

**STATE OF TEXAS
MEDICAID MANAGED CARE
DENTAL RATE SETTING
FY2013**

Prepared for:
Texas Health and Human Services Commission

Prepared by:
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I. Introduction

Effective March 1, 2012 the Texas Health and Human Services Commission (HHSC) implemented a dental managed care program for all of its Medicaid members under the age of 21. Previously, HHSC was directly financially responsible for the provision of all dental and orthodontia services. Effective with this change, the Managed Care Organizations (MCO) will be financially responsible in consideration for monthly premiums.

Rudd and Wisdom, Inc. has been retained by HHSC to develop premium rates for the period September 1, 2012 through August 31, 2013 (FY2013) for those MCOs participating in the Texas Medicaid Dental program. This report presents the rating methodology and assumptions used in developing the dental premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 25 years. We have participated in the state's managed care rating process since its inception in 1993. We have worked closely with HHSC's staff in developing the premium rates documented in this report.

Rudd and Wisdom has relied on the following data sources as provided by HHSC and its subcontractors:

- Monthly detailed enrollment files for the period September 2007 through February 2012. These files (provided by HHSC) include member identification, health plan code, Zip Code, risk group and date of birth for all Medicaid members.
- Managed care and fee-for-service enrollment for the period March 2012 through July 2012.
- Projected monthly enrollment by risk group for the period September 2012 through August 2013. These projections were prepared by HHSC System Forecasting staff.
- Dental and orthodontia fee-for-service claim lag reports by age group and type of service provided by Texas Medicaid and Healthcare Partnership (TMHP) for the period September 2007 through May 2012.
- Dental and orthodontia fee-for-service claims data. This report (ST650) includes paid claim amounts by month of service. We compared this report to the claim lag data provided by TMHP to confirm that all dental and orthodontia claims were included in our analysis.
- Detailed claim files for all dental and orthodontia services provided by the MCOs for the period March 2012 through June 2012.
- Information from the MCOs regarding the number of orthodontia authorizations for the period March 2012 through June 2012.
- Information from HHSC regarding recent changes to the prior authorization requirements for orthodontia services.

- Information from HHSC regarding payment patterns for orthodontia services.
- Information from HHSC regarding the cost of providing continuation of care for those clients currently receiving orthodontia treatment.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

II. Overview of the Rate Setting Methodology

The Medicaid Dental program covers the entire state of Texas. Only dental and orthodontia services for Medicaid members under the age of 21 are covered under the Medicaid Dental program. Foster Care clients and Medicaid clients in the Intermediate Care Facilities for Mentally Retarded (ICF/MR) program are excluded from this analysis.

The actuarial model used to derive the September 1, 2012 through August 31, 2013 (rating period) dental premium rates relies primarily on fee-for-service (FFS) financial experience. The historical statewide claims experience by risk group was analyzed and estimates were developed for March 1, 2011 through February 29, 2012 for dental services and September 1, 2010 through August 31, 2011 for orthodontia services (base periods). These estimates were then projected forward to the rating period using assumed trend rates. Additional adjustments to the claim costs were made to reflect the difference in cost between managed care clients and those clients that remain in FFS (delayed enrollment), programmatic changes in orthodontia prior authorization requirements, and anticipated differences in cost between the FFS and MCO models resulting from care management (managed care efficiency). A reasonable provision for administrative expenses, taxes, and risk margin were added to the claims component in order to project the total cost for the rating period. These projected total costs were then converted to a set of community rates that vary by age group (risk group).

Attachment 1 to this report provides a description of the calculation of the FY2013 Medicaid Dental premium rates. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 through Attachment 6 provides details regarding the calculation of the rate adjustment factors.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the Medicaid Dental 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 and the actuary's professional judgment regarding future cost increases. The annual trend assumptions used in the rating analysis were 5.0% for dental services and 10.0% for orthodontia services.

The Texas Medicaid program increased reimbursement to providers effective September 1, 2007 because of the Frew lawsuit settlement. Member access to providers was improved as more providers accepted Medicaid members. As a result, utilization increased causing the FY2008 through FY2010 trends to be higher than historical levels. In FY2011, the trends reverted to a historically normal level. The FY2011 and first half of FY2012 Medicaid dental trends and trends for other large Texas dental plans were considered in selecting the rating trend assumptions.

Orthodontia Moratorium and Prior Authorization Change

HHSC implemented new requirements for approval of orthodontia services effective October 1, 2011. Diagnostic models, photographs, and X-rays are now required to be provided when submitting a prior authorization for approval of orthodontia services. The number of initial banding visits for comprehensive orthodontia treatment was used as a proxy for the number of orthodontia authorizations. Based on input from HHSC staff and preliminary authorization statistics, we have assumed that this change will reduce the number of orthodontia authorizations by 75% as compared to FY2011 experience. Exhibit A of Attachment 3 presents a summary of recent orthodontia authorization experience.

Orthodontia authorizations that HHSC approved prior to March 1, 2012 will be the financial responsibility of the MCO's beginning March 1, 2012. The MCOs are limited in their ability to manage the cost of care for these previously authorized services. This has been considered in developing the orthodontia prior authorization adjustment factor used in calculating the premium rates. To estimate the cost impact of the new orthodontia authorization requirements, we performed an analysis of orthodontia payment patterns and assumed a 75% reduction in the number of new orthodontia cases beginning October 1, 2011.

Effective January 1, 2012 and continuing through February 29, 2012, HHSC implemented a moratorium on new orthodontia authorizations. As a result, the dental MCOs are expected to receive higher numbers of orthodontia cases in the early months of the new program. We have assumed that there will be no new orthodontia authorizations in January and February 2012 and three times the normal number of orthodontia authorizations in March 2012. Based on these

assumptions, we have determined that the programmatic changes to the orthodontia authorization process will reduce orthodontia incurred claims by 53% during the period September 1, 2012 through August 31, 2013. Exhibit B of Attachment 3 presents a summary of the orthodontia prior authorization adjustment factor analysis.

Delayed Enrollment

With the implementation of the new dental managed care program on March 1, 2012, not all members transitioned into managed care. Approximately 11.7% of members eligible for Medicaid dental continued to be enrolled in FFS after March 1, 2012. There is a significant cost difference between those clients enrolled in managed care and those clients remaining in FFS. Since our rating analysis is based on purely FFS experience, an adjustment is necessary in order to recognize this cost discrepancy. We have assumed that the average per-capita managed care claims cost will be 7.5% higher than the average base period per-capita FFS claims cost. Attachment 4 presents a summary of our delayed enrollment adjustment factor analysis.

Managed Care Savings

For dental (non-orthodontia) services, the FFS per-capita claims cost from March 2011 through May 2011 was compared to the managed care per-capita claims cost from March 2012 through May 2012. The projected FFS claims were calculated by adjusting the FFS claims to reflect trend and delayed enrollment. The managed care savings factor was defined to be 86% of the difference between the managed care per-capita claims cost and the projected FFS per-capita claims cost, or 25%. Attachment 5 presents a summary of the managed care savings factor analysis.

Continuation of Care

Programmatic changes and the implementation of dental managed care have resulted in a significant number of providers (especially orthodontists) leaving the program. It is estimated that approximately 60,000 members currently receiving orthodontic care from these providers will have to be transferred to a new provider. The new providers will be paid \$115.24 to review the client's situation and setup new patient records. We have assumed that these transferred members will move to new providers during the period June 2012 through September 2013. We have also assumed that 90% of the transfer cases will continue the same treatment under the new provider and 10% of the transfer cases will require a new treatment plan (re-banding). These transfer cases are assumed to increase the orthodontic service cost by 3.57%. Attachment 6 presents a summary of the continuation of care adjustment analysis.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$1.55 pmpm. This amount is intended to provide for all administrative-related services performed by the MCO. The administrative fee amounts were determined based on a review of dental administrative service costs for CHIP and other large Texas dental plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.042 pmpm) and a risk margin (2.0% of premium).

