

**STATE OF TEXAS
MEDICAID MANAGED CARE
DENTAL RATE SETTING
FY2016**

Prepared for:
Texas Health and Human Services Commission
Texas Dental Services 529-12-0003 V1.10

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop premium rates for the period September 1, 2015 through August 31, 2016 (FY2016) for those Dental Managed Organizations (DMOs) participating in the Texas Medicaid Dental program. This report presents the rating methodology and assumptions used in developing the FY2016 Medicaid Dental premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 30 years. We have participated in the state's managed care rating process since its inception in 1993. We have worked closely with HHSC'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 2016. These projections were prepared by HHSC System Forecasting staff.
- Financial Statistical Reports (FSR) for each participating health plan for the period March 2012 through February 2015. 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.
- Dental and orthodontia claim lag reports by age group for each health plan for the period September 2012 through February 2015. 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 DMO's encounter claims data.
- Detailed encounter claim files for all dental and orthodontia services for the period September 2013 through February 2015. These reports were provided by HHSC.
- Information from HHSC regarding payment patterns for orthodontia services.
- Pay-for-Quality base period (CY2014) measurements and attainable goal values. This was prepared by the agency's EQRO.

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. 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, 2013 through August 31, 2014 (FY2014).

Based on an administrative review, the EQRO considers the required data elements for all DCOs in Medicaid Dental 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.*

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2016 (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 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, 2014 through December 31, 2014 were developed. These estimates were then projected forward to FY2016 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:

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

Attachment 1 to this report provides a description of the calculation of the FY2016 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 orthodontia services and 3% for non-orthodontia (dental) services.

Orthodontia Runoff

The number of new orthodontia cases authorized under the program has been significantly reduced as a result of managed care and other HHSC policy changes. However, the MCO's remain financially responsible for orthodontia authorizations approved by HHSC prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take several years to complete treatment and account for a large portion of the total orthodontia claims paid in the base period. The orthodontia runoff payment is expected to decrease every month as the claims complete treatment. Attachment 3 – Exhibit A provides details regarding the calculation of the orthodontia runoff rate adjustment factor.

Pay-for-Quality Utilization Adjustment

Effective January 1, 2014, the Pay-for-Quality (P4Q) program places two percent of each dental plan's premium at risk. In order to retain the full two percent of premium, we have assumed that each dental plan will increase preventive service utilization by closing the gap between the attainable goal and the baseline experience (calendar year 2014) by 15% per year for each of the P4Q measurements. Attachment 3 – Exhibit B presents a summary of the P4Q utilization adjustment factor.

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 DMO. The administrative fee amounts were determined based on a review of dental administrative service costs for all the Texas Medicaid and CHIP dental plans and other large Texas dental plans.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.023 pmpm) and a risk margin (2.0% 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 procedure for reimbursing the MCOs for (i) the ACA Health Insurance Providers Fee, (ii) any applicable federal income tax impact resulting from payment of the ACA Health Insurance Providers Fee and (iii) any applicable state premium tax impact resulting from payment of the ACA Health Insurance Providers Fee. Such reimbursement will be provided based on a CMS-approved methodology.

V. Summary

The chart below presents the resulting statewide FY2016 Medicaid Dental Plan premium rates. Attachment 1 shows the derivation of the premium rates.

	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20
Premium Rate pmpm	10.72	35.12	38.81	38.52	29.60

VI. Actuarial Certification of FY2016 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.

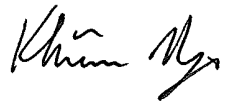
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental Plan premium rates for state fiscal year 2016 (FY2016) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) 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 FY2016 Medicaid Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2016 Medicaid Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2016 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 (\$.023 pmpm).

The bottom of the exhibit presents the projected FY2016 cost based on the above assumptions.

Medicaid Dental Experience Based Rating
Rating Period: 9/1/2015 - 8/31/2016

	<u><1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>19-20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Experience Period - CY2014												
Member Months	2,224,418		10,023,242		14,911,818		4,410,535		497,218		32,067,231	
Estimated Incurred Claims												
Orthodontia	896	0.00	7,691	0.00	4,431,545	0.30	7,216,261	1.64	935,906	1.88	12,592,299	0.39
Dental	18,096,328	8.14	299,138,114	29.84	488,346,599	32.75	140,797,024	31.92	11,734,029	23.60	958,112,095	29.88
Projected Member Months	2,317,375		10,888,508		17,085,595		5,164,140		529,139		35,984,758	
Annual Cost Trend Assumptions												
Orthodontia	5.0 %		5.0 %		5.0 %		5.0 %		5.0 %		5.0 %	
Dental	3.0 %		3.0 %		3.0 %		3.0 %		3.0 %		3.0 %	
Ortho Adjustment Factors												
Runoff Adjustment	0.609		0.609		0.609		0.609		0.609		0.609	
Dental Adjustment Factors												
P4Q Utilization Adjustment	1.0000		1.0217		1.0286		1.0203		1.0275		1.0275	
Projected Incurred Claims												
Orthodontia	617	0.00	5,521	0.00	3,355,290	0.20	5,583,343	1.08	658,160	1.24	9,602,930	0.27
Dental	19,804,590	8.55	348,781,340	32.03	604,609,146	35.39	176,698,259	34.22	13,478,452	25.47	1,163,371,787	32.33
Total	19,805,207	8.55	348,786,861	32.03	607,964,436	35.58	182,281,602	35.30	14,136,611	26.72	1,172,974,717	32.60
Administrative Fee	4,055,407	1.75	19,054,890	1.75	29,899,791	1.75	9,037,245	1.75	925,994	1.75	62,973,326	1.75
Risk Margin	496,929	2.00%	7,648,744	2.00%	13,262,606	2.00%	3,977,960	2.00%	313,246	2.00%	25,699,484	2.00%
Premium Tax	434,812	1.75%	6,692,651	1.75%	11,604,780	1.75%	3,480,715	1.75%	274,090	1.75%	22,487,049	1.75%
Maintenance Tax	54,072	0.02	254,065	0.02	398,664	0.02	120,497	0.02	12,347	0.02	839,644	0.02
Projected Total Cost	24,846,427	10.72	382,437,212	35.12	663,130,276	38.81	198,898,019	38.52	15,662,288	29.60	1,284,974,221	35.71
Current Rates	26,603,469	11.48	385,997,623	35.45	669,242,756	39.17	197,631,630	38.27	16,620,270	31.41	1,296,095,748	36.02
% Change		-6.6%		-0.9%		-0.9%		0.6%		-5.8%		-0.9%

