

**STATE OF TEXAS  
MEDICAID MANAGED CARE  
DENTAL RATE SETTING  
FY2014**

Prepared for:  
Texas Health and Human Services Commission  
V1.4

Prepared by:  
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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, 2013 through August 31, 2014 (FY2014) for those Managed Care Organizations (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 enrollment by age group for each health plan. This includes historical enrollment since March 2012 and a projection of future enrollment through August 2014. 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 2013. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan.
- Dental and orthodontia claim lag reports by age group for each health plan for the period March 2012 through March 2013. These reports were provided by the health plans and include monthly paid claims by month of service.
- Detailed encounter claim files for all dental and orthodontia services provided by the MCOs for the period March 2012 through April 2013. These reports were provided by the health plans.
- Dental and orthodontia fee-for-service claims data. This report (ST650) includes paid claim amounts by month of service.
- Information from HHSC regarding payment patterns for orthodontia services.

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

## II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2014 (rating period) Medicaid 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 provided by the health plans. 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 March 1, 2012 through February 28, 2013 were developed. These estimates were then projected forward to FY2014 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. These projected total costs were then converted to a set of statewide community rates that vary by age group.

Attachment 1 to this report provides a description of the calculation of the FY2014 Medicaid Dental Plan premium rates. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 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 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 and the actuary's professional judgment regarding future cost increases. The annual trend assumptions used in the rating analysis were 5.0% for both dental and orthodontia services.

#### ***Orthodontia Runoff***

The number of new orthodontia cases authorized under the program has reduced significantly as a result of managed care and other HHSC policy changes. However, the MCO's are still financially responsible for orthodontia authorizations that HHSC approved prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take up to three years to complete treatment and account for over 90% of the orthodontia claims paid in the base period. The orthodontia claims payment is expected to reduce every month as the orthodontia runoff claims complete treatment. Attachment 3 provides details regarding the calculation of the orthodontia runoff rate adjustment factor.

#### ***Preventive Service Utilization Adjustment***

There are a number of programmatic changes that will affect the Medicaid Dental program including:

- HHSC quality improvement program to increase preventive services
- Affordable Care Act 12-month lock enrollment period for new enrollees and renewals effective on or after January 1, 2014
- CHIP dental members moving to Medicaid dental program for new enrollees and renewals effective on or after January 1, 2014

Due to these programmatic changes, a 2.0% utilization (visits per member) increase for preventive services has been assumed. Attachment 3 provides details regarding the calculation of the preventive service utilization increase rate adjustment factor.

#### IV. Administrative Fees 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 MCO. The administrative fee amounts were determined based on a review of dental administrative service costs for all the dental plans and other large Texas dental plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.034 pmpm) and a risk margin (2.0% of premium).

## V. Summary

The chart below presents the resulting FY2014 Medicaid Dental premium rates. Attachment 1 shows the derivation of the premium rates.

	<u>Age &lt;1</u>	<u>Ages 1-5</u>	<u>Ages 6-14</u>	<u>Ages 15-18</u>	<u>Ages 19-20</u>
Premium Rate pmpm	\$10.86	\$34.92	\$40.11	\$40.20	\$31.50

## VI. Actuarial Certification of FY2014 Medicaid 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.

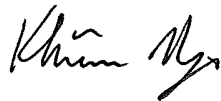
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental Plan premium rates for state fiscal year 2014 (FY2014) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the Medicaid Dental 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 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 FY2014 Medicaid Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2014 Medicaid Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2014 cost for each individual dental plan 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).

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 (2.0% of gross premium), premium tax (1.75%) and maintenance tax (\$.034 pmpm).