V. Summary

The chart below presents the resulting September 1, 2012 through August 31, 2013 Medicaid Dental premium rates. Attachment 1 shows the derivation of the premium rates.

	<u>Age <1</u>	<u>Age 1-5</u>	<u>Age 6-14</u>	<u>Age 15-18</u>	<u>Age 19-20</u>
Premium Rate pmpm	6.24	30.95	48.37	58.08	45.63

VI. Actuarial Certification of FY2013 Medicaid Dental Premium Rates

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

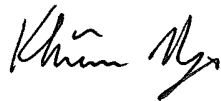
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental premium rates for the period September 1, 2012 through August 31, 2013 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

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

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

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

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



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

VII. Attachments

Attachment 1

Summary of FY2013 Medicaid Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2013 Medicaid Dental rate development. Included on the exhibit are base period experience, projected rating period enrollment, trends, adjustment factors, and administrative costs.

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Dental Experience Based Rating
 Rating Period: 9/1/2012 - 8/31/2013
 Experience Period - Dental: 3/1/2011 - 2/29/2012
 Experience Period - Ortho : 9/1/2010 - 8/31/2011

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Experience Period												
Member Months (FY2011)	3,018,295		11,422,877		13,608,999		4,062,915		585,316		32,698,402	
Member Months (3/11-2/12)	3,074,859		11,569,585		14,067,574		4,188,492		583,125		33,483,635	
Estimated Incurred Claims												
Orthodontia (FY2011)	29,016	0.01	117,471	0.01	164,451,015	12.08	79,253,244	19.51	6,212,474	10.61	250,063,220	7.65
Dental (3/11-2/12)	15,630,193	5.08	375,940,686	32.49	605,155,691	43.02	202,575,360	48.36	23,935,144	41.05	1,223,237,074	36.53
Projected Member Months	3,225,822		12,226,776		15,024,373		4,461,244		605,467		35,543,683	
Annual Cost Trend Assumptions												
Orthodontia	10.0 %		10.0 %		10.0 %		10.0 %		10.0 %		10.0 %	
Dental	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Ortho Adjustment Factors												
MC Savings	1.000		1.000		1.000		1.000		1.000		1.000	
Delayed Enrollment	1.075		1.075		1.075		1.075		1.075		1.075	
Prior Auth. Change	0.470		0.470		0.470		0.470		0.470		0.470	
Continuation of Care	1.036		1.036		1.036		1.036		1.036		1.036	
Dental Adjustment Factors												
MC Savings	0.750		0.750		0.750		0.750		0.750		0.750	
Delay Enrollment	1.075		1.075		1.075		1.075		1.075		1.075	
Projected Incurred Claims												
Orthodontia	19,636	0.01	79,615	0.01	114,956,202	7.65	55,101,178	12.35	4,069,027	6.72	174,225,657	4.90
Dental	14,224,379	4.41	344,641,209	28.19	560,657,899	37.32	187,170,983	41.95	21,558,495	35.61	1,128,252,964	31.74
Total	14,244,014	4.42	344,720,824	28.19	675,614,101	44.97	242,272,160	54.31	25,627,522	42.33	1,302,478,622	36.64
Administrative Fee	5,000,024	1.55	18,951,503	1.55	23,287,778	1.55	6,914,928	1.55	938,474	1.55	55,092,708	1.55
Risk Margin	402,583	2.00%	7,568,375	2.00%	14,534,579	2.00%	5,182,181	2.00%	552,550	2.00%	28,240,266	2.00%
Premium Tax	352,260	1.75%	6,622,328	1.75%	12,717,756	1.75%	4,534,408	1.75%	483,481	1.75%	24,710,233	1.75%
Maintenance Tax	134,409	0.04	509,449	0.04	626,016	0.04	185,885	0.04	25,228	0.04	1,480,987	0.04
Projected Total Cost	20,129,131	6.24	378,418,730	30.95	726,728,931	48.37	259,109,036	58.08	27,627,477	45.63	1,412,013,303	39.73

Attachment 2

Medicaid Dental Incurred Claims Experience

The attached exhibit presents a summary of the historical incurred claims experience used in the rate setting analysis for Medicaid Dental. For each month, the exhibit shows enrollment, claims incurred during the month and paid through May 31, 2012 and estimated incurred claims. The attachment includes separate exhibits for (i) dental services and (ii) orthodontia services. The exhibits also present the experience separated by risk group.

Medicaid Dental Rating
 Estimated Fee-for-Service Incurred Claims
 Dental Services

Month	Under Age 1						Ages 1-5					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	239,625	504,603	1.000	504,603	2.11		869,291	24,519,311	1.000	24,519,311	28.21	
200910	239,616	541,865	1.000	541,865	2.26		877,025	25,828,438	1.000	25,828,438	29.45	
200911	238,079	525,682	1.000	525,682	2.21		880,553	23,720,572	1.000	23,720,572	26.94	
200912	239,017	502,128	1.000	502,128	2.10		886,897	22,620,098	1.000	22,620,098	25.50	
201001	239,428	621,508	1.000	621,508	2.60		891,531	25,818,952	1.000	25,818,952	28.96	
201002	237,484	624,414	1.000	624,414	2.63		893,470	25,020,232	1.000	25,020,232	28.00	
201003	240,730	885,746	1.000	885,746	3.68		900,876	30,333,361	1.000	30,333,361	33.67	
201004	239,870	859,916	1.000	859,916	3.58		904,933	29,714,948	1.000	29,714,948	32.84	
201005	239,475	834,850	1.000	834,850	3.49		907,898	27,019,522	1.000	27,019,522	29.76	
201006	238,477	899,829	1.000	899,829	3.77		917,140	28,504,137	1.000	28,504,137	31.08	
201007	237,362	964,706	1.000	964,706	4.06		923,450	29,676,742	1.000	29,676,742	32.14	
201008	236,379	1,018,092	1.000	1,018,092	4.31		934,936	32,130,641	1.000	32,130,641	34.37	
201009	239,946	950,099	1.000	950,099	3.96	1.88	941,204	29,407,182	1.000	29,407,182	31.24	1.11
201010	243,121	942,719	1.000	942,719	3.88	1.71	943,943	30,176,443	1.000	30,176,443	31.97	1.09
201011	246,115	888,426	1.000	888,426	3.61	1.63	946,838	28,588,125	1.000	28,588,125	30.19	1.12
201012	250,308	842,338	1.000	842,338	3.37	1.60	948,308	26,705,479	1.000	26,705,479	28.16	1.10
201101	252,379	950,504	1.000	950,504	3.77	1.45	950,020	30,096,048	1.000	30,096,048	31.68	1.09
201102	251,398	779,324	1.000	779,324	3.10	1.18	945,646	25,014,969	1.000	25,014,969	26.45	0.94
201103	254,353	1,163,269	1.000	1,163,269	4.57	1.24	950,024	34,045,188	1.000	34,045,188	35.84	1.06
201104	254,084	1,186,633	1.000	1,186,633	4.67	1.30	951,894	30,635,666	1.000	30,635,666	32.18	0.98
201105	254,594	1,174,757	1.000	1,174,757	4.61	1.32	955,199	29,652,111	1.000	29,652,111	31.04	1.04
201106	255,371	1,298,651	1.000	1,298,651	5.09	1.35	959,625	31,540,415	1.000	31,540,415	32.87	1.06
201107	257,145	1,337,106	1.000	1,337,106	5.20	1.28	959,734	30,717,184	1.000	30,717,184	32.01	1.00
201108	259,483	1,570,239	1.000	1,570,239	6.05	1.41	970,443	36,258,579	1.000	36,258,579	37.36	1.09
201109	258,583	1,328,927	1.000	1,328,927	5.14	1.30	971,138	31,015,111	1.000	31,015,111	31.94	1.02
201110	257,159	1,268,487	1.000	1,268,487	4.93	1.27	969,950	30,946,541	1.000	30,946,541	31.91	1.00
201111	255,333	1,233,323	1.000	1,233,323	4.83	1.34	967,784	29,333,948	1.000	29,333,948	30.31	1.00
201112	255,978	1,201,571	1.000	1,201,571	4.69	1.39	970,228	28,239,536	1.000	28,239,536	29.11	1.03
201201	256,936	1,507,040	1.000	1,507,040	5.87	1.56	973,858	32,617,066	1.000	32,617,066	33.49	1.06
201202	255,840	1,360,161	1.000	1,360,192	5.32	1.72	969,708	30,938,639	1.000	30,939,340	31.91	1.21
201203	84,512	31,681	0.991	31,975	0.38	0.08	141,652	2,954,949	0.991	2,982,426	21.05	0.59
201204	67,468	19,044	0.966	19,706	0.29	0.06	102,309	1,656,226	0.966	1,713,793	16.75	0.52
201205	66,501	15,066	0.647	23,283	0.35	0.08	106,944	1,098,845	0.647	1,698,123	15.88	0.51
3/10-2/11	2,915,559			10,816,549	3.71		11,165,192			347,367,597	31.11	
3/11-2/12	3,074,859			15,630,193	5.08	1.370	11,569,585			375,940,686	32.49	1.044