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 February 28, 2015 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.

Medicaid Dental Rating
 Estimated Incurred Claims
 Dental (Non-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	1,336,608	1.000	1,336,608	8.47		824,220	23,335,758	1.000	23,335,758	28.31	
Apr-12	174,734	1,490,183	1.000	1,490,183	8.53		862,283	25,664,227	1.000	25,664,227	29.76	
May-12	175,944	1,648,672	1.000	1,648,672	9.37		858,956	26,470,681	1.000	26,470,681	30.82	
Jun-12	185,885	1,516,629	1.000	1,516,629	8.16		866,104	25,536,121	1.000	25,536,121	29.48	
Jul-12	189,204	1,607,526	1.000	1,607,526	8.50		869,937	26,624,075	1.000	26,624,075	30.60	
Aug-12	183,753	1,668,658	1.000	1,668,658	9.08		860,826	30,043,432	1.000	30,043,432	34.90	
Sep-12	181,717	1,195,490	1.000	1,195,490	6.58		852,975	20,331,891	1.000	20,331,891	23.84	
Oct-12	181,020	1,420,106	1.000	1,420,106	7.85		843,358	25,238,851	1.000	25,238,851	29.93	
Nov-12	184,697	1,240,818	1.000	1,240,818	6.72		855,702	22,643,635	1.000	22,643,635	26.46	
Dec-12	184,605	1,059,689	1.000	1,059,689	5.74		852,780	19,365,315	1.000	19,365,315	22.71	
Jan-13	177,230	1,536,461	1.000	1,536,461	8.67		839,958	26,423,200	1.000	26,423,200	31.46	
Feb-13	175,057	1,310,406	1.000	1,310,406	7.49		829,122	23,279,635	1.000	23,279,635	28.08	
Mar-13	170,685	1,401,060	1.000	1,401,060	8.21	0.969	820,250	23,563,585	1.000	23,563,585	28.73	1.015
Apr-13	174,910	1,522,648	1.000	1,522,648	8.71	1.021	827,928	24,908,344	1.000	24,908,344	30.09	1.011
May-13	191,076	1,620,880	1.000	1,620,880	8.48	0.905	836,968	25,140,300	1.000	25,140,300	30.04	0.975
Jun-13	187,827	1,504,809	1.000	1,504,809	8.01	0.982	836,685	23,085,408	1.000	23,085,408	27.59	0.936
Jul-13	171,777	1,723,489	1.000	1,723,489	10.03	1.181	832,127	26,372,186	1.000	26,372,186	31.69	1.036
Aug-13	153,478	1,619,254	1.000	1,619,254	10.55	1.162	814,055	27,137,543	1.000	27,137,543	33.34	0.955
Sep-13	181,042	1,465,689	1.000	1,465,689	8.10	1.231	821,105	22,891,237	1.000	22,891,237	27.88	1.170
Oct-13	178,457	1,604,169	1.000	1,604,169	8.99	1.146	810,306	26,061,011	1.000	26,061,011	32.16	1.075
Nov-13	181,969	1,239,063	1.000	1,239,063	6.81	1.014	816,591	21,822,633	1.000	21,822,633	26.72	1.010
Dec-13	180,429	1,204,139	1.000	1,204,139	6.67	1.163	812,035	19,283,486	1.000	19,283,486	23.75	1.046
Jan-14	162,536	1,495,112	1.000	1,495,675	9.20	1.061	791,506	24,705,990	1.000	24,715,725	31.23	0.993
Feb-14	174,740	1,305,423	1.000	1,305,823	7.47	0.998	786,127	22,459,576	1.000	22,466,684	28.58	1.018
Mar-14	179,523	1,461,878	1.000	1,462,347	8.15	0.992	783,616	24,220,619	1.000	24,228,468	30.92	1.076
Apr-14	189,469	1,557,194	1.000	1,557,774	8.22	0.944	799,218	25,761,460	1.000	25,771,113	32.25	1.072
May-14	190,334	1,515,100	1.000	1,515,773	7.96	0.939	799,590	24,527,232	1.000	24,538,187	30.69	1.022
Jun-14	186,430	1,512,957	0.999	1,513,821	8.12	1.014	810,233	22,992,389	0.999	23,005,445	28.39	1.029
Jul-14	190,579	1,754,648	0.999	1,755,922	9.21	0.918	843,324	27,242,121	0.999	27,261,938	32.33	1.020
Aug-14	187,911	1,621,981	0.999	1,623,614	8.64	0.819	860,434	27,452,805	0.999	27,480,585	31.94	0.958
Sep-14	193,003	1,557,684	0.999	1,559,995	8.08	0.998	876,437	25,777,989	0.999	25,816,696	29.46	1.057
Oct-14	189,648	1,666,222	0.998	1,670,274	8.81	0.980	887,642	27,970,201	0.998	28,039,711	31.59	0.982
Nov-14	188,627	1,258,778	0.995	1,264,676	6.70	0.985	890,034	22,360,806	0.995	22,466,112	25.24	0.945
Dec-14	191,618	1,352,766	0.987	1,370,634	7.15	1.072	895,081	23,044,653	0.987	23,347,449	26.08	1.098
CY2013	2,123,937			17,752,066	8.36		9,897,130			289,968,568	29.30	
CY2014	2,224,418			18,096,328	8.14	0.973	10,023,242			299,138,114	29.84	1.019