Dental Experience Based Rating  
Rating Period: 9/1/2013 - 8/31/2014  
Experience Period - 3/1/2012 - 2/28/2013  
Statewide Experience

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Experience Period (3/12-2/13)												
Member Months	2,151,568		10,216,266		13,065,038		3,780,055		498,840		29,711,766	
Estimated Incurred Claims												
Orthodontia	4,997	0.00	13,320	0.00	25,604,241	1.96	18,323,360	4.85	717,658	1.44	44,663,577	1.50
Dental	17,166,763	7.98	299,196,819	29.29	431,529,084	33.03	120,370,850	31.84	12,786,216	25.63	881,049,731	29.65
Projected Member Months	2,321,535		11,053,404		14,508,831		4,170,650		540,237		32,594,657	
Annual Cost Trend Assumptions												
Orthodontia	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Dental	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Ortho Adjustment Factors												
Runoff Adjustment	0.441		0.441		0.441		0.441		0.441		0.441	
Dental Adjustment Factors												
Utilization Adjustment	1.010		1.010		1.010		1.010		1.010		1.010	
Projected Incurred Claims												
Orthodontia	2,561	0.00	6,844	0.00	13,503,612	0.93	9,601,234	2.30	369,111	0.68	23,483,362	0.72
Dental	20,128,613	8.67	351,775,955	31.83	520,759,457	35.89	144,321,923	34.60	15,047,715	27.85	1,052,033,663	32.28
Total	20,131,174	8.67	351,782,800	31.83	534,263,069	36.82	153,923,157	36.91	15,416,826	28.54	1,075,517,025	33.00
Reinsurance	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Administrative Fee	4,062,686	1.75	19,343,457	1.75	25,390,455	1.75	7,298,638	1.75	945,415	1.75	57,040,650	1.75
Risk Margin	504,378	2.00%	7,719,562	2.00%	11,639,465	2.00%	3,353,024	2.00%	340,378	2.00%	23,556,807	2.00%
Premium Tax	441,331	1.75%	6,754,617	1.75%	10,184,532	1.75%	2,933,896	1.75%	297,831	1.75%	20,612,206	1.75%
Maintenance Tax	79,319	0.03	377,658	0.03	495,718	0.03	142,497	0.03	18,458	0.03	1,113,651	0.03
Projected Total Cost	25,218,887	10.86	385,978,093	34.92	581,973,239	40.11	167,651,212	40.20	17,018,908	31.50	1,177,840,339	36.14

## ***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 March 31, 2013 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 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
Mar-12	157,803	1,331,362	0.997	1,335,887	8.47		824,220	23,325,117	0.996	23,416,321	28.41	
Apr-12	174,734	1,483,728	0.995	1,490,622	8.53		862,283	25,628,196	0.995	25,763,433	29.88	
May-12	175,944	1,641,597	0.994	1,651,310	9.39		858,956	26,417,353	0.993	26,591,972	30.96	
Jun-12	185,885	1,507,063	0.992	1,519,121	8.17		866,104	25,479,881	0.991	25,709,581	29.68	
Jul-12	189,204	1,600,349	0.991	1,615,324	8.54		869,937	26,626,231	0.990	26,908,108	30.93	
Aug-12	183,753	1,656,126	0.990	1,673,430	9.11		860,826	29,996,972	0.988	30,352,537	35.26	
Sep-12	181,717	1,184,218	0.988	1,198,644	6.60		852,975	20,211,652	0.985	20,511,102	24.05	
Oct-12	181,020	1,399,994	0.985	1,421,553	7.85		843,358	24,954,012	0.981	25,430,949	30.15	
Nov-12	184,697	1,223,433	0.980	1,248,389	6.76		855,702	22,392,911	0.975	22,962,928	26.84	
Dec-12	184,600	1,037,266	0.969	1,070,330	5.80		852,782	19,088,953	0.969	19,709,010	23.11	
Jan-13	177,205	1,466,996	0.941	1,558,518	8.80		839,964	25,466,984	0.942	27,047,423	32.20	
Feb-13	175,006	1,220,227	0.882	1,383,634	7.91		829,158	21,901,437	0.883	24,793,455	29.90	
3/12-2/13	2,151,568			17,166,763	7.98		10,216,266			299,196,819	29.29	