Medicaid Dental Rating
Estimated Fee-for-Service Incurred Claims
Dental Services

Month	Ages 6-14						Ages 15-18					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	974,166	36,448,349	1.000	36,448,349	37.41		293,290	12,791,979	1.000	12,791,979	43.62	
200910	986,403	39,373,254	1.000	39,373,254	39.92		296,277	13,862,149	1.000	13,862,149	46.79	
200911	994,205	36,961,736	1.000	36,961,736	37.18		298,625	12,778,715	1.000	12,778,715	42.79	
200912	1,003,022	36,316,538	1.000	36,316,538	36.21		300,954	13,075,244	1.000	13,075,244	43.45	
201001	1,010,440	40,003,337	1.000	40,003,337	39.59		303,121	13,984,596	1.000	13,984,596	46.14	
201002	1,014,164	39,001,128	1.000	39,001,128	38.46		304,797	13,793,819	1.000	13,793,819	45.26	
201003	1,022,668	47,426,434	1.000	47,426,434	46.38		307,045	16,555,083	1.000	16,555,083	53.92	
201004	1,027,783	41,286,287	1.000	41,286,287	40.17		308,293	14,703,748	1.000	14,703,748	47.69	
201005	1,033,533	39,682,275	1.000	39,682,275	38.39		309,838	13,775,420	1.000	13,775,420	44.46	
201006	1,049,058	45,744,937	1.000	45,744,937	43.61		314,438	16,599,089	1.000	16,599,089	52.79	
201007	1,062,148	47,655,069	1.000	47,655,069	44.87		318,207	17,080,393	1.000	17,080,393	53.68	
201008	1,082,948	52,438,184	1.000	52,438,184	48.42		324,281	18,411,685	1.000	18,411,685	56.78	
201009	1,096,182	44,010,549	1.000	44,010,549	40.15	1.07	328,073	15,836,553	1.000	15,836,553	48.27	1.11
201010	1,104,672	46,240,533	1.000	46,240,533	41.86	1.05	330,254	16,548,410	1.000	16,548,410	50.11	1.07
201011	1,113,601	45,210,499	1.000	45,210,499	40.60	1.09	332,768	16,577,387	1.000	16,577,387	49.82	1.16
201012	1,119,888	44,044,230	1.000	44,044,230	39.33	1.09	334,634	16,291,795	1.000	16,291,795	48.69	1.12
201101	1,126,313	46,945,178	1.000	46,945,178	41.68	1.05	336,553	17,078,483	1.000	17,078,483	50.75	1.10
201102	1,125,327	39,811,999	1.000	39,811,999	35.38	0.92	335,867	14,241,576	1.000	14,241,576	42.40	0.94
201103	1,133,142	55,353,033	1.000	55,353,033	48.85	1.05	338,131	19,370,166	1.000	19,370,166	57.29	1.06
201104	1,139,562	45,061,295	1.000	45,061,295	39.54	0.98	340,166	15,648,259	1.000	15,648,259	46.00	0.96
201105	1,146,973	45,234,314	1.000	45,234,314	39.44	1.03	342,114	15,282,391	1.000	15,282,391	44.67	1.00
201106	1,158,807	53,269,287	1.000	53,269,287	45.97	1.05	345,259	18,452,128	1.000	18,452,128	53.44	1.01
201107	1,163,531	51,505,962	1.000	51,505,962	44.27	0.99	346,947	18,060,685	1.000	18,060,685	52.06	0.97
201108	1,181,000	62,314,580	1.000	62,314,580	52.76	1.09	352,149	20,846,634	1.000	20,846,634	59.20	1.04
201109	1,186,272	48,665,087	1.000	48,665,087	41.02	1.02	353,516	16,151,226	1.000	16,151,226	45.69	0.95
201110	1,188,569	48,971,926	1.000	48,971,926	41.20	0.98	353,919	15,613,291	1.000	15,613,291	44.12	0.88
201111	1,189,222	46,482,358	1.000	46,482,358	39.09	0.96	353,120	15,209,742	1.000	15,209,742	43.07	0.86
201112	1,192,225	47,584,248	1.000	47,584,248	39.91	1.01	354,012	15,279,447	1.000	15,279,447	43.16	0.89
201201	1,196,686	51,314,132	1.000	51,314,132	42.88	1.03	355,336	16,442,512	1.000	16,442,512	46.27	0.91
201202	1,191,585	49,398,351	1.000	49,399,470	41.46	1.17	353,822	16,218,511	1.000	16,218,878	45.84	1.08
201203	165,452	5,500,007	0.991	5,551,150	33.55	0.69	58,407	1,739,127	0.991	1,755,298	30.05	0.52
201204	112,918	2,946,044	0.966	3,048,444	27.00	0.68	41,293	976,006	0.966	1,009,930	24.46	0.53
201205	113,938	1,941,816	0.647	3,000,824	26.34	0.67	42,129	705,126	0.647	1,089,680	25.87	0.58
3/10-2/11	12,964,122			540,496,173	41.69		3,880,251			193,699,621	49.92	
3/11-2/12	14,067,574			605,155,691	43.02	1.032	4,188,492			202,575,360	48.36	0.969

Medicaid Dental Rating
 Estimated Fee-for-Service Incurred Claims
 Dental Services