Medicaid Dental Rating
Estimated Incurred Claims
Dental (Non-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	33,319,992	1.000	33,319,992	32.56		294,616	9,019,571	1.000	9,019,571	30.61	
Apr-12	1,073,753	34,984,759	1.000	34,984,759	32.58		311,290	9,494,830	1.000	9,494,830	30.50	
May-12	1,074,556	34,232,418	1.000	34,232,418	31.86		310,928	9,422,853	1.000	9,422,853	30.31	
Jun-12	1,092,609	39,819,919	1.000	39,819,919	36.44		317,306	11,644,535	1.000	11,644,535	36.70	
Jul-12	1,103,643	40,722,798	1.000	40,722,798	36.90		321,981	11,706,910	1.000	11,706,910	36.36	
Aug-12	1,098,467	46,611,230	1.000	46,611,230	42.43		320,216	13,160,332	1.000	13,160,332	41.10	
Sep-12	1,095,527	27,390,532	1.000	27,390,532	25.00		318,158	7,870,730	1.000	7,870,730	24.74	
Oct-12	1,090,561	34,513,270	1.000	34,513,270	31.65		315,369	9,750,854	1.000	9,750,854	30.92	
Nov-12	1,111,595	31,288,705	1.000	31,288,705	28.15		319,999	8,978,746	1.000	8,978,746	28.06	
Dec-12	1,112,307	28,721,981	1.000	28,721,981	25.82		320,500	7,737,858	1.000	7,737,858	24.14	
Jan-13	1,099,767	39,200,801	1.000	39,200,801	35.64		316,529	10,609,547	1.000	10,609,547	33.52	
Feb-13	1,088,856	33,496,471	1.000	33,496,471	30.76		313,161	9,108,682	1.000	9,108,682	29.09	
Mar-13	1,078,882	35,104,370	1.000	35,104,370	32.54	0.999	309,528	9,589,621	1.000	9,589,621	30.98	1.012
Apr-13	1,092,387	33,037,144	1.000	33,037,144	30.24	0.928	313,842	8,989,116	1.000	8,989,116	28.64	0.939
May-13	1,110,637	32,811,440	1.000	32,811,440	29.54	0.927	320,456	8,632,020	1.000	8,632,020	26.94	0.889
Jun-13	1,115,801	33,451,966	1.000	33,451,966	29.98	0.823	321,867	9,022,131	1.000	9,022,131	28.03	0.764
Jul-13	1,110,834	40,484,438	1.000	40,484,438	36.45	0.988	319,728	11,057,346	1.000	11,057,346	34.58	0.951
Aug-13	1,091,716	42,387,563	1.000	42,387,563	38.83	0.915	313,350	11,198,690	1.000	11,198,690	35.74	0.870
Sep-13	1,108,520	31,503,348	1.000	31,503,348	28.42	1.137	320,198	8,626,308	1.000	8,626,308	26.94	1.089
Oct-13	1,100,800	36,753,121	1.000	36,753,121	33.39	1.055	316,895	10,113,516	1.000	10,113,516	31.91	1.032
Nov-13	1,113,901	31,795,549	1.000	31,795,549	28.54	1.014	319,509	8,793,130	1.000	8,793,130	27.52	0.981
Dec-13	1,117,879	28,423,256	1.000	28,423,256	25.43	0.985	321,919	8,022,914	1.000	8,022,914	24.92	1.032
Jan-14	1,092,377	37,097,394	1.000	37,111,789	33.97	0.953	313,801	10,263,732	1.000	10,267,737	32.72	0.976
Feb-14	1,094,537	33,768,335	1.000	33,778,912	30.86	1.003	315,020	9,126,690	1.000	9,129,564	28.98	0.996
Mar-14	1,096,117	38,693,863	1.000	38,706,355	35.31	1.085	315,248	10,544,530	1.000	10,547,940	33.46	1.080
Apr-14	1,142,616	37,543,410	1.000	37,557,417	32.87	1.087	330,889	10,374,864	1.000	10,378,744	31.37	1.095
May-14	1,166,219	35,882,008	1.000	35,897,993	30.78	1.042	341,154	10,071,670	1.000	10,076,162	29.54	1.096
Jun-14	1,205,185	38,785,224	0.999	38,807,303	32.20	1.074	355,711	11,329,399	0.999	11,335,837	31.87	1.137
Jul-14	1,267,063	48,142,316	0.999	48,177,280	38.02	1.043	376,205	14,206,651	0.999	14,216,985	37.79	1.093
Aug-14	1,308,451	50,369,737	0.999	50,420,412	38.53	0.992	390,670	14,729,234	0.999	14,744,125	37.74	1.056
Sep-14	1,348,047	41,753,720	0.999	41,815,831	31.02	1.091	404,271	12,100,272	0.999	12,118,408	29.98	1.113
Oct-14	1,379,420	46,375,876	0.998	46,489,454	33.70	1.009	415,088	13,572,973	0.998	13,606,622	32.78	1.027
Nov-14	1,395,968	38,981,787	0.995	39,164,637	28.06	0.983	421,973	11,903,176	0.995	11,959,220	28.34	1.030
Dec-14	1,415,819	39,892,430	0.987	40,419,216	28.55	1.123	430,505	12,254,590	0.987	12,415,681	28.84	1.157
CY2013	13,229,980			418,449,468	31.63		3,806,982			113,763,021	29.88	
CY2014	14,911,818			488,346,599	32.75	1.035	4,410,535			140,797,024	31.92	1.068

