,723,261	82,025,473
CY2016	2,041	15,077,008	57,219,925	18,886,728	91,185,703
CY2017	2,775	16,842,051	61,428,477	20,566,771	98,840,074
CY2018	2,756	17,210,674	60,126,730	21,165,560	98,505,720
CY2019	3,894	16,068,445	54,364,514	18,364,339	88,801,193
PMPM					
CY2015	1.12	14.82	22.27	20.38	20.19
CY2016	0.96	14.93	22.61	21.18	20.56
CY2017	1.12	14.87	22.49	21.20	20.44
CY2018	1.04	15.05	22.30	21.88	20.48
CY2019	1.45	15.03	21.83	21.34	20.08
Benefit Change Annual Impact (1)					
Reimbursement Change	0.00%	0.82%	0.79%	0.97%	
Restorative PA Change	0.00%	1.88%	3.18%	3.70%	
Adjusted PMPM to Remove Impact of Benefit Change					
CY2015	1.12	14.82	22.27	20.38	20.09
CY2016	0.96	14.93	22.61	21.18	20.46
CY2017	1.12	14.87	22.49	21.20	20.39
CY2018	1.04	15.10	22.36	21.95	20.51
CY2019	1.45	15.41	22.61	22.24	20.78

Case Mix Adjusted Trend

CY2016	1.85%
CY2017	-0.36%
CY2018	0.60%
CY2019	1.33%
Selected	**0.78%**

(1) Notes
Reimbursement change effective 9/1/2018
Restorative PA Change effective 2/1/2019 for Dentaquest and 3/9/2019 for MCNA

Attachment 4

Exhibit A – FQHC Wrap Payment Removal

Effective March 1, 2018 DMOs were no longer required to reimburse FQHC's the full encounter rate. The DMOs 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 up to their full encounter rate through the FQHC wrap payments outside of the capitation rate. The rating adjustment was calculated by collecting the FQHC wrap payments paid by the DMOs during the FY2019 period. Exhibit A provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid and CHIP dental program.

Exhibit B –Restorative Dental Service Prior Authorization Change

Effective February 1, 2019 and March 9, 2019, the two dental plans made prior authorization (PA) changes to restorative dental services which required providers to submit additional documentation for repeated restoration (same tooth, same dental service) for the same provider or location. Utilization for restorative services reduced significantly. The CY2019 base period experience prior to restorative PA change was repriced assuming the reduction in utilization for the period prior to PA change will be the same as for the period after PA change. Attachment 4 Exhibit B provides details regarding the calculation of the restorative dental service prior authorization change adjustment factor for the Medicaid and CHIP dental program.

FY2021 Medicaid and CHIP Dental Rating
FQHC Wrap Payment Rate Adjustment
Experience Period - September 1, 2018 through August 31, 2019

Attachment 4 - Exhibit A

	<1	1-5	6-14	15-18	19-20	Total
Medicaid Dental						
Non-Ortho Incurred & Paid	21,862,423	286,899,891	503,361,195	172,653,829	10,214,270	994,991,608
FQHC Wrap Payment	-287,435	-1,826,232	-2,835,821	-1,020,362	-60,694	-6,030,545
Rate Adjustment Factor	0.9869	0.9936	0.9944	0.9941	0.9941	
CHIP Dental						
Incurred & Paid	3,110	16,501,294	55,995,797	19,166,405		91,666,606
FQHC Wrap Payment	0	-146,652	-336,321	-124,658		-607,631
Rate Adjustment Factor	1.0000	0.9911	0.9940	0.9935		

FY2021 Medicaid and CHIP Dental Rating
Attachment 4 - Exhibit B
Restorative PA Change Adjustment
Experience Period - January 1, 2019 through December 31, 2019

	<1	1-5	6-14	15-18	19-20	Total
Medicaid Dental						
Non-Ortho Incurred & Paid	21,631,691	281,286,177	489,096,433	168,272,912	9,714,847	970,002,061
Restorative PA Change Impact (1)	0	-812,118	-4,014,433	-1,632,957	-67,919	-6,527,428
Rate Adjustment Factor	1.0000	0.9971	0.9918	0.9903	0.9930	
CHIP Dental						
Incurred & Paid	3,882	16,035,723	54,255,837	18,320,620		88,616,062
Restorative PA Change Impact (1)	0	-32,441	-200,744	-80,094		-313,278
Rate Adjustment Factor	1.0000	0.9980	0.9963	0.9956		

(1) Notes:
Prior authorization changes to restorative dental services were implemented by Dentaquest on February 1st, 2019 and by MCNA on March 9th, 2019. The CY2019 Base Period experience prior to restorative PA change was repriced assuming the PA was implemented. Reduction in utilization (service per member) for period prior to Restorative PA change was assumed to be the same as for the period after Restorative PA change.