Month	Ages 19-20						Total					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	46,867	2,131,560	1.000	2,131,560	45.48		2,423,240	76,395,801	1.000	76,395,801	31.53	
200910	46,723	2,107,111	1.000	2,107,111	45.10		2,446,044	81,712,816	1.000	81,712,816	33.41	
200911	46,271	1,811,972	1.000	1,811,972	39.16		2,457,734	75,798,677	1.000	75,798,677	30.84	
200912	46,606	1,769,021	1.000	1,769,021	37.96		2,476,495	74,283,030	1.000	74,283,030	30.00	
201001	47,054	1,936,601	1.000	1,936,601	41.16		2,491,574	82,364,994	1.000	82,364,994	33.06	
201002	47,357	1,744,615	1.000	1,744,615	36.84		2,497,272	80,184,208	1.000	80,184,208	32.11	
201003	47,547	2,023,578	1.000	2,023,578	42.56		2,518,867	97,224,203	1.000	97,224,203	38.60	
201004	47,397	1,988,108	1.000	1,988,108	41.95		2,528,276	88,553,008	1.000	88,553,008	35.03	
201005	48,009	2,067,055	1.000	2,067,055	43.06		2,538,753	83,379,122	1.000	83,379,122	32.84	
201006	48,497	2,203,408	1.000	2,203,408	45.43		2,567,610	93,951,400	1.000	93,951,400	36.59	
201007	48,560	2,100,186	1.000	2,100,186	43.25		2,589,726	97,477,096	1.000	97,477,096	37.64	
201008	49,195	2,270,809	1.000	2,270,809	46.16		2,627,739	106,269,410	1.000	106,269,410	40.44	
201009	49,204	2,342,043	1.000	2,342,043	47.60	1.05	2,654,609	92,546,426	1.000	92,546,426	34.86	1.11
201010	49,278	2,260,926	1.000	2,260,926	45.88	1.02	2,671,269	96,169,031	1.000	96,169,031	36.00	1.08
201011	49,019	2,129,932	1.000	2,129,932	43.45	1.11	2,688,341	93,394,368	1.000	93,394,368	34.74	1.13
201012	48,795	2,067,427	1.000	2,067,427	42.37	1.12	2,701,933	89,951,268	1.000	89,951,268	33.29	1.11
201101	48,612	2,231,915	1.000	2,231,915	45.91	1.12	2,713,877	97,302,128	1.000	97,302,128	35.85	1.08
201102	47,800	1,756,569	1.000	1,756,569	36.75	1.00	2,706,036	81,604,436	1.000	81,604,436	30.16	0.94
201103	48,112	2,143,948	1.000	2,143,948	44.56	1.05	2,723,762	112,075,605	1.000	112,075,605	41.15	1.07
201104	48,165	2,223,772	1.000	2,223,772	46.17	1.10	2,733,871	94,755,625	1.000	94,755,625	34.66	0.99
201105	48,377	2,097,457	1.000	2,097,457	43.36	1.01	2,747,257	93,441,031	1.000	93,441,031	34.01	1.04
201106	48,539	2,032,336	1.000	2,032,336	41.87	0.92	2,767,601	106,592,817	1.000	106,592,817	38.51	1.05
201107	49,361	1,958,305	1.000	1,958,305	39.67	0.92	2,776,718	103,579,241	1.000	103,579,241	37.30	0.99
201108	50,054	2,385,211	1.000	2,385,211	47.65	1.03	2,813,128	123,375,244	1.000	123,375,244	43.86	1.08
201109	49,647	2,226,267	1.000	2,226,267	44.84	0.94	2,819,156	99,386,617	1.000	99,386,617	35.25	1.01
201110	48,656	1,857,607	1.000	1,857,607	38.18	0.83	2,818,254	98,657,852	1.000	98,657,852	35.01	0.97
201111	47,924	1,714,317	1.000	1,714,317	35.77	0.82	2,813,384	93,973,688	1.000	93,973,688	33.40	0.96
201112	48,045	1,686,872	1.000	1,686,872	35.11	0.83	2,820,488	93,991,674	1.000	93,991,674	33.32	1.00
201201	48,225	1,876,706	1.000	1,876,706	38.92	0.85	2,831,042	103,757,456	1.000	103,757,456	36.65	1.02
201202	48,020	1,732,306	1.000	1,732,345	36.08	0.98	2,818,975	99,647,969	1.000	99,650,225	35.35	1.17
201203	14,621	240,039	0.991	242,271	16.57	0.37	464,644	10,465,801	0.991	10,563,121	22.73	0.55
201204	10,821	155,444	0.966	160,847	14.86	0.32	334,809	5,752,764	0.966	5,952,720	17.78	0.51
201205	10,379	116,291	0.647	179,713	17.31	0.40	339,891	3,877,145	0.647	5,991,624	17.63	0.52
3/10-2/11	581,912			25,441,956	43.72		31,507,036			1,117,821,896	35.48	
3/11-2/12	583,125			23,935,144	41.05	0.939	33,483,635			1,223,237,074	36.53	1.030

Medicaid Dental Rating
 Estimated Fee-for-Service Incurred Claims
 Orthodontia Services

Month	Under Age 1						Ages 1-5					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	239,625	613	1.000	613	0.00		869,291	8,366	1.000	8,366	0.01	
200910	239,616	913	1.000	913	0.00		877,025	8,948	1.000	8,948	0.01	
200911	238,079	981	1.000	981	0.00		880,553	5,046	1.000	5,046	0.01	
200912	239,017	1,022	1.000	1,022	0.00		886,897	4,256	1.000	4,256	0.00	
201001	239,428	1,113	1.000	1,113	0.00		891,531	6,658	1.000	6,658	0.01	
201002	237,484	2,909	1.000	2,909	0.01		893,470	11,683	1.000	11,683	0.01	
201003	240,730	2,503	1.000	2,503	0.01		900,876	8,264	1.000	8,264	0.01	
201004	239,870	4,626	1.000	4,626	0.02		904,933	8,821	1.000	8,821	0.01	
201005	239,475	2,384	1.000	2,384	0.01		907,898	8,778	1.000	8,778	0.01	
201006	238,477	4,121	1.000	4,121	0.02		917,140	7,550	1.000	7,550	0.01	
201007	237,362	3,903	1.000	3,903	0.02		923,450	7,534	1.000	7,534	0.01	
201008	236,379	2,441	1.000	2,441	0.01		934,936	11,352	1.000	11,352	0.01	
201009	239,946	1,392	1.000	1,392	0.01	2.27	941,204	10,655	1.000	10,655	0.01	1.18
201010	243,121	1,561	1.000	1,561	0.01	1.69	943,943	9,862	1.000	9,862	0.01	1.02
201011	246,115	1,348	1.000	1,348	0.01	1.33	946,838	7,768	1.000	7,768	0.01	1.43
201012	250,308	1,686	1.000	1,686	0.01	1.58	948,308	7,399	1.000	7,399	0.01	1.63
201101	252,379	1,833	1.000	1,833	0.01	1.56	950,020	9,201	1.000	9,201	0.01	1.30
201102	251,398	4,609	1.000	4,609	0.02	1.50	945,646	12,008	1.000	12,008	0.01	0.97
201103	254,353	5,355	1.000	5,355	0.02	2.03	950,024	8,093	1.000	8,093	0.01	0.93
201104	254,084	2,927	1.000	2,927	0.01	0.60	951,894	11,548	1.000	11,548	0.01	1.24
201105	254,594	3,160	1.000	3,160	0.01	1.25	955,199	10,243	1.000	10,243	0.01	1.11
201106	255,371	2,033	1.000	2,033	0.01	0.46	959,625	11,506	1.000	11,506	0.01	1.46
201107	257,145	1,316	1.000	1,316	0.01	0.31	959,734	6,151	1.000	6,151	0.01	0.79
201108	259,483	1,797	1.000	1,797	0.01	0.67	970,443	13,037	1.000	13,037	0.01	1.11
201109	258,583	2,114	1.000	2,114	0.01	1.41	971,138	5,555	1.000	5,555	0.01	0.51
201110	257,159	2,956	1.000	2,956	0.01	1.79	969,950	5,023	1.000	5,023	0.01	0.50
201111	255,333	3,064	1.000	3,064	0.01	2.19	967,784	13,041	1.000	13,041	0.01	1.64
201112	255,978	3,560	1.000	3,560	0.01	2.06	970,228	71,072	1.000	71,072	0.07	9.39
201201	256,936	2,277	1.000	2,277	0.01	1.22	973,858	212,757	1.000	212,757	0.22	22.56
201202	255,840	2,150	1.000	2,150	0.01	0.46	969,708	202,438	1.000	202,443	0.21	16.44
201203	84,512	133	0.991	135	0.00	0.08	141,652	0	0.991	0	0.00	0.00
201204	67,468	0	0.966	0	0.00	0.00	102,309	0	0.966	0	0.00	0.00
201205	66,501	0	0.647	0	0.00	0.00	106,944	0	0.647	0	0.00	0.00
FY2010	2,865,541			27,529	0.01		10,788,002			97,257	0.01	
FY2011	3,018,295			29,016	0.01	1.001	11,422,877			117,471	0.01	1.141
2/10-8/10	1,669,777			22,887	0.01		6,382,704			63,982	0.01	
2/11-8/11	1,786,426			21,197	0.01	0.866	6,692,564			72,587	0.01	1.082