Medicaid Dental Rating
Estimated Incurred Claims
Dental (Non-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	713,025	1.000	713,025	20.06		2,335,570	67,724,955	1.000	67,724,955	29.00	
Apr-12	39,292	1,019,613	1.000	1,019,613	25.95		2,461,352	72,653,612	1.000	72,653,612	29.52	
May-12	39,789	1,185,393	1.000	1,185,393	29.79		2,460,173	72,960,018	1.000	72,960,018	29.66	
Jun-12	41,957	1,125,747	1.000	1,125,747	26.83		2,503,861	79,642,951	1.000	79,642,951	31.81	
Jul-12	44,241	1,200,870	1.000	1,200,870	27.14		2,529,006	81,862,179	1.000	81,862,179	32.37	
Aug-12	44,134	1,253,433	1.000	1,253,433	28.40		2,507,396	92,737,086	1.000	92,737,086	36.99	
Sep-12	44,583	1,006,580	1.000	1,006,580	22.58		2,492,960	57,795,223	1.000	57,795,223	23.18	
Oct-12	42,378	1,152,717	1.000	1,152,717	27.20		2,472,686	72,075,799	1.000	72,075,799	29.15	
Nov-12	42,554	978,262	1.000	978,262	22.99		2,514,547	65,130,165	1.000	65,130,165	25.90	
Dec-12	42,756	881,260	1.000	881,260	20.61		2,512,948	57,766,104	1.000	57,766,104	22.99	
Jan-13	41,390	1,180,543	1.000	1,180,543	28.52		2,474,874	78,950,552	1.000	78,950,552	31.90	
Feb-13	40,215	952,618	1.000	952,618	23.69		2,446,411	68,147,813	1.000	68,147,813	27.86	
Mar-13	40,047	891,101	1.000	891,101	22.25	1.109	2,419,392	70,549,736	1.000	70,549,736	29.16	1.006
Apr-13	40,261	1,042,094	1.000	1,042,094	25.88	0.997	2,449,328	69,499,345	1.000	69,499,345	28.37	0.961
May-13	42,090	1,095,951	1.000	1,095,951	26.04	0.874	2,501,227	69,300,592	1.000	69,300,592	27.71	0.934
Jun-13	42,025	961,431	1.000	961,431	22.88	0.853	2,504,205	68,025,746	1.000	68,025,746	27.16	0.854
Jul-13	41,333	1,042,746	1.000	1,042,746	25.23	0.929	2,475,799	80,680,205	1.000	80,680,205	32.59	1.007
Aug-13	40,087	1,015,046	1.000	1,015,046	25.32	0.892	2,412,686	83,358,095	1.000	83,358,095	34.55	0.934
Sep-13	42,784	1,035,235	1.000	1,035,235	24.20	1.072	2,473,649	65,521,816	1.000	65,521,816	26.49	1.143
Oct-13	41,415	1,164,490	1.000	1,164,490	28.12	1.034	2,447,873	75,696,307	1.000	75,696,307	30.92	1.061
Nov-13	41,182	931,724	1.000	931,724	22.62	0.984	2,473,152	64,582,099	1.000	64,582,099	26.11	1.008
Dec-13	40,969	906,085	1.000	906,085	22.12	1.073	2,473,231	57,839,879	1.000	57,839,879	23.39	1.017
Jan-14	38,625	996,416	1.000	996,800	25.81	0.905	2,398,845	74,558,644	1.000	74,587,725	31.09	0.975
Feb-14	38,487	851,157	1.000	851,425	22.12	0.934	2,408,911	67,511,181	1.000	67,532,407	28.03	1.006
Mar-14	38,556	910,330	1.000	910,625	23.62	1.061	2,413,060	75,831,220	1.000	75,855,735	31.44	1.078
Apr-14	39,500	1,038,417	1.000	1,038,804	26.30	1.016	2,501,692	76,275,345	1.000	76,303,852	30.50	1.075
May-14	40,538	1,040,488	1.000	1,040,953	25.68	0.986	2,537,835	73,036,499	1.000	73,069,068	28.79	1.039
Jun-14	40,848	962,517	0.999	963,063	23.58	1.031	2,598,407	75,582,486	0.999	75,625,470	29.10	1.071
Jul-14	42,512	1,043,883	0.999	1,044,642	24.57	0.974	2,719,683	92,389,619	0.999	92,456,768	34.00	1.043
Aug-14	43,384	1,009,290	0.999	1,010,311	23.29	0.920	2,790,850	95,183,046	0.999	95,279,047	34.14	0.988
Sep-14	44,471	1,041,159	0.998	1,042,738	23.45	0.969	2,866,229	82,230,823	0.999	82,353,669	28.73	1.085
Oct-14	44,055	1,100,371	0.998	1,103,085	25.04	0.891	2,915,853	90,685,644	0.998	90,909,146	31.18	1.008
Nov-14	43,127	842,740	0.995	846,698	19.63	0.868	2,939,728	75,347,286	0.995	75,701,343	25.75	0.986
Dec-14	43,115	873,321	0.987	884,884	20.52	0.928	2,976,138	77,417,759	0.987	78,437,864	26.36	1.127
CY2013	493,798			12,219,064	24.75		29,551,827			852,152,187	28.84	
CY2014	497,218			11,734,029	23.60	0.954	32,067,231			958,112,095	29.88	1.036

