

**STATE OF TEXAS
MEDICAID MANAGED CARE
STAR HEALTH PROGRAM RATE SETTING
STATE FISCAL YEAR 2018**

Prepared for:
Texas Health and Human Services Commission
STAR Health 529-15-0001 V2.5

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop a fiscal year 2018 (FY2018, September 2017 through August 2018) premium rate for the STAR Health program. STAR Health is a managed health care program for Foster Care clients in Texas implemented on April 1, 2008. A single managed care organization, Superior Health Plan (Superior), covers this population in all 254 counties (statewide). This report presents the rating methodology and assumptions used in developing the FY2018 premium rate.

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 staff in developing the FY2018 STAR Health premium rate.

Rudd and Wisdom has relied on the following data sources as provided by HHSC and Superior the managed care organization who manages the STAR Health program.

- Monthly STAR Health enrollment for the period September 2012 through March 2017 with a projection through August 2018. These enrollment figures were provided by HHSC System Forecasting staff.
- Claim lag reports provided by Superior for the period September 2013 through March 2017. These reports include monthly paid claims by month of service.
- Information provided by Superior on high volume claimants during the experience period.
- Information from Superior regarding current and projected payment rates for certain capitated services, such as radiology and dental.
- Financial Statistical Reports (FSR) from the health plan for FY2014, FY2015, FY2016 and the first six months of FY2017. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the HMO. These reports are prepared by the health plans and are audited by an external audit organization.
- Information from Superior regarding current and projected reinsurance premium rates.
- Information from Superior regarding current and projected payment rates for certain capitated services, such as behavioral health and vision.
 - Subcapitated services make up approximately 5.7% of total plan cost and are primarily dental services. Information about these arrangements was provided by Superior and verified with the audited FSRs. These items were reviewed for reasonableness by comparing the reported expense amounts to those expenses in other programs along with the historical dental expenditures within the STAR Health program.

- Information from both HHSC and Superior regarding recent changes in covered services and provider reimbursement under the Medicaid program.
- Information provided by HHSC regarding the expected impact of FY2017 and FY2018 Medicaid provider reimbursement rate changes.
- Information provided by HHSC regarding FY2016 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.
- Current (FY2017) STAR Health premium rate.

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by Superior, (ii) the claim amounts reported in the FSRs and (iii) the claim amounts in the encounter data files. The three data sources are compared to ensure consistent results such that the three are considered interchangeable in aggregate. Although interchangeable in total, each data source has a unique role in the analysis. FSR data provides high level summary information of claims data, subcapitated expenses, reinsurance expenses and administrative costs. In some cases, this information is available at the risk group level while for others it is only provided at an aggregated total. MCO summary reports provide HHSC-specified data points at a more granular level such as subcapitated expenses by service, claim lag data by service, other medical expenses and large claimant information. The detail encounter data provides claim data at the most granular level including information for individual claims such as provider, procedure code, diagnostic information, etc. The use of these multiple data sources allows for a dynamic, flexible rating model that is not constrained to the data limitation of a single source.

All data requested by the actuary was provided by HHSC and the participating MCOs. Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

In addition to the review for reasonableness performed by Rudd and Wisdom, HHSC employs the Institute for Child Health Policy (ICHP) as an External Quality Review Organization. ICHP reviews the detail encounter data and provides certification of the data quality. Below is an excerpt from their data certification report:

Based on an administrative review, the EQRO considers the required data elements for all MCO/SA combinations in STAR Health to be accurate, and complete, meeting the following components of Texas Government Code § 533.0131 for data certification purposes:

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

Based on the review of the data by the EQRO, HHSC and Rudd and Wisdom, we have concluded that all data sources are consistent, complete and accurate. It is our opinion that the data collected for the rate development is high quality and we have no concerns over the availability or applicability to the FY2018 rate development. The accumulation of data sources noted above have been assigned full credibility.

Given the history of managed care data available for the STAR Health program the rate development is based almost exclusively on managed care data. The only exceptions arise from the need to use fee-for-service data for newly carved in services, MDCP waiver services, and previously disenrolled populations, members on hospice. These two items are relatively small and will utilize managed care data in future years when available.