Medicaid Dental Rating
Estimated Fee-for-Service Incurred Claims
Orthodontia Services

Month	Ages 6-14						Ages 15-18					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	974,166	10,076,972	1.000	10,076,972	10.34		293,290	4,874,851	1.000	4,874,851	16.62	
200910	986,403	10,023,361	1.000	10,023,361	10.16		296,277	4,931,037	1.000	4,931,037	16.64	
200911	994,205	9,350,352	1.000	9,350,352	9.40		298,625	4,631,779	1.000	4,631,779	15.51	
200912	1,003,022	9,601,505	1.000	9,601,505	9.57		300,954	4,654,120	1.000	4,654,120	15.46	
201001	1,010,440	10,238,999	1.000	10,238,999	10.13		303,121	5,121,339	1.000	5,121,339	16.90	
201002	1,014,164	10,144,131	1.000	10,144,131	10.00		304,797	5,138,272	1.000	5,138,272	16.86	
201003	1,022,668	11,667,460	1.000	11,667,460	11.41		307,045	5,845,471	1.000	5,845,471	19.04	
201004	1,027,783	11,431,355	1.000	11,431,355	11.12		308,293	5,514,507	1.000	5,514,507	17.89	
201005	1,033,533	11,266,376	1.000	11,266,376	10.90		309,838	5,476,110	1.000	5,476,110	17.67	
201006	1,049,058	12,516,805	1.000	12,516,805	11.93		314,438	5,914,251	1.000	5,914,251	18.81	
201007	1,062,148	11,964,910	1.000	11,964,910	11.26		318,207	5,627,991	1.000	5,627,991	17.69	
201008	1,082,948	13,438,607	1.000	13,438,607	12.41		324,281	6,211,313	1.000	6,211,313	19.15	
201009	1,096,182	14,017,033	1.000	14,017,033	12.79	1.24	328,073	6,469,913	1.000	6,469,913	19.72	1.19
201010	1,104,672	12,924,215	1.000	12,924,215	11.70	1.15	330,254	6,198,450	1.000	6,198,450	18.77	1.13
201011	1,113,601	12,763,169	1.000	12,763,169	11.46	1.22	332,768	6,205,553	1.000	6,205,553	18.65	1.20
201012	1,119,888	12,584,858	1.000	12,584,858	11.24	1.17	334,634	6,050,747	1.000	6,050,747	18.08	1.17
201101	1,126,313	13,675,972	1.000	13,675,972	12.14	1.20	336,553	6,747,546	1.000	6,747,546	20.05	1.19
201102	1,125,327	11,946,297	1.000	11,946,297	10.62	1.06	335,867	5,892,601	1.000	5,892,601	17.54	1.04
201103	1,133,142	14,520,280	1.000	14,520,280	12.81	1.12	338,131	7,176,796	1.000	7,176,796	21.22	1.11
201104	1,139,562	13,074,585	1.000	13,074,585	11.47	1.03	340,166	6,451,602	1.000	6,451,602	18.97	1.06
201105	1,146,973	14,357,633	1.000	14,357,633	12.52	1.15	342,114	6,807,341	1.000	6,807,341	19.90	1.13
201106	1,158,807	14,949,445	1.000	14,949,445	12.90	1.08	345,259	7,060,313	1.000	7,060,313	20.45	1.09
201107	1,163,531	13,709,261	1.000	13,709,261	11.78	1.05	346,947	6,557,914	1.000	6,557,914	18.90	1.07
201108	1,181,000	15,928,267	1.000	15,928,267	13.49	1.09	352,149	7,634,468	1.000	7,634,468	21.68	1.13
201109	1,186,272	13,052,740	1.000	13,052,740	11.00	0.86	353,516	6,751,116	1.000	6,751,116	19.10	0.97
201110	1,188,569	10,253,953	1.000	10,253,953	8.63	0.74	353,919	5,826,181	1.000	5,826,181	16.46	0.88
201111	1,189,222	9,024,732	1.000	9,024,732	7.59	0.66	353,120	5,382,447	1.000	5,382,447	15.24	0.82
201112	1,192,225	8,456,023	1.000	8,456,023	7.09	0.63	354,012	4,869,237	1.000	4,869,237	13.75	0.76
201201	1,196,686	8,160,699	1.000	8,160,699	6.82	0.56	355,336	4,369,216	1.000	4,369,216	12.30	0.61
201202	1,191,585	6,714,367	1.000	6,714,519	5.63	0.53	353,822	3,933,780	1.000	3,933,869	11.12	0.63
201203	165,452	222,389	0.991	224,457	1.36	0.11	58,407	185,003	0.991	186,723	3.20	0.15
201204	112,918	109,060	0.966	112,850	1.00	0.09	41,293	89,801	0.966	92,923	2.25	0.12
201205	113,938	62,386	0.647	96,409	0.85	0.07	42,129	53,422	0.647	82,557	1.96	0.10
FY2010	12,260,539			131,720,832	10.74		3,679,165			63,941,040	17.38	
FY2011	13,608,999			164,451,015	12.08	1.125	4,062,915			79,253,244	19.51	1.122
2/10-8/10	7,292,302			82,429,644	11.30		2,186,898			39,727,914	18.17	
2/11-8/11	8,048,342			98,485,768	12.24	1.083	2,400,633			47,581,035	19.82	1.091

Medicaid Dental Rating
Estimated Fee-for-Service Incurred Claims
Orthodontia Services