Attachment 5

Pay for Quality Program

The Pay-for-Quality (P4Q) Program creates incentives and disincentives for DHMOs based on their performance on certain quality measures. Dental plans that excel on meeting the measures are eligible for a bonus while health plans that don't meet their measures are subject to a penalty.

Dental P4Q Measures

The dental P4Q measures beginning in calendar year 2019 includes the following:

P4Q Measure	Description	Medicaid Age	CHIP Age
DQA Oral Evaluation	Percentage of enrolled children: •who received a comprehensive or periodic oral evaluation within the reporting year	0-20 years	0-18 years
DQA Topical Fluoride	Percentage of enrolled children: •at "elevated" risk for cavities (i.e. "moderate" or "high") and •received at least 2 topical fluoride applications within the reporting year	1-20 years	1-18 years
DQA Dental Sealant	Percentage of enrolled children: •at "elevated" risk for cavities (i.e. "moderate" or "high") and •received a sealant on a permanent tooth within the reporting year	6-9 years (1st perm. molar); 10-14 years (2nd perm. molar)	

Methodology for Payment and Recoupment

Beginning in calendar year 2018, 1.5 percent of each DHMO's capitation is at-risk. If a DHMO's performance decreases beyond a certain threshold amount on the dental P4Q measures, HHSC will recoup up to 1.5 percent of the original baseline capitation. Performance will be based on changes from rates two years prior, which will be referred to as the reference year. For example, for measurement year 2018 the reference year is calendar year 2016.

If a DHMOs performance is maintained or improves on all measures, the DHMO's capitation will not be at risk for recoupment. If one DHMO's performance decreases such that its capitation is subject to recoupment, the funds recouped will be available as an additional distribution payment to other DHMOs. A DHMO would only be eligible to receive an additional disbursement if its performance improves beyond the upper threshold of the neutral zone.

The DHMOs will only be penalized if utilization for the P4Q measure decreases more than the threshold amount for a two-year period. We don't expect utilization for the P4Q measures to decrease beyond the threshold amount for a two-year period. As a result, we do not believe the P4Q program has a material impact on the premium rate development.

Attachment 6

FY2021 Medicaid Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2020-2021 Medicaid Managed Care Rate Development Guide, dated July 2, 2020.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

i. Rates are for the period September 1, 2020 through August 31, 2021 (FY2021).

ii. (a) The certification letter is on page 9 of the report.

(b) The final capitation rates are shown on page 8 of the report.

(c) (i) See pages 1 through 3 of the report.

(ii) See page 1 of the report.

(iii) See page 4 of the report.

(iv) Not applicable.

(v) See Attachment 5 page 25 of the report.

(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. Acknowledged.

iv. Acknowledged.

v. See Attachment 1 pages 11 through 13 of the report.

vi. Not applicable. While amendments may be necessary in future months there are no known at this time.

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 1 through 3 of the report.

(c) See pages 1 through 3 of the report.

(d) Not applicable.

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

(b) See Attachment 2 pages 14 through 18 of the report.

(c) No errors found in the data.

(d) See page 5 through 6 of the report.

(e) See page 1 of the report. In addition, 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.

B. Appropriate Documentation

i. See page 8 and Attachment 1 pages 11 through 13 of the report.

ii. See Attachment 1 pages 11 through 13 of the report. The most significant change since the last rate certification is prior authorization changes to restorative dental service. This is described further in Attachment 4 Exhibit B.

iii. See Attachment 3 pages 19 through 21 of the report.

iv. Not applicable.

v. Not applicable.

vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid or CHIP eligible during a prior period. If the individual was eligible for and enrolled in Medicaid or CHIP managed care during the prior period, 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 FY2021 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2021 premium rate.

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

vii. See Attachment 4 pages 22 through 24 of the report.

viii. See Attachment 4 pages 22 through 24 of the report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 5 page 25 of the report.

B. Withhold Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 5 page 25 of the report.

C. Risk-Sharing Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

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

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

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

E. Pass-Through Payments

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Acknowledged.

B. Appropriate Documentation

i. See page 7 of the report.

ii. See page 7 of the report.

iii. See page 7 of the report.

iv. See page 7 of the report.

6. Risk Adjustment and Acuity Adjustments

A. Rate Development Standards

Acknowledged.

B. Appropriate Documentation

Not applicable.

Section II. Medicaid Managed Care Rates with Long-Term Services and Support

Not applicable.

Section III. New Adult Group Capitation Rates

Not applicable.