II. Overview of the Rate Setting Methodology

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

The actuarial model used to derive the FY2018 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. Due to the significant differences between claim run out patterns, different base periods were selected for medical and prescription drugs. The base period for the medical component was defined as FY2016 (September 1, 2015 through August 31, 2016) while the base period for the prescription drug component was defined as CY2016 (January 1, 2016 through December 31, 2016). The primary reason for varying the base periods between medical and prescription is that prescription drug claims complete much faster and therefore require minimal estimation of incurred but unpaid claims. Estimates of the base period include an estimate of incurred but unpaid claims (IBNR). The IBNR estimate is based on claims paid through March 2017 and represents the following percentage of claims by type of service:

- Medical - 0.02%
- Prescription Drug – 0.0%

These estimates were then projected forward to FY2018 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2018 cost under the plan.

Only one health plan provides services under the STAR Health program. The health plan is reimbursed using a single premium rate which does not vary by age, gender or area. The STAR Health program covers the entire state of Texas. The services used in the analysis include the following:

- Inpatient Hospital
- Outpatient Hospital
- Physician Services
- Other Professional Services
- Lab, X-ray and Radiology Services
- Medical Supplies
- Behavioral Health Services
- EPSDT Medical Services
- Family Planning and Genetics Services
- Comprehensive Care Program Services
- Vision Services
- Hearing Services
- Home Health Services
- Emergency Room Services

- Ambulance Services
- Dental and Orthodontia Services
- Prescription Drugs

Examples of services specifically excluded from the analysis include:

- Texas Health Steps environmental lead investigation (ELI)
- ECI Case Management
- ECI Specialized Skills Training
- Case Management for CPW
- Texas School Health and Related Services (SHARS)
- DARS Blind Children's Vocational Discovery and Development Program
- Tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation)

All expenses related to these and any other non-capitated services have been excluded from the FY2018 rating analysis.

We projected the FY2018 cost by estimating base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in Section III of this report. We added capitation expenses for services capitated by Superior (such as radiology and dental services), a net cost of reinsurance, a reasonable provision for administrative expenses, taxes and risk margin.

The analysis of base period claims experience attempted to identify and adjust for any distortions in the data. Significant variations in experience, including the impact from unusually large individual claims, were investigated; however, no adjustments were deemed necessary.

Attachment 1 to this report provides a description of the calculation of the FY2018 STAR Health premium rate. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 summarizes the development of the trend assumptions. Attachment 4 details the calculation of the rate adjustment factors for provider rate changes. Attachment 5 details the calculation of the Community First Choice (CFC) component of the premium which is eligible for an enhanced federal match rate. Attachment 6 provides the required index.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the STAR Health rate setting process.

Trend Factors - Medical

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience for Foster Care clients and the actuary's professional judgment regarding future cost increases. All historical trends have been calculated as the average cost per member per month during a specified time period (monthly, quarterly or annually) compared to the same time period from the previous year. For example, the FY2016 trend has been calculated as the change in average cost per member per month during the period September 1, 2015 through August 31, 2016 (FY2016) compared to the average cost per member per month during the period September 1, 2014 through August 31, 2015 (FY2015). The experience trends for all time periods were adjusted to remove the impact of various provider reimbursement changes and other revisions that have impacted the program.

The FY2017 trend assumption was developed from two components: (i) the actual estimated trend for the period September 2016 through January 2017 and (ii) the projected trend for the period February 2017 through August 2017. The actual estimated trend during the period September 2016 through January 2017 was -0.9%. The projected trend for the period February 2017 through August 2017 was calculated as the average trend during FY2014, FY2015, FY2016 and the first five months of FY2017 and equaled 1.3%. The actual trend during the first five months and the projected trend during the final seven months of FY2017 were then blended together to develop the FY2017 trend assumption of 0.4%.

The FY2018 trend assumption was calculated as the average trend during FY2014, FY2015, FY2016 and the first six months of FY2017 and equals 1.3%.

Trend Factors - Rx

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2016) claims cost to the rating period (FY2018). The trend rate assumption was developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The STAR Health trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of managed care utilization and cost experience data paid through March 31, 2017. Utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by program, risk group and drug type (brand, generic and specialty) through February 2017.