Month	Ages 19-20						Total					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
200909	46,867	395,642	1.000	395,642	8.44		2,423,240	15,356,444	1.000	15,356,444	6.34	
200910	46,723	403,469	1.000	403,469	8.64		2,446,044	15,367,728	1.000	15,367,728	6.28	
200911	46,271	365,903	1.000	365,903	7.91		2,457,734	14,354,062	1.000	14,354,062	5.84	
200912	46,606	381,984	1.000	381,984	8.20		2,476,495	14,642,886	1.000	14,642,886	5.91	
201001	47,054	430,708	1.000	430,708	9.15		2,491,574	15,798,817	1.000	15,798,817	6.34	
201002	47,357	390,793	1.000	390,793	8.25		2,497,272	15,687,788	1.000	15,687,788	6.28	
201003	47,547	462,112	1.000	462,112	9.72		2,518,867	17,985,809	1.000	17,985,809	7.14	
201004	47,397	453,582	1.000	453,582	9.57		2,528,276	17,412,890	1.000	17,412,890	6.89	
201005	48,009	433,729	1.000	433,729	9.03		2,538,753	17,187,377	1.000	17,187,377	6.77	
201006	48,497	503,449	1.000	503,449	10.38		2,567,610	18,946,176	1.000	18,946,176	7.38	
201007	48,560	452,325	1.000	452,325	9.31		2,589,726	18,056,664	1.000	18,056,664	6.97	
201008	49,195	505,132	1.000	505,132	10.27		2,627,739	20,168,846	1.000	20,168,846	7.68	
201009	49,204	512,957	1.000	512,957	10.43	1.23	2,654,609	21,011,950	1.000	21,011,950	7.92	1.25
201010	49,278	481,585	1.000	481,585	9.77	1.13	2,671,269	19,615,674	1.000	19,615,674	7.34	1.17
201011	49,019	487,737	1.000	487,737	9.95	1.26	2,688,341	19,465,575	1.000	19,465,575	7.24	1.24
201012	48,795	499,548	1.000	499,548	10.24	1.25	2,701,933	19,144,237	1.000	19,144,237	7.09	1.20
201101	48,612	534,692	1.000	534,692	11.00	1.20	2,713,877	20,969,245	1.000	20,969,245	7.73	1.22
201102	47,800	437,730	1.000	437,730	9.16	1.11	2,706,036	18,293,245	1.000	18,293,245	6.76	1.08
201103	48,112	539,806	1.000	539,806	11.22	1.15	2,723,762	22,250,330	1.000	22,250,330	8.17	1.14
201104	48,165	540,489	1.000	540,489	11.22	1.17	2,733,871	20,081,151	1.000	20,081,151	7.35	1.07
201105	48,377	544,529	1.000	544,529	11.26	1.25	2,747,257	21,722,906	1.000	21,722,906	7.91	1.17
201106	48,539	537,096	1.000	537,096	11.07	1.07	2,767,601	22,560,395	1.000	22,560,395	8.15	1.10
201107	49,361	523,886	1.000	523,886	10.61	1.14	2,776,718	20,798,527	1.000	20,798,527	7.49	1.07
201108	50,054	572,417	1.000	572,417	11.44	1.11	2,813,128	24,149,987	1.000	24,149,987	8.58	1.12
201109	49,647	524,773	1.000	524,773	10.57	1.01	2,819,156	20,336,298	1.000	20,336,298	7.21	0.91
201110	48,656	462,985	1.000	462,985	9.52	0.97	2,818,254	16,551,099	1.000	16,551,099	5.87	0.80
201111	47,924	431,673	1.000	431,673	9.01	0.91	2,813,384	14,854,956	1.000	14,854,956	5.28	0.73
201112	48,045	347,884	1.000	347,884	7.24	0.71	2,820,488	13,747,777	1.000	13,747,777	4.87	0.69
201201	48,225	278,214	1.000	278,214	5.77	0.52	2,831,042	13,023,163	1.000	13,023,163	4.60	0.60
201202	48,020	244,012	1.000	244,017	5.08	0.55	2,818,975	11,096,746	1.000	11,096,998	3.94	0.58
201203	14,621	74,462	0.991	75,154	5.14	0.46	464,644	481,987	0.991	486,469	1.05	0.13
201204	10,821	55,966	0.966	57,912	5.35	0.48	334,809	254,827	0.966	263,685	0.79	0.11
201205	10,379	40,657	0.647	62,830	6.05	0.54	339,891	156,465	0.647	241,796	0.71	0.09
FY2010	570,082			5,178,828	9.08		30,163,330			200,965,486	6.66	
FY2011	585,316			6,212,474	10.61	1.168	32,698,402			250,063,220	7.65	1.148
2/10-8/10	336,561			3,201,122	9.51		17,868,243			125,445,550	7.02	
2/11-8/11	340,407			3,695,954	10.86	1.142	19,268,373			149,856,541	7.78	1.108

Attachment 3

Orthodontia Moratorium and Prior Authorization Adjustment

The attached exhibit presents a summary of the rating adjustment for programmatic changes to the orthodontia prior authorization requirements and the temporary moratorium on new orthodontia authorizations. This adjustment was applied only to orthodontia services.

Claim payment patterns were determined for orthodontia services and assumed to apply to each incurred month. We assumed that the duration of each orthodontia authorization was 38 months and has the following payment pattern:

Month	Percentage of Total Orthodontia Cost
1	27.7%
2	6.2%
3	3.4%
4+	< 3.0%

HHSC implemented new requirements for approval of orthodontia services effective October 1, 2011. Diagnostic models, photographs, and X-rays are now required to be provided when submitting a prior authorization for approval of orthodontia services. The number of initial banding visits for comprehensive orthodontia treatment was used as a proxy for the number of orthodontia authorizations. Based on input from HHSC staff and preliminary authorization statistics, we have assumed that this change will reduce the number of orthodontia authorizations by 75% as compared to FY2011 experience. Exhibit A presents a summary of recent orthodontia authorization experience.

Orthodontia authorizations that HHSC approved prior to March 1, 2012 will be the financial responsibility of the MCO's beginning March 1, 2012. The MCOs are limited in their ability to manage the cost of care for these previously authorized services. This has been considered in developing the orthodontia prior authorization adjustment factor used in calculating the premium rates. To estimate the cost impact of the new orthodontia authorization requirements, we performed an analysis of orthodontia payment patterns and assumed a 75% reduction in the number of new orthodontia cases beginning October 1, 2011.

Effective January 1, 2012 and continuing through February 29, 2012, HHSC implemented a moratorium on new orthodontia authorizations. As a result, the dental MCOs are expected to receive higher numbers of orthodontia cases in the early months of the new program. We have assumed that there will be no new orthodontia authorizations in January and February 2012 and three times the normal number of orthodontia authorizations in March 2012. Based on these assumptions, we have determined that the programmatic changes to the orthodontia authorization process will reduce orthodontia incurred claims by 53% during the period September 1, 2012 through August 31, 2013. Exhibit B presents a summary of the orthodontia prior authorization adjustment factor analysis.

Medicaid Dental
 FY2013 Rating
 Initial Comprehensive (Banding) Orthodontia Experience

<u>Incurred Month</u>	<u>Total Paid</u>	<u>Number of Service</u>	<u>Paid per Service</u>	<u>Number of Service Trend</u>
200809	3,060,792	3,954	774.19	
200810	3,524,431	4,554	773.93	
200811	2,512,723	3,246	774.03	
200812	3,110,359	4,017	774.29	
200901	3,170,261	4,096	773.95	
200902	3,254,321	4,203	774.22	
200903	3,380,213	4,365	774.45	
200904	3,879,563	5,014	773.79	
200905	3,982,532	5,145	774.12	
200906	4,229,021	5,462	774.21	
200907	4,597,492	5,941	773.92	
200908	4,699,160	6,069	774.23	
200909	5,084,758	6,569	774.01	66%
200910	4,654,806	6,017	773.66	32%
200911	4,313,335	5,570	774.34	72%
200912	4,437,861	5,731	774.40	43%
201001	4,654,173	6,011	774.31	47%
201002	4,687,626	6,050	774.86	44%
201003	5,427,406	7,007	774.59	61%
201004	5,374,355	6,936	774.88	38%
201005	5,336,345	6,886	774.95	34%
201006	6,013,595	7,762	774.72	42%
201007	5,492,642	7,088	774.94	19%
201008	6,473,391	8,359	774.42	38%
201009	6,862,127	8,948	766.86	36%
201010	5,906,888	7,714	765.69	28%
201011	5,786,613	7,579	763.54	36%
201012	5,562,337	7,268	765.32	27%
201101	6,091,560	7,971	764.17	33%
201102	5,163,585	6,829	756.16	13%
201103	6,463,872	8,552	755.86	22%
201104	5,948,287	7,861	756.68	13%
201105	6,283,580	8,299	757.11	21%
201106	6,367,997	8,414	756.83	8%
201107	5,758,396	7,605	757.22	7%
201108	6,660,806	8,790	757.79	5%
201109	4,517,584	5,966	757.23	-33%
201110	2,194,682	2,902	756.25	-62%
201111	1,479,765	1,954	757.27	-74%
201112	1,370,735	1,812	756.29	-75%
201201	1,390,761	1,835	757.78	-77%
201202	557,553	735	758.72	-89%
201203	28,371	37	759.50	-100%
201204	2,646	3	759.50	-100%