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	675	1.000	675	0.00		824,220	1,165	1.000	1,165	0.00	
Apr-12	174,734	1,417	1.000	1,417	0.01		862,283	1,992	1.000	1,992	0.00	
May-12	175,944	965	1.000	965	0.01		858,956	2,238	1.000	2,238	0.00	
Jun-12	185,885	1,282	1.000	1,282	0.01		866,104	1,681	1.000	1,681	0.00	
Jul-12	189,204	607	1.000	607	0.00		869,937	2,609	1.000	2,609	0.00	
Aug-12	183,753	202	1.000	202	0.00		860,826	1,516	1.000	1,516	0.00	
Sep-12	181,717	67	1.000	67	0.00		852,975	133	1.000	133	0.00	
Oct-12	181,020	270	1.000	270	0.00		843,358	517	1.000	517	0.00	
Nov-12	184,697	67	1.000	67	0.00		855,702	67	1.000	67	0.00	
Dec-12	184,605	270	1.000	270	0.00		852,780	200	1.000	200	0.00	
Jan-13	177,230	270	1.000	270	0.00		839,958	517	1.000	517	0.00	
Feb-13	175,057	202	1.000	202	0.00		829,122	816	1.000	816	0.00	
Mar-13	170,685	67	1.000	67	0.00	0.092	820,250	991	1.000	991	0.00	0.855
Apr-13	174,910	270	1.000	270	0.00	0.190	827,928	450	1.000	450	0.00	0.235
May-13	191,076	135	1.000	135	0.00	0.129	836,968	883	1.000	883	0.00	0.405
Jun-13	187,827	388	1.000	388	0.00	0.299	836,685	200	1.000	200	0.00	0.123
Jul-13	171,777	67	1.000	67	0.00	0.122	832,127	1,441	1.000	1,441	0.00	0.577
Aug-13	153,478	0	1.000	0	0.00	-	814,055	383	1.000	383	0.00	0.267
Sep-13	181,042	0	1.000	0	0.00	-	821,105	371	1.000	371	0.00	2.887
Oct-13	178,457	0	1.000	0	0.00	-	810,306	775	1.000	775	0.00	1.561
Nov-13	181,969	0	1.000	0	0.00	-	816,591	0	1.000	0	0.00	-
Dec-13	180,429	67	1.000	67	0.00	0.256	812,035	350	1.000	350	0.00	1.836
Jan-14	162,536	0	1.000	0	0.00	-	791,506	421	0.999	422	0.00	0.866
Feb-14	174,740	0	1.000	0	0.00	-	786,127	348	1.000	348	0.00	0.450
Mar-14	179,523	67	1.000	68	0.00	0.951	783,616	500	1.000	500	0.00	0.528
Apr-14	189,469	0	1.000	0	0.00	-	799,218	875	1.000	875	0.00	2.014
May-14	190,334	320	1.000	320	0.00	2.383	799,590	2,233	1.000	2,234	0.00	2.648
Jun-14	186,430	0	1.000	0	0.00	-	810,233	696	0.999	696	0.00	3.592
Jul-14	190,579	0	1.000	0	0.00	-	843,324	500	0.999	500	0.00	0.342
Aug-14	187,911	0	1.000	0	0.00	-	860,434	317	0.999	317	0.00	0.782
Sep-14	193,003	0	1.000	0	0.00	-	876,437	317	0.998	317	0.00	0.801
Oct-14	189,648	0	1.000	0	0.00	-	887,642	566	0.997	568	0.00	0.670
Nov-14	188,627	506	0.995	508	0.00	-	890,034	666	0.995	670	0.00	-
Dec-14	191,618	0	1.000	0	0.00	-	895,081	242	0.988	244	0.00	0.634
CY2013	2,123,937			1,467	0.00		9,897,130			7,178	0.00	
CY2014	2,224,418			896	0.00	0.583	10,023,242			7,691	0.00	1.058