Please see Attachment 3 for additional information regarding the pharmacy trend analysis.

Provider Reimbursement Adjustment

Medicaid provider reimbursement changes were recognized for the following services: hospital inpatient reimbursement revisions, potentially preventable readmission reimbursement reductions, potentially preventable complications reimbursement reductions, therapy reimbursement revisions, therapy policy revisions, radiology reimbursement reductions, and labor and delivery surgery revisions

The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement basis and the resulting impact determined. Attachment 4 presents a summary of the derivation of these adjustment factors.

MDCP Carve-In

Effective November 1, 2016 STAR Health members who are eligible for and enrolled in the Medically Dependent Children's Program (MDCP) no longer have their MDCP waiver services carved out of the STAR Health program.

The rating adjustment for this carve-in was calculated by collecting the applicable claims previously paid under FFS. Attachment 4 presents a summary of the derivation of this adjustment factor.

Hospice Carve-In

Effective November 1, 2016 STAR Health members receiving hospice services are no longer disenrolled from the program.

The rating adjustment for this carve-in was calculated by collecting the applicable claims previously paid under FFS. Attachment 4 presents a summary of the derivation of this adjustment factor.

Removal of Invalid Clinician Administered Drugs (CADs)

By HHSC rule, all outpatient medical claims for clinician-administered drugs must contain a Healthcare Common Procedure Coding System (HCPCS) code, an NDC number, the NDC unit of measure, and the NDC quantity. The MCO must edit claims using the Texas HHSC NDC to HCPCS Crosswalk file. If such a claim is missing the NDC information, or the NDC is not valid for the corresponding HCPCS code, then the drug is not considered a covered Medicaid benefit and the MCO must deny or reject the entire claim or claim line item. As a result, the base period data was reviewed and clinician administered drugs which were submitted under an invalid NDC were excluded from the rating analysis. Attachment 4 presents a summary of the derivation of this adjustment factor.

FQHC Wrap Payment Removal

Effective September 1, 2017, MCOs are no longer required to reimburse FQHC's the full encounter rate. The MCO will be expected to reimburse FQHCs at a rate that is comparable to the reimbursement of all other non-FQHC providers providing similar services. Subsequently the FQHC will be reimbursed by HHSC up to their full encounter rate outside of the capitation rate. The rating adjustment was calculated by repricing all FQHC claims at the fee-for-service equivalent paid for non-FQHC providers for the same services. The difference between the full encounter rate and this estimated fee-for-service equivalent was assumed to be the wrap payment that is no longer covered under the capitation rate. Attachment 4 presents a summary of the derivation of this adjustment factor.

Community First Choice Initiative

Effective June 1, 2015 Texas has provided CFC services to individuals who:

- have a physical or intellectual disability,
- meet categorical coverage requirements for Medicaid or meet financial eligibility for home and community based services, and
- meet an institutional level of care.

The CFC services include:

- Help with activities of daily living and health-related tasks through hands-on assistance, supervision or cueing.
- Services to help the individual learn how to care for themselves.
- Backup systems or ways to ensure continuity of services and supports.
- Training on how to select, manage and dismiss attendants.

As a result of CFC, Texas is eligible for an enhanced federal match rate on all CFC eligible services. The calculation of the CFC portion of the rate is detailed in Attachment 5.

IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses in the medical premium rate is \$24.00 pmpm plus 5.75% of gross premium. The amount allocated for administrative expenses in the prescription drug premium rate is \$1.80 pmpm. These amounts are intended to provide for all administrative-related services performed by the health plan. In addition, \$10 has been added to the fixed component of the medical-related administrative cost for a total of \$34 pmpm to account for an expected increase in administrative burden as a result of recent state legislation. These increased requirements include the following:

- Increase compliance with all members receiving a THSteps visit within 30 days of conservatorship from 50% to 100%.
- Superior required to give placement notice to all PCPs listed in the child's health passport before the end of the second business day after the day the Superior receives the notification.