Medicaid Dental Rating  
Estimated 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
Mar-12	157,803	667	0.998	669	0.00		824,220	1,165	0.995	1,172	0.00	
Apr-12	174,734	1,402	0.996	1,407	0.01		862,283	1,993	0.993	2,007	0.00	
May-12	175,944	954	0.995	959	0.01		858,956	2,239	0.992	2,256	0.00	
Jun-12	185,885	1,068	0.992	1,076	0.01		866,104	1,748	0.990	1,765	0.00	
Jul-12	189,204	200	0.993	202	0.00		869,937	2,610	0.989	2,639	0.00	
Aug-12	183,753	133	0.993	134	0.00		860,826	1,317	0.986	1,336	0.00	
Sep-12	181,717	67	0.992	67	0.00		852,975	133	0.992	135	0.00	
Oct-12	181,020	267	0.989	270	0.00		843,358	517	0.982	526	0.00	
Nov-12	184,697	67	0.985	68	0.00		855,702	67	0.985	68	0.00	
Dec-12	184,600	0	0.970	0	0.00		852,782	200	0.975	205	0.00	
Jan-13	177,205	67	0.950	70	0.00		839,964	517	0.950	544	0.00	
Feb-13	175,006	67	0.900	74	0.00		829,158	600	0.900	667	0.00	
3/12-2/13	2,151,568			4,997	0.00		10,216,266			13,320	0.00	

Medicaid Dental Rating  
Estimated 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
Mar-12	1,023,379	33,342,548	0.996	33,474,363	32.71		294,616	9,029,657	0.996	9,066,838	30.78	
Apr-12	1,073,753	34,971,890	0.995	35,158,478	32.74		311,290	9,510,257	0.995	9,562,298	30.72	
May-12	1,074,556	34,186,127	0.993	34,415,878	32.03		310,928	9,428,027	0.993	9,492,526	30.53	
Jun-12	1,092,609	39,789,840	0.991	40,156,232	36.75		317,306	11,638,791	0.991	11,748,490	37.03	
Jul-12	1,103,643	40,720,538	0.989	41,155,962	37.29		321,981	11,697,614	0.989	11,826,758	36.73	
Aug-12	1,098,467	46,570,366	0.988	47,130,928	42.91		320,216	13,118,024	0.988	13,279,303	41.47	
Sep-12	1,095,527	27,287,536	0.985	27,699,855	25.28		318,158	7,818,108	0.985	7,937,729	24.95	
Oct-12	1,090,561	34,234,138	0.981	34,903,649	32.01		315,369	9,681,915	0.981	9,872,364	31.30	
Nov-12	1,111,595	31,029,334	0.975	31,835,179	28.64		319,999	8,901,650	0.974	9,137,571	28.55	
Dec-12	1,112,318	28,428,674	0.968	29,354,455	26.39		320,498	7,645,229	0.969	7,893,478	24.63	
Jan-13	1,099,772	37,952,950	0.941	40,318,894	36.66		316,530	10,241,117	0.941	10,878,500	34.37	
Feb-13	1,088,857	31,720,715	0.883	35,925,211	32.99		313,164	8,541,378	0.883	9,674,993	30.89	
3/12-2/13	13,065,038			431,529,084	33.03		3,780,055			120,370,850	31.84	