Select Nov-Dec

-75%

Medicaid Dental Rating
Orthodontia Prior Authorization and Moratorium Adjustment

Original Payment Pattern - Percent of Total Paid per Month for each Prior Authorization Case

Auth. Date	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Incurred Date	% Paid per Prior Auth.		
														Pre 10/1	Post 10/1	Total
Prior	38.5%	36.3%	34.2%	32.2%	30.2%	28.2%	26.0%	24.0%	22.2%	20.3%	18.5%	16.6%				
Sep-11	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	1.9%	1.7%	2.0%	Sep-11	100.0%	0.0%	100.0%
Oct-11	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	1.9%	1.7%	Oct-11	72.3%	27.7%	100.0%
Nov-11	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	1.9%	Nov-11	66.1%	33.9%	100.0%
Dec-11	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	Dec-11	62.7%	37.3%	100.0%
Jan-12	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	Jan-12	60.1%	39.9%	100.0%
Feb-12	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	Feb-12	57.5%	42.5%	100.0%
Mar-12	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	Mar-12	54.9%	45.1%	100.0%
Apr-12	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	2.0%	Apr-12	52.2%	47.8%	100.0%
May-12	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	2.0%	May-12	49.9%	50.1%	100.0%
Jun-12	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	2.1%	Jun-12	47.6%	52.4%	100.0%
Jul-12	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	2.2%	Jul-12	45.3%	54.7%	100.0%
Aug-12	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	2.4%	Aug-12	43.0%	57.0%	100.0%
Sep-12	27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	2.1%	Sep-12	40.9%	59.1%	100.0%
Oct-12		27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	2.3%	Oct-12	38.5%	61.5%	100.0%
Nov-12			27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	2.3%	Nov-12	36.3%	63.7%	100.0%
Dec-12				27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	2.3%	Dec-12	34.2%	65.8%	100.0%
Jan-13					27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	2.3%	Jan-13	32.2%	67.8%	100.0%
Feb-13						27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	2.7%	Feb-13	30.2%	69.8%	100.0%
Mar-13							27.7%	6.2%	3.4%	2.7%	2.6%	2.5%	Mar-13	28.2%	71.8%	100.0%
Apr-13								27.7%	6.2%	3.4%	2.7%	2.6%	Apr-13	26.0%	74.0%	100.0%
May-13									27.7%	6.2%	3.4%	2.7%	May-13	24.0%	76.0%	100.0%
Jun-13										27.7%	6.2%	3.4%	Jun-13	22.2%	77.8%	100.0%
Jul-13											27.7%	6.2%	Jul-13	20.3%	79.7%	100.0%
Aug-13												27.7%	Aug-13	18.5%	81.5%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	FY13 Average	29.3%	70.7%	100.0%

Medicaid Dental Rating
Orthodontia Prior Authorization and Moratorium Adjustment

Prior Authorization Adjustment (1) 75%

Auth. Date	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Incurred Date	% Paid per Prior Auth.		
														Pre 10/1	Post 10/1	Total
Prior	38.5%	36.3%	34.2%	32.2%	30.2%	28.2%	26.0%	24.0%	22.2%	20.3%	18.5%	16.6%				
Sep-11	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	1.9%	1.7%	2.0%	Sep-11	100.0%	0.0%	100.0%
Oct-11	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Oct-11	72.3%	6.9%	79.3%
Nov-11	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Nov-11	66.1%	8.5%	74.6%
Dec-11	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Dec-11	62.7%	9.3%	72.0%
Jan-12	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Jan-12	60.1%	10.0%	70.0%
Feb-12	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	Feb-12	57.5%	10.6%	68.1%
Mar-12	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	Mar-12	54.9%	11.3%	66.2%
Apr-12	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	Apr-12	52.2%	11.9%	64.2%
May-12	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	May-12	49.9%	12.5%	62.4%
Jun-12	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	Jun-12	47.6%	13.1%	60.7%
Jul-12	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	Jul-12	45.3%	13.7%	59.0%
Aug-12	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	Aug-12	43.0%	14.2%	57.3%
Sep-12	6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	Sep-12	40.9%	14.8%	55.7%
Oct-12		6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	Oct-12	38.5%	15.4%	53.9%
Nov-12			6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	Nov-12	36.3%	15.9%	52.2%
Dec-12				6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	Dec-12	34.2%	16.4%	50.7%
Jan-13					6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	Jan-13	32.2%	17.0%	49.1%
Feb-13						6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	Feb-13	30.2%	17.5%	47.6%
Mar-13							6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	Mar-13	28.2%	18.0%	46.1%
Apr-13								6.9%	1.6%	0.8%	0.7%	0.6%	Apr-13	26.0%	18.5%	44.5%
May-13									6.9%	1.6%	0.8%	0.7%	May-13	24.0%	19.0%	43.0%
Jun-13										6.9%	1.6%	0.8%	Jun-13	22.2%	19.5%	41.6%
Jul-13											6.9%	1.6%	Jul-13	20.3%	19.9%	40.2%
Aug-13												6.9%	Aug-13	18.5%	20.4%	38.9%
Total	55.7%	53.9%	52.2%	50.7%	49.1%	47.6%	46.1%	44.5%	43.0%	41.6%	40.2%	38.9%	FY13 Average	29.3%	17.7%	47.0%

Savings **-53.0%**

Medicaid Dental Rating
Orthodontia Prior Authorization and Moratorium Adjustment

Prior Authorization & Moratorium Adjustment (1,2)