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	3,075,842	1.000	3,075,842	3.01		294,616	1,891,157	1.000	1,891,157	6.42	
Apr-12	1,073,753	2,840,016	1.000	2,840,016	2.64		311,290	1,775,640	1.000	1,775,640	5.70	
May-12	1,074,556	2,736,411	1.000	2,736,411	2.55		310,928	1,795,595	1.000	1,795,595	5.77	
Jun-12	1,092,609	2,520,782	1.000	2,520,782	2.31		317,306	1,692,512	1.000	1,692,512	5.33	
Jul-12	1,103,643	2,197,381	1.000	2,197,381	1.99		321,981	1,553,847	1.000	1,553,847	4.83	
Aug-12	1,098,467	2,180,495	1.000	2,180,495	1.99		320,216	1,573,021	1.000	1,573,021	4.91	
Sep-12	1,095,527	1,917,208	1.000	1,917,208	1.75		318,158	1,429,266	1.000	1,429,266	4.49	
Oct-12	1,090,561	2,049,252	1.000	2,049,252	1.88		315,369	1,557,334	1.000	1,557,334	4.94	
Nov-12	1,111,595	1,786,910	1.000	1,786,910	1.61		319,999	1,430,255	1.000	1,430,255	4.47	
Dec-12	1,112,307	1,347,536	1.000	1,347,536	1.21		320,500	1,108,236	1.000	1,108,236	3.46	
Jan-13	1,099,767	1,707,926	1.000	1,707,926	1.55		316,529	1,434,718	1.000	1,434,718	4.53	
Feb-13	1,088,856	1,377,694	1.000	1,377,694	1.27		313,161	1,193,202	1.000	1,193,202	3.81	
Mar-13	1,078,882	1,349,078	1.000	1,349,078	1.25	0.416	309,528	1,191,279	1.000	1,191,279	3.85	0.600
Apr-13	1,092,387	1,354,510	1.000	1,354,510	1.24	0.469	313,842	1,275,767	1.000	1,275,767	4.06	0.713
May-13	1,110,637	1,328,122	1.000	1,328,122	1.20	0.470	320,456	1,249,126	1.000	1,249,126	3.90	0.675
Jun-13	1,115,801	1,151,885	1.000	1,151,885	1.03	0.447	321,867	1,143,352	1.000	1,143,352	3.55	0.666
Jul-13	1,110,834	1,159,112	1.000	1,159,112	1.04	0.524	319,728	1,176,668	1.000	1,176,668	3.68	0.763
Aug-13	1,091,716	1,004,621	1.000	1,004,621	0.92	0.464	313,350	1,129,379	1.000	1,129,379	3.60	0.734
Sep-13	1,108,520	857,567	1.000	857,567	0.77	0.442	320,198	983,442	1.000	983,442	3.07	0.684
Oct-13	1,100,800	854,937	1.000	854,937	0.78	0.413	316,895	1,049,627	1.000	1,049,627	3.31	0.671
Nov-13	1,113,901	698,033	1.000	698,033	0.63	0.390	319,509	882,059	1.000	882,059	2.76	0.618
Dec-13	1,117,879	570,213	1.000	570,213	0.51	0.421	321,919	764,192	1.000	764,192	2.37	0.687
Jan-14	1,092,377	677,905	1.000	678,203	0.62	0.400	313,801	967,790	1.000	968,220	3.09	0.681
Feb-14	1,094,537	553,996	1.000	554,185	0.51	0.400	315,020	831,314	1.000	831,600	2.64	0.693
Mar-14	1,096,117	502,790	1.000	502,964	0.46	0.367	315,248	803,740	1.000	804,019	2.55	0.663
Apr-14	1,142,616	447,585	1.000	447,767	0.39	0.316	330,889	724,107	1.000	724,400	2.19	0.539
May-14	1,166,219	416,004	1.000	416,199	0.36	0.298	341,154	678,135	1.000	678,453	1.99	0.510
Jun-14	1,205,185	356,572	0.999	356,776	0.30	0.287	355,711	616,646	0.999	616,998	1.73	0.488
Jul-14	1,267,063	342,085	0.999	342,343	0.27	0.259	376,205	597,690	0.999	598,142	1.59	0.432
Aug-14	1,308,451	281,721	0.999	282,026	0.22	0.234	390,670	499,987	0.999	500,531	1.28	0.355
Sep-14	1,348,047	251,174	0.998	251,584	0.19	0.241	404,271	402,191	0.998	402,859	1.00	0.324
Oct-14	1,379,420	244,273	0.997	244,932	0.18	0.229	415,088	416,773	0.997	417,921	1.01	0.304
Nov-14	1,395,968	188,150	0.995	189,061	0.14	0.216	421,973	339,232	0.995	340,886	0.81	0.293
Dec-14	1,415,819	163,462	0.988	165,505	0.12	0.229	430,505	328,179	0.988	332,231	0.77	0.325
CY2013	13,229,980			13,413,698	1.01		3,806,982			13,472,812	3.54	
CY2014	14,911,818			4,431,545	0.30	0.293	4,410,535			7,216,261	1.64	0.462