Medicaid Dental Rating  
Estimated 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
Mar-12	1,023,379	3,036,043	0.996	3,049,156	2.98		294,616	1,865,703	0.996	1,873,526	6.36	
Apr-12	1,073,753	2,804,430	0.994	2,820,706	2.63		311,290	1,758,308	0.994	1,768,185	5.68	
May-12	1,074,556	2,711,311	0.993	2,730,866	2.54		310,928	1,778,508	0.993	1,791,063	5.76	
Jun-12	1,092,609	2,500,575	0.990	2,525,782	2.31		317,306	1,681,325	0.990	1,697,637	5.35	
Jul-12	1,103,643	2,176,700	0.988	2,202,728	2.00		321,981	1,542,008	0.989	1,559,650	4.84	
Aug-12	1,098,467	2,163,931	0.987	2,192,767	2.00		320,216	1,563,265	0.987	1,583,400	4.94	
Sep-12	1,095,527	1,893,669	0.984	1,924,657	1.76		318,158	1,408,311	0.984	1,430,542	4.50	
Oct-12	1,090,561	2,015,498	0.980	2,057,077	1.89		315,369	1,532,262	0.980	1,562,751	4.96	
Nov-12	1,111,595	1,756,590	0.973	1,805,118	1.62		319,999	1,401,120	0.974	1,438,996	4.50	
Dec-12	1,112,318	1,280,644	0.970	1,320,230	1.19		320,498	1,052,991	0.970	1,085,409	3.39	
Jan-13	1,099,772	1,554,234	0.944	1,647,144	1.50		316,530	1,300,448	0.944	1,378,018	4.35	
Feb-13	1,088,857	1,180,465	0.889	1,328,008	1.22		313,164	1,025,448	0.888	1,154,183	3.69	
3/12-2/13	13,065,038			25,604,241	1.96		3,780,055			18,323,360	4.85	

Medicaid Dental Rating  
Estimated 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
Mar-12	35,552	711,232	0.996	713,810	20.08		2,335,570	67,739,916	0.996	68,007,220	29.12	
Apr-12	39,292	1,021,864	0.995	1,026,853	26.13		2,461,352	72,615,935	0.995	73,001,684	29.66	
May-12	39,789	1,178,798	0.994	1,185,993	29.81		2,460,173	72,851,904	0.993	73,337,679	29.81	
Jun-12	41,957	1,122,239	0.992	1,131,389	26.97		2,503,861	79,537,814	0.991	80,264,814	32.06	
Jul-12	44,241	1,197,552	0.991	1,208,914	27.33		2,529,006	81,842,284	0.989	82,715,066	32.71	
Aug-12	44,134	1,247,755	0.989	1,261,288	28.58		2,507,396	92,589,244	0.988	93,697,486	37.37	
Sep-12	44,583	999,636	0.987	1,012,625	22.71		2,492,960	57,501,149	0.985	58,359,955	23.41	
Oct-12	42,378	1,141,187	0.983	1,161,074	27.40		2,472,686	71,411,247	0.981	72,789,589	29.44	
Nov-12	42,554	970,196	0.977	992,633	23.33		2,514,547	64,517,524	0.975	66,176,701	26.32	
Dec-12	42,756	871,522	0.968	900,017	21.05		2,512,953	57,071,644	0.969	58,927,290	23.45	
Jan-13	41,392	1,134,325	0.942	1,204,742	29.11		2,474,863	76,262,372	0.941	81,008,077	32.73	
Feb-13	40,212	872,262	0.884	986,877	24.54		2,446,398	64,256,019	0.883	72,764,170	29.74	
3/12-2/13	498,840			12,786,216	25.63		29,711,766			881,049,731	29.65	

Medicaid Dental Rating  
Estimated 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
Mar-12	35,552	54,060	0.996	54,265	1.53		2,335,570	4,957,638	0.996	4,978,787	2.13	
Apr-12	39,292	56,209	0.995	56,497	1.44		2,461,352	4,622,342	0.994	4,648,803	1.89	
May-12	39,789	61,842	0.994	62,242	1.56		2,460,173	4,554,854	0.993	4,587,387	1.86	
Jun-12	41,957	61,917	0.991	62,482	1.49		2,503,861	4,246,634	0.990	4,288,742	1.71	
Jul-12	44,241	56,754	0.990	57,327	1.30		2,529,006	3,778,272	0.988	3,822,546	1.51	
Aug-12	44,134	59,704	0.988	60,417	1.37		2,507,396	3,788,349	0.987	3,838,055	1.53	
Sep-12	44,583	61,065	0.986	61,945	1.39		2,492,960	3,363,246	0.984	3,417,347	1.37	
Oct-12	42,378	63,787	0.980	65,058	1.54		2,472,686	3,612,331	0.980	3,685,683	1.49	
Nov-12	42,554	64,428	0.975	66,065	1.55		2,514,547	3,222,272	0.973	3,310,314	1.32	
Dec-12	42,756	53,031	0.970	54,692	1.28		2,512,953	2,386,866	0.970	2,460,536	0.98	
Jan-13	41,392	62,367	0.942	66,197	1.60		2,474,863	2,917,633	0.944	3,091,972	1.25	
Feb-13	40,212	44,858	0.889	50,472	1.26		2,446,398	2,251,438	0.889	2,533,404	1.04	
3/12-2/13	498,840			717,658	1.44		29,711,766			44,663,577	1.50	