The administrative fee amounts were determined based on a review of the administrative expenses of the health plan as reported in their audited Financial Statistical Reports (FSRs). The table below summarizes the reported administrative expenses for the past five fiscal years for the STAR Health program.

	Average
FY13	70.84
FY14	73.75
FY15	68.41
FY16	66.56
FY17	62.68
5 Year Average	68.45

Based on the administrative formula included in the rate development, the average administrative expense included in the capitation rate (medical and pharmacy components combined) is approximately \$83 which is in line with the historical average plus an allowance for expected increase in cost as a result of new contract requirements. This formula is reviewed annually to ensure consistency with the reported administrative costs. As additional information regarding the new contract requirements emerge, the administrative cost allowance will be updated in future rate developments.

The premium rate also includes provisions for premium tax (1.75% of premium), maintenance tax (\$0.06 pmpm) and a risk margin (1.5% of premium). The premium tax and maintenance tax are based on Texas Department of Insurance requirements.

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC will develop and implement a procedure for reimbursing Superior for (i) the ACA Health Insurance Providers Fee, (ii) any applicable federal income tax impact resulting from payment of the ACA Health Insurance Providers Fee and (iii) any applicable state premium tax impact resulting from payment of the ACA Health Insurance Providers Fee. Such reimbursement will be provided based on a CMS-approved methodology.

V. Summary

The FY2018 total premium rate for the STAR Health program is \$938.86 per member per month. The total premium rate is made up of the total medical component of \$791.04 and the prescription drug component of \$147.82. This rate will be effective for the period September 1, 2017 through August 31, 2018. Attachment 1 shows the derivation of the premium rate.

As noted in Section III, Texas is eligible for an enhanced match rate for CFC services. CFC services of \$4.22 pmpm are a component of the total rate. Further information regarding the calculation of this amount can be found in Attachment 5.

VI. Actuarial Certification of FY2018 STAR Health Premium Rate

We, Evan L. Dial, Khiem D. Ngo and David G. Wilkes are principals with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). We are Fellows of the Society of Actuaries and members of the American Academy of Actuaries. We meet the Academy's qualification standards for rendering this opinion.

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the STAR Health premium rate for the period September 1, 2017 through August 31, 2018 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

We certify that the STAR Health premium rate developed by HHSC and Rudd and Wisdom satisfies the following:

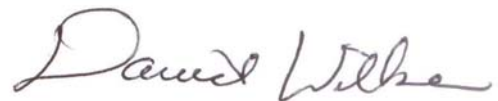
- (a) The premium rate has been developed in accordance with generally accepted actuarial principles and practices;
- (b) The premium rate is appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rate is actuarially sound as defined in the regulations.

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

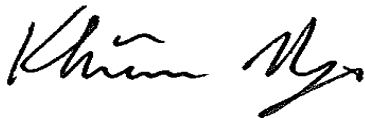
Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.3(c), 438.3(e), 438.4, 438.5, 438.6 and 438.7. Any health plan contracting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



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VII. Attachments

Attachment 1

Summary of FY2018 STAR Health Rating Analysis

Exhibit A presents summary information regarding the FY2018 STAR Health medical rate development. Included on the exhibit are base period (FY2016) experience, projected FY2018 enrollment, trend and provider reimbursement adjustment factors, assumed capitation rates, reinsurance and administrative costs.

The actuarial model used to derive the FY2018 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. These estimates were then projected forward to FY2018 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2018 cost under the plan.

Reinsurance is provided through an affiliated provider therefore the net cost of reinsurance has been set at \$0.00. Any reinsurance premium paid to this affiliated provider is assumed to be offset by reinsurance recoveries.

Exhibit B presents summary information regarding the FY2018 STAR Health prescription drug rate development. Included on the exhibit are base period (CY2016) experience, projected FY2018 enrollment, trend and provider reimbursement adjustment factors and administrative costs.

Only one health plan provides services through the STAR Health program. The health plan is reimbursed using a single premium rate which does not vary by age, gender or area.

Exhibit C presents a comparison of the projected expenditures under the current (FY2017) premiums rates and the FY2018 premium rates. The projection is split by medical and pharmacy.