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	55,158	1.000	55,158	1.55		2,335,570	5,023,996	1.000	5,023,996	2.15	
Apr-12	39,292	56,857	1.000	56,857	1.45		2,461,352	4,675,923	1.000	4,675,923	1.90	
May-12	39,789	62,101	1.000	62,101	1.56		2,460,173	4,597,310	1.000	4,597,310	1.87	
Jun-12	41,957	62,270	1.000	62,270	1.48		2,503,861	4,278,527	1.000	4,278,527	1.71	
Jul-12	44,241	57,361	1.000	57,361	1.30		2,529,006	3,811,805	1.000	3,811,805	1.51	
Aug-12	44,134	60,069	1.000	60,069	1.36		2,507,396	3,815,304	1.000	3,815,304	1.52	
Sep-12	44,583	61,646	1.000	61,646	1.38		2,492,960	3,408,322	1.000	3,408,322	1.37	
Oct-12	42,378	65,657	1.000	65,657	1.55		2,472,686	3,673,029	1.000	3,673,029	1.49	
Nov-12	42,554	66,735	1.000	66,735	1.57		2,514,547	3,284,033	1.000	3,284,033	1.31	
Dec-12	42,756	56,975	1.000	56,975	1.33		2,512,948	2,513,216	1.000	2,513,216	1.00	
Jan-13	41,390	69,829	1.000	69,829	1.69		2,474,874	3,213,260	1.000	3,213,260	1.30	
Feb-13	40,215	61,023	1.000	61,023	1.52		2,446,411	2,632,938	1.000	2,632,938	1.08	
Mar-13	40,047	65,371	1.000	65,371	1.63	1.052	2,419,392	2,606,786	1.000	2,606,786	1.08	0.501
Apr-13	40,261	97,525	1.000	97,525	2.42	1.674	2,449,328	2,728,522	1.000	2,728,522	1.11	0.586
May-13	42,090	114,810	1.000	114,810	2.73	1.748	2,501,227	2,693,077	1.000	2,693,077	1.08	0.576
Jun-13	42,025	111,611	1.000	111,611	2.66	1.789	2,504,205	2,407,436	1.000	2,407,436	0.96	0.563
Jul-13	41,333	125,363	1.000	125,363	3.03	2.339	2,475,799	2,462,652	1.000	2,462,652	0.99	0.660
Aug-13	40,087	123,719	1.000	123,719	3.09	2.268	2,412,686	2,258,103	1.000	2,258,103	0.94	0.615
Sep-13	42,784	110,707	1.000	110,707	2.59	1.871	2,473,649	1,952,087	1.000	1,952,087	0.79	0.577
Oct-13	41,415	126,754	1.000	126,754	3.06	1.975	2,447,873	2,032,093	1.000	2,032,093	0.83	0.559
Nov-13	41,182	97,779	1.000	97,779	2.37	1.514	2,473,152	1,677,871	1.000	1,677,871	0.68	0.519
Dec-13	40,969	98,093	1.000	98,093	2.39	1.797	2,473,231	1,432,915	1.000	1,432,915	0.58	0.579
Jan-14	38,625	118,149	1.000	118,202	3.06	1.814	2,398,845	1,764,265	1.000	1,765,046	0.74	0.567
Feb-14	38,487	110,090	1.000	110,130	2.86	1.886	2,408,911	1,495,747	1.000	1,496,263	0.62	0.577
Mar-14	38,556	105,026	1.000	105,068	2.73	1.669	2,413,060	1,412,124	1.000	1,412,618	0.59	0.543
Apr-14	39,500	87,747	1.000	87,787	2.22	0.917	2,501,692	1,260,315	1.000	1,260,829	0.50	0.452
May-14	40,538	80,934	0.999	80,976	2.00	0.732	2,537,835	1,177,626	1.000	1,178,182	0.46	0.431
Jun-14	40,848	77,733	0.999	77,782	1.90	0.717	2,598,407	1,051,647	0.999	1,052,251	0.40	0.421
Jul-14	42,512	75,679	0.999	75,741	1.78	0.587	2,719,683	1,015,955	0.999	1,016,726	0.37	0.376
Aug-14	43,384	68,484	0.999	68,564	1.58	0.512	2,790,850	850,509	0.999	851,438	0.31	0.326
Sep-14	44,471	58,069	0.998	58,172	1.31	0.506	2,866,229	711,750	0.998	712,933	0.25	0.315
Oct-14	44,055	57,700	0.997	57,871	1.31	0.429	2,915,853	719,312	0.997	721,293	0.25	0.298
Nov-14	43,127	48,128	0.995	48,370	1.12	0.472	2,939,728	576,681	0.995	579,495	0.20	0.291
Dec-14	43,115	46,672	0.988	47,244	1.10	0.458	2,976,138	538,555	0.988	545,224	0.18	0.316
CY2013	493,798			1,202,585	2.44		29,551,827			28,097,740	0.95	
CY2014	497,218			935,906	1.88	0.773	32,067,231			12,592,299	0.39	0.413

Attachment 3

Exhibit A - Orthodontia Runoff

The number of new orthodontia cases authorized under the program has been significantly reduced as a result of managed care and other HHSC policy changes. However, the MCO's remain financially responsible for orthodontia authorizations approved by HHSC prior to March 1, 2012 (orthodontia runoff). These orthodontia runoff claims can take several years to complete treatment and account for a large portion of the total orthodontia claims paid in the base period. The orthodontia runoff payment is expected to decrease every month as the 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 and that the paid amount per visit will be \$68. Based on these assumptions, we are projecting a reduction of 39.1% to the total orthodontia services from the base period to FY2016. Exhibit A presents our derivation of the orthodontia runoff adjustment factor.

Exhibit B – Pay-for-Quality Utilization Adjustment

The Medicaid Dental P4Q Program is based on the concept of incremental improvement where each dental plan is (1) incentivized to improve its own quality performance each year and (2) evaluated based on its success in achieving such improvement. A gap closure approach to each P4Q quality measure is used where a minimum threshold is set, establishing a minimum quality score at which health plans become eligible to earn positive quality points. Health plans with scores below the minimum threshold for a measure will not be eligible to earn positive points for incremental improvement, but will not be penalized as long as they show year-to-year improvement in the measure. An attainment goal is specified which represents a recognized level of excellence for the specific quality measure. Both minimum thresholds and attainment goals are determined at the discretion of HHSC.

The Medicaid Dental P4Q measures include:

1. Preventive Dental Services
2. Texas Health Steps Dental Checkups
3. Texas Health Steps Checkups after Enrollment
4. Sealant Measure

Each health plan is expected to close the gap between the attainment goal and the health plan's baseline performance by 15 percent each year. This 15 percent annual gap closure target is not referring to a 15 percentage point annual increase in the measure, but is 15 percent of the difference between the attainment goal and the health plan's baseline performance. For example, if a health plan's current performance is 60 percent for the measure and the attainment goal is 70

percent, the gap is 70 percent - 60 percent or 10 percentage points. Correspondingly, 15 percent of the gap equals 0.15×10 percentage points or 1.5 percentage points. The 15 percent annual gap closure target will be achieved if the health plan improves from 60 percent to 61.5 percent on the measure.

Effective January 1, 2014, the Pay-for-Quality (P4Q) program places two percent of each dental plan's premium at risk. In order to retain the full two percent of premium, we have assumed that each dental plan will increase preventive service utilization by closing the gap between the attainable goal and the baseline experience (calendar year 2014) by 15% per year for each of the P4Q measurements.

Exhibit B-1 presents the estimated cost increase as a result of the P4Q program. The top of the exhibit shows the CY2014 baseline period measurement value, attainable goal and cost per member receiving services for each of the P4Q measurements. The middle of the exhibit shows the increase in utilization for each of the P4Q measurements needed to close the gap between the attainable goal and the baseline experience by 15% per year. The bottom of the exhibit shows the estimated increase in cost as a result of the P4Q program.

Exhibit B-2 presents the derivation of the P4Q adjustment factor by redistributing the estimated increase in cost by age group.