### ***Attachment 3***

#### **Exhibit A - Orthodontia Runoff**

The number of orthodontia cases authorized has reduced significantly as a result of managed care and other HHSC policy changes. However, the MCO's are still financially responsible for orthodontia authorizations approved by HHSC prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take up to three years to complete treatment and account for over 90% of the orthodontia claims paid in the base period. The orthodontia claims payment is expected to decrease every month as the orthodontia runoff claims complete treatment. Attachment 3 provides details regarding the calculation of the orthodontia runoff rate adjustment factor.

The top portion of the attachment shows actual orthodontia runoff claims experience for the base period. The bottom portion of the attachment shows the projected paid amounts for future months. We have assumed that the number of visits for the orthodontia runoff claims will reduce by 5% each month. We have also assumed that the paid per visit for the orthodontia runoff claims will have a 5% annual trend. Based on these assumptions, we are projecting a reduction of 55.9% for orthodontia runoff services from the base period to FY2014. Exhibit A presents our derivation of the orthodontia runoff adjustment factor.

#### **Exhibit B – Preventive Service Utilization Adjustment**

There are a number of programmatic changes that will affect the Medicaid Dental program including:

- HHSC quality improvement program to increase preventive services
- Affordable Care Act 12-month lock enrollment period for new enrollees and renewals effective on or after January 1<sup>st</sup>, 2014
- CHIP dental members moving to Medicaid dental program for new enrollees and renewals effective on or after January 1<sup>st</sup>, 2014

Due to these programmatic changes, a 2.0% utilization (visits per member) increase for preventive services has been assumed. Based on this assumption, we have assumed a 1.0% increase for dental (non-orthodontia) services. Exhibit B presents our derivation of the preventive service utilization adjustment factor.



Month	Orthodontia Paid Amount							
	Total Ortho Paid Amount	Ortho Authorized After 3/1/2012			Orthodontia Runoff Monthly Visits (1)(2)			
		All Other	Initial Visit (D8080)	Monthly Visit (2)	Paid Amount	Units	Paid per Unit	Units to Prior Month
201203	5,033,128	432,036	150,471	34,574	4,416,047	70,242	62.87	
201204	4,680,067	266,278	93,134	33,556	4,287,099	68,360	62.71	-2.7%
201205	4,595,834	273,489	62,848	34,588	4,224,909	67,212	62.86	-1.7%
201206	4,279,286	265,268	48,975	34,055	3,930,988	61,789	63.62	-8.1%
201207	3,806,209	300,114	54,055	33,487	3,418,552	53,182	64.28	-13.9%
201208	3,813,263	359,423	58,874	34,969	3,359,997	51,475	65.27	-3.2%
201209	3,396,281	324,585	61,752	32,810	2,977,135	45,782	65.03	-11.1%
201210	3,646,652	339,328	69,187	38,996	3,199,142	49,408	64.75	7.9%
201211	3,254,300	266,179	55,877	35,653	2,896,591	44,900	64.51	-9.1%
201212	2,459,284	178,139	32,484	21,176	2,227,485	33,809	65.89	-24.7%
201301	3,089,087	220,925	65,291	27,319	2,775,552	41,923	66.21	24.0%
201302	2,474,869	165,313	40,991	23,635	2,244,930	33,609	66.80	-19.8%
201303	2,285,252	147,115	41,488	21,770	2,074,879	31,026	66.87	-7.7%
3/12-2/13	44,528,260	3,391,076	793,938	384,819	39,958,427			
Projection (3)								
201303					2,135,201	31,929	66.87	-5.0%
201304					2,036,705	30,332	67.15	-5.0%
201305					1,942,752	28,816	67.42	-5.0%
201306					1,853,134	27,375	67.69	-5.0%
201307					1,767,650	26,006	67.97	-5.0%
201308					1,686,109	24,706	68.25	-5.0%
201309					1,608,329	23,471	68.53	-5.0%
201310					1,534,138	22,297	68.80	-5.0%
201311					1,463,369	21,182	69.08	-5.0%
201312					1,395,864	20,123	69.37	-5.0%
201401					1,331,473	19,117	69.65	-5.0%
201402					1,270,053	18,161	69.93	-5.0%
201403					1,211,466	17,253	70.22	-5.0%
201404					1,155,582	16,390	70.50	-5.0%
201405					1,102,275	15,571	70.79	-5.0%
201406					1,051,428	14,792	71.08	-5.0%
201407					1,002,926	14,053	71.37	-5.0%
201408					956,661	13,350	71.66	-5.0%
FY2014					15,083,563			