FY2018 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Medical

	Rating Period <u>FY2018</u>
Base Period Used in Rating	FY2016
Base Period Experience	
Member Months	370,798
Estimated Incurred Claims	233,172,827
Estimated Incurred Claims pmpm	\$ 628.84
Projected Rating Period Experience	
Member Months	385,299
Current Premium Rate (FY2017)	\$ 760.64
Projected Premium at Current Rate	293,073,481
Assumed Annual Trend Rate	
- FY2017	0.4 %
- FY2018	1.3 %
Provider Reimbursement Adjustment	-0.38 %
Hospital Reimbursement Adjustment	0.00 %
Projected Incurred Claims pmpm	\$ 637.13
Projected Incurred Claims	245,486,500
Capitation Expenses	
Laboratory	\$ 0.03
Dental Services	\$ 43.16
Radiology	\$ 1.78
Settlements and Miscellaneous Expenses	\$ 3.69
Total	\$ 48.66
Reinsurance Expenses	
Gross Premium	\$ 0.04
Projected Reinsurance Recoveries	\$ 0.04
Net Reinsurance Cost	\$ 0.00
Administrative Expenses	
Fixed Amount	\$ 34.00
Percentage of Premium	5.75 %
Total	\$ 79.48
Premium Tax	1.75 %
Maintenance Tax pmpm	\$ 0.06
Risk Margin	1.5 %
Premium Rate pmpm	\$ 791.04
Projected Premium	304,786,557
% Change	4.0%

FY2018 STAR Health Rating Analysis
 Rate Development for the STAR Health Program - Prescription Drug

	<u>Rating Period</u> <u>FY2018</u>
Base Period Used in Rating	CY2016
Base Period Experience	
Member Months	375,609
Estimated Incurred Claims	52,343,401
Estimated Incurred Claims pmpm	\$ 139.36
Projected Rating Period Experience	
Member Months	385,299
Current Premium Rate (FY2016)	\$ 161.07
Projected Premium at Current Rate	62,060,036
Assumed Annual Trend Rate	0.8 %
Provider Reimbursement Adjustment	0.00 %
Projected Incurred Claims pmpm	\$ 141.22
Projected Incurred Claims	54,411,453
Administrative Expenses	\$ 1.80
Premium Tax	1.75 %
Risk Margin	1.5 %
Premium Rate pmpm	\$ 147.82
Projected Premium	56,954,830
% Change	-8.2%

FY2018 STAR Health Rating Analysis

	Projected PMPM		Projected FY2018 Premium		% Rate Change
	<u>FY2017 Rates</u>	<u>FY2018 Rates</u>	<u>FY2017 Rates</u>	<u>FY2018 Rates</u>	
Medical	760.64	791.04	293,073,481	304,786,557	4.0%
Pharmacy	161.07	147.82	62,060,036	56,954,830	-8.2%
Total	921.71	938.86	355,133,517	361,741,387	1.9%

Attachment 2

STAR Health Incurred Claims Experience

The attached exhibits present a summary of STAR Health incurred claims experience by type of service during the base period used in the rate setting analysis. For each month during the experience period the exhibits show enrollment, claims incurred during the month and paid through March 31, 2017 and estimated incurred claims. All information has been provided by type of service.