Month	D8670 - Periodic Orthodontic Treatment for Runoff Claims (1)			
	Paid Amount	Units	Paid per Unit	Units to Prior Month
201401	1,025,206	15,430	66.44	
201402	850,488	12,801	66.44	-17.0%
201403	774,051	11,676	66.29	-8.8%
201404	673,827	10,137	66.47	-13.2%
201405	562,264	8,452	66.52	-16.6%
201406	485,502	7,321	66.32	-13.4%
201407	461,009	6,933	66.49	-5.3%
201408	344,460	5,198	66.27	-25.0%
201409	278,463	4,190	66.46	-19.4%
201410	282,112	4,278	65.94	2.1%
201411	219,163	3,313	66.15	-22.6%
201412	198,450	3,005	66.04	-9.3%
201501	196,673	2,966	66.31	-1.3%
CY2014	6,154,995	92,734	66.37	

Projection (2)

201502	191,604	2,818	68.00	-5.0%
201503	182,023	2,677	68.00	-5.0%
201504	172,922	2,543	68.00	-5.0%
201505	164,276	2,416	68.00	-5.0%
201506	156,062	2,295	68.00	-5.0%
201507	148,259	2,180	68.00	-5.0%
201508	140,846	2,071	68.00	-5.0%
201509	133,804	1,968	68.00	-5.0%
201510	127,114	1,869	68.00	-5.0%
201511	120,758	1,776	68.00	-5.0%
201512	114,720	1,687	68.00	-5.0%
201601	108,984	1,603	68.00	-5.0%
201602	103,535	1,523	68.00	-5.0%
201603	98,358	1,446	68.00	-5.0%
201604	93,440	1,374	68.00	-5.0%
201605	88,768	1,305	68.00	-5.0%
201606	84,330	1,240	68.00	-5.0%
201607	80,113	1,178	68.00	-5.0%
201608	76,108	1,119	68.00	-5.0%
FY2016	1,230,033	18,089	68.00	

Runoff Adjustment Calculation

CY2014	6,154,995	(1) - Ortho Runoff Payment - Actual
FY2016	1,230,033	(2) - Ortho Runoff Payment - Projected
Difference	(4,924,963)	(3) = (1) - (2)
Total Ortho	12,592,299	(4) - Total CY2014 Orthodontia claims
Adjustment Factor	0.609	(5) = [(3) + (4)] / (4)

(1) Includes monthly treatment for orthodontia treatment authorized prior to 3/1/2012

(2) Total Units expected to decrease by 5% every month

Rate per Unit assumed to be \$68.00

Medicaid Dental
P4Q Utilization Adjustment
Statewide Experience

	Preventive	THStep		Sealants		Total	Notes
		Existing Mem (1)	New Member	Ages 6-9	Ages 10-14		
CY2014 Experience Period							
Total Members	1,918,210	1,918,210	493,717	647,397	683,068		(a)
Num. Members Receiving P4Q Services	1,384,007	977,126	129,423	142,242	100,094		(b)
Current Measurement %	72.2%	50.9%	26.2%	22.0%	14.7%		(c) = (b)/(a)
Attainable Goal	85.0%	65.0%	40.0%	35.0%	30.0%		(d)
Paid per Member (2)	155.91	83.24	40.67	81.39	66.71		(e)
Paid per Member Adjusted (3)	171.50	91.57	44.74	89.53	73.38		(f) = (e) * 1.1
15% Incremental Improvement (4)							
Year 1	1.9%	2.1%	2.1%	2.0%	2.3%		(g) = [(d) - (c)] * 15%
Year 2	1.6%	1.8%	1.8%	1.7%	2.0%		(h) = [(d) - (c) - (g)] * 15%
Total - Percent Increase	3.6%	3.9%	3.8%	3.6%	4.3%		(i) = (g) + (h)
Total - Member Increase	68,396	74,845	18,888	23,406	29,089		(j) = (i) * (a)
Estimated P4Q Impact (5)	11,730,023	6,853,438	844,961	2,095,478	2,134,582	23,658,481	(k) = (j) * (f)

(1) Composite Rate combining exactly one and exactly two THSteps dental visits.

(2) Average paid per member for P4Q services for each of the measurements during the experience period.

(3) Assume Paid per Member will increase by 10% due to additional ancillary services performed in addition to P4Q services.

(4) Assume each plan will increase utilization by closing gap between attainable goal and current measurement value by 15% per year.

(5) Total Member Increase * Avg. Cost per Member

FY2016 Medicaid Dental Rating
 Pay for Performance Utilization Adjustment
 Total

	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20	Total
Experience Period - CY2014						
Member Months	2,224,418	10,023,242	14,911,818	4,410,535	497,218	32,067,231
Estimated Incurred Claims - Dental	18,096,328	299,138,114	488,346,599	140,797,024	11,734,029	958,112,095
Estimated Cost Impact of Pay for Performance Utilization Increase (1)						
Preventive Dental Services	-	3,925,824	5,878,717	1,730,662	194,819	11,730,023
THStep Dental	-	2,295,066	3,433,036	1,011,450	113,886	6,853,438
THStep Dental for New Enrollment	-	282,855	423,390	124,680	14,036	844,961
Sealant Ages 6-9	-	-	2,095,478	-	-	2,095,478
Sealant Ages 10-14	-	-	2,134,582	-	-	2,134,582
Total	-	6,503,746	13,965,203	2,866,792	322,741	23,658,481
Rate Adjustment (2)	0.00 %	2.17 %	2.86 %	2.04 %	2.75 %	2.47 %

Footnotes:

(1) Equals the additional cost assuming an increase in utilization for each of the Pay for Performance metrics

Assumes each plan will close the gap by 15% each year.

(2) Additional cost divided by CY2014 Incurred Claims.