Runoff Adjustment Calculation

3/12-2/13	39,958,427	(1) - Actual Runoff Paid from 3/12-2/13
FY2014	15,083,563	(2) - Projected Runoff Paid for FY2014
Difference	(24,874,864)	(3) = (1) - (2)
Total Ortho	44,528,260	(4) - Total Orthodontia incurred and paid to date claims
Adjustment %	-55.9%	(5) = (3) / (4)
<b>Adj. Factor</b>	<b>44.1%</b>	(6) = 1 + (5)

(1) Orthodontia Runoff includes monthly visits for all orthodontia claims authorized prior to 3/1/2012

(2) Monthly visits include the following CDT codes: D8670, D8680, D8690

(3) Rate per Unit assumed to have a 5% annualize trend

Total Units expected to decrease by 5% every month

Medicaid Dental  
 FY2014 Rating  
 Pent-up Demand Utilization Adjustment - Preventive Care Services

<u>Experience Period 3/12-2/13 (1)</u>	<u>Member Months</u> (1)	<u>Visits</u> (2)	<u>Visits PMPM</u> (3) = (2) / (1)	<u>Paid Amount</u> (4)	<u>Paid per Visits</u> (5) = (4) / (2)	<u>Paid PMPM</u>
Preventative	29,711,766	13,666,700	0.460	432,393,185	31.64	14.55
Basic	29,711,766	3,895,225	0.131	343,895,456	88.29	11.57
Major	29,711,766	547,844	0.018	83,303,221	152.06	2.80
Total Non-Ortho Services	29,711,766	18,109,769	0.610	859,591,861	47.47	<b>28.93</b>

<u>Projected</u>	<u>Member Months</u>	<u>Visits</u>	<u>Visits PMPM (2)</u>	<u>Paid Amount</u>	<u>Paid per Visits</u>	<u>Paid PMPM</u>
Preventative	32,594,657	15,292,616	0.469	483,834,646	31.64	14.84
Basic	32,594,657	4,273,173	0.131	377,263,152	88.29	11.57
Major	32,594,657	601,001	0.018	91,386,016	152.06	2.80
Total Non-Ortho Services	32,594,657	20,166,790	0.619	952,483,815	47.47	<b>29.22</b>

Utilization Adjustment Calc

Experience Period PMPM	28.93	(1)
Projected PMPM	29.22	(2)
<b>Adjustment %</b>	<b>1.0%</b>	(3) = (2) / (1) -1

(1) Claims experience paid through 4/30/2013  
 (2) Assumes a 2% increase in the Number of Visits for Preventive Services