Auth. Date	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Incurred Date	% Paid per Prior Auth.		
														Pre 10/1	Post 10/1	Total
Prior	38.5%	36.3%	34.2%	32.2%	30.2%	28.2%	26.0%	24.0%	22.2%	20.3%	18.5%	16.6%				
Sep-11	2.4%	2.2%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%	1.8%	1.9%	1.7%	2.0%	Sep-11	100.0%	0.0%	100.0%
Oct-11	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Oct-11	72.3%	6.9%	79.3%
Nov-11	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Nov-11	66.1%	8.5%	74.6%
Dec-11	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Dec-11	62.7%	9.3%	72.0%
Jan-12	-	-	-	-	-	-	-	-	-	-	-	-	Jan-12	60.1%	3.1%	63.1%
Feb-12	-	-	-	-	-	-	-	-	-	-	-	-	Feb-12	57.5%	2.2%	59.6%
Mar-12	2.0%	1.7%	1.7%	1.8%	1.7%	1.6%	1.8%	1.7%	1.6%	1.5%	1.5%	1.5%	Mar-12	54.9%	22.7%	77.6%
Apr-12	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	Apr-12	52.2%	13.6%	65.8%
May-12	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	May-12	49.9%	12.9%	62.8%
Jun-12	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.5%	Jun-12	47.6%	13.1%	60.8%
Jul-12	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	Jul-12	45.3%	13.7%	59.0%
Aug-12	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	Aug-12	43.0%	14.3%	57.3%
Sep-12	6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	Sep-12	40.9%	15.0%	55.9%
Oct-12		6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	Oct-12	38.5%	15.4%	53.9%
Nov-12			6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	Nov-12	36.3%	15.9%	52.2%
Dec-12				6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	Dec-12	34.2%	16.5%	50.7%
Jan-13					6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	0.6%	Jan-13	32.2%	17.0%	49.1%
Feb-13						6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	0.7%	Feb-13	30.2%	17.4%	47.6%
Mar-13							6.9%	1.6%	0.8%	0.7%	0.6%	0.6%	Mar-13	28.2%	18.1%	46.3%
Apr-13								6.9%	1.6%	0.8%	0.7%	0.6%	Apr-13	26.0%	18.6%	44.6%
May-13									6.9%	1.6%	0.8%	0.7%	May-13	24.0%	19.0%	43.1%
Jun-13										6.9%	1.6%	0.8%	Jun-13	22.2%	19.5%	41.7%
Jul-13											6.9%	1.6%	Jul-13	20.3%	19.9%	40.1%
Aug-13												6.9%	Aug-13	18.5%	20.3%	38.9%
Total	55.9%	53.9%	52.2%	50.7%	49.1%	47.6%	46.3%	44.6%	43.1%	41.7%	40.1%	38.9%	FY13 Average	29.3%	17.7%	47.0%

Savings **-53.0%**

Notes:

- (1) Prior Authorization Adjustment assumes 75% reduction in the number of orthodontia authorizations starting on 10/1/2011.
- (2) Moratorium assumes no orthodontia authorizations in January and February 2012 and 3 times the number of authorizations in March 2012.

Attachment 4

Delayed Enrollment Adjustment

With the implementation of the new dental managed care program on March 1, 2012, not all members transitioned into managed care. Approximately 11.7% of members eligible for Medicaid dental continued to be enrolled in FFS after March 1, 2012. There is a significant cost difference between those clients enrolled in managed care and those clients remaining in FFS. Since our rating analysis is based on purely FFS experience, an adjustment is necessary in order to recognize this cost discrepancy. We have assumed that the average per-capita managed care claims cost will be 7.5% higher than the average base period FFS claims cost. Attachment 4 presents a summary of our delayed enrollment adjustment factor analysis.

FY2013 Medicaid Dental Rating
Delayed Enrollment Adjustment

FFS Experience - Pre March 1, 2012

Month	Members	All Dental & Ortho Services	
		Est. Inc. Clms	PMPM
201103	2,723,762	134,325,935	49.32
201104	2,733,871	114,836,776	42.01
201105	2,747,257	115,163,937	41.92
3/11-5/11	8,204,890	364,326,648	44.40

FFS Experience - Post March 1, 2012

Month	Members	All Dental & Ortho Services	
		Est. Inc. Clms	PMPM
201203	470,154	11,049,589	23.50
201204	343,566	6,216,405	18.09
201205	337,848	6,233,420	18.45
3/12-5/12	1,151,568	23,499,415	20.41

Trend	5.85%
Percent of FFS Members	11.71%
PMPM - Total - Trended FFS Pre March 1, 2012	47.00
PMPM - FFS	20.41
PMPM - MC (1)	50.53

Adjustment Factor (2)	1.0750
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Notes:

(1)

$$\text{Total} = \text{FFS} * 11.71\% + \text{MC} * (1-11.71\%)$$

$$\text{MC} = (\text{Total} - \text{FFS} * 11.71\%) / (1-11.71\%)$$

(2)

$$\text{Adjustment Factor} = \text{MC} / \text{Total}$$

Attachment 5

Managed Care Savings

For dental (non-orthodontia) services, the FFS per-capita claims cost from March 2011 through May 2011 was compared to the managed care per-capita claims cost from March 2012 through May 2012. The projected FFS claims were calculated by adjusting the FFS claims to reflect trend and delayed enrollment. The managed care savings factor was defined to be 86% of the difference between the managed care per-capita claims cost and the projected FFS per-capita claims cost, or 25%. Attachment 5 presents a summary of the managed care savings factor analysis.

FY2013 Medicaid Dental Rating
Managed Care Savings Adjustment

FFS Experience - Pre March 1, 2012

Month	Members	Dental Services - FFS	
		Est. Inc. Clms	PMPM
201103	2,723,762	112,075,605	41.15
201104	2,733,871	94,755,625	34.66
201105	2,747,257	93,441,031	34.01
3/11-5/11	8,204,890	300,272,260	36.60

Managed Care Experience - Post March 1, 2012

Month	Members	Dental Services - MCO	
		Est. Inc. Clms	PMPM
201203	2,328,848	67,150,205	28.83
201204	2,456,074	71,596,095	29.15
201205	2,455,930	73,310,550	29.85
3/12-5/12	7,240,852	212,056,850	29.29

Adjustment to FFS Experience

Trend	5.00%
Delayed Enrollment	7.50%
PMPM - Adjusted FFS	41.31
PMPM - MC	29.29
Unadjusted Managed Care Savings	-29.1%
Adjustment Factor	86.0%

Adjusted Managed Care Savings	-25.0%
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Attachment 6

Continuation of Care

Programmatic changes and the implementation of dental managed care have resulted in a significant number of providers (especially orthodontists) leaving the program. It is estimated that approximately 60,000 members currently receiving orthodontic care from these providers will have to be transferred to a new provider. The new providers will be paid \$115.24 to review the client's situation and setup new patient records. We have assumed that these transferred members will move to new providers during the period June 2012 through September 2013. We have also assumed that 90% of the transfer cases will continue the same treatment under the new provider and 10% of the transfer cases will require a new treatment plan (re-banding). These transfer cases are assumed to increase the orthodontic service cost by 3.57%. Attachment 6 presents a summary of the continuation of care adjustment analysis.

FY2013 Medicaid Dental Rating
Continuation of Care Adjustment

Month	Transfer Cases		Additional Cost (1)	
	Regular	Requires Re-band	Regular	Requires Re-band
Jan-12	-	-	-	-
Feb-12	-	-	-	-
Mar-12	-	-	-	-
Apr-12	-	-	-	-
May-12	-	-	-	-
Jun-12	3,600	400	414,864	328,856
Jul-12	3,600	400	414,864	328,856
Aug-12	3,600	400	414,864	328,856
Sep-12	3,600	400	414,864	328,856
Oct-12	3,600	400	414,864	328,856
Nov-12	3,600	400	414,864	328,856
Dec-12	3,600	400	414,864	328,856
Jan-13	3,600	400	414,864	328,856
Feb-13	3,600	400	414,864	328,856
Mar-13	3,600	400	414,864	328,856
Apr-13	3,600	400	414,864	328,856
May-13	3,600	400	414,864	328,856
Jun-13	3,600	400	414,864	328,856
Jul-13	3,600	400	414,864	328,856
Aug-13	3,600	400	414,864	328,856
Total	54,000	6,000	6,222,960	4,932,840
FY2013	43,200	4,800	4,978,368	3,946,272
Total FY2013 Additional Cost				8,924,640
Base Period Orthodontia Incurred Claims				250,063,220
Transfer Case Adjustment				3.57%

(1) "Regular" additional cost = Transfer Case * 115.24

"Require Re-band" additional cost = Transfer Case * (115.24+775-68.10)