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Professional				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-13	30,699	2,067,553	1.0000	2,067,553	67.35	
Oct-13	30,921	2,375,440	1.0000	2,375,440	76.82	
Nov-13	30,871	2,009,478	1.0000	2,009,478	65.09	
Dec-13	30,423	2,031,408	1.0000	2,031,408	66.77	
Jan-14	30,109	2,215,872	1.0000	2,215,872	73.60	
Feb-14	30,353	2,055,276	1.0000	2,055,276	67.71	
Mar-14	30,457	2,265,836	1.0000	2,265,836	74.39	
Apr-14	30,646	2,437,143	1.0000	2,437,143	79.53	
May-14	30,857	2,216,018	1.0000	2,216,018	71.82	
Jun-14	30,948	2,110,912	1.0000	2,110,912	68.21	
Jul-14	31,157	2,220,894	1.0000	2,220,894	71.28	
Aug-14	31,278	2,061,938	1.0000	2,061,938	65.92	
Sep-14	31,294	2,198,397	1.0000	2,198,397	70.25	1.043
Oct-14	31,565	2,396,787	1.0000	2,396,787	75.93	0.988
Nov-14	31,390	1,945,182	1.0000	1,945,182	61.97	0.952
Dec-14	30,987	2,224,115	1.0000	2,224,115	71.78	1.075
Jan-15	30,729	2,255,001	1.0000	2,255,001	73.38	0.997
Feb-15	30,724	2,103,906	1.0000	2,103,906	68.48	1.011
Mar-15	30,595	2,191,491	1.0000	2,191,491	71.63	0.963
Apr-15	30,608	2,266,606	1.0000	2,266,606	74.05	0.931
May-15	30,719	2,043,790	1.0000	2,043,790	66.53	0.926
Jun-15	30,789	2,069,798	1.0000	2,069,798	67.23	0.986
Jul-15	30,747	2,137,972	1.0000	2,137,972	69.53	0.975
Aug-15	30,761	2,047,840	1.0000	2,047,840	66.57	1.010
Sep-15	30,698	2,312,141	1.0000	2,312,141	75.32	1.072
Oct-15	30,818	2,297,682	1.0000	2,297,682	74.56	0.982
Nov-15	30,659	2,086,219	1.0000	2,086,219	68.05	1.098
Dec-15	30,174	2,238,839	1.0000	2,238,839	74.20	1.034
Jan-16	30,200	2,386,796	1.0000	2,386,796	79.03	1.077
Feb-16	30,717	2,519,759	1.0000	2,519,759	82.03	1.198
Mar-16	30,912	2,548,907	1.0000	2,548,907	82.46	1.151
Apr-16	31,141	2,404,481	1.0000	2,404,481	77.21	1.043
May-16	31,254	2,383,443	1.0000	2,383,443	76.26	1.146
Jun-16	31,442	2,311,657	0.9990	2,313,971	73.59	1.095
Jul-16	31,366	2,196,388	1.0000	2,196,388	70.02	1.007
Aug-16	31,417	2,438,532	0.9990	2,440,973	77.70	1.167
Sep-16	31,748	2,467,451	0.9830	2,510,124	79.06	1.050
Oct-16	31,850	2,483,253	0.9790	2,536,520	79.64	1.068
Nov-16	31,887	2,468,486	0.9690	2,547,457	79.89	1.174
Dec-16	31,675	2,310,866	0.9560	2,417,224	76.31	1.029
Jan-17	31,555	2,580,423	0.9140	2,823,220	89.47	1.132
FY2014	368,719			26,067,769	70.70	
FY2015	370,908			25,880,886	69.78	0.987
FY2016	370,798			28,129,598	75.86	1.087
9/15-1/16	183,266			13,841,436	75.53	
9/16-1/17	158,716			12,834,544	80.86	1.071

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Emergency Room				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	439,281	1.0000	439,281	14.31	
Oct-13	30,921	453,640	1.0000	453,640	14.67	
Nov-13	30,871	459,061	1.0000	459,061	14.87	
Dec-13	30,423	512,339	1.0000	512,339	16.84	
Jan-14	30,109	449,160	1.0000	449,160	14.92	
Feb-14	30,353	426,497	1.0000	426,497	14.05	
Mar-14	30,457	419,330	1.0000	419,330	13.77	
Apr-14	30,646	458,795	1.0000	458,795	14.97	
May-14	30,857	465,733	1.0000	465,733	15.09	
Jun-14	30,948	382,856	1.0000	382,856	12.37	
Jul-14	31,157	391,442	1.0000	391,442	12.56	
Aug-14	31,278	438,353	1.0000	438,353	14.01	
Sep-14	31,294	459,294	1.0000	459,294	14.68	1.026
Oct-14	31,565	526,110	1.0000	526,110	16.67	1.136
Nov-14	31,390	477,158	1.0000	477,158	15.20	1.022
Dec-14	30,987	493,541	1.0000	493,541	15.93	0.946
Jan-15	30,729	501,385	1.0000	501,385	16.32	1.094
Feb-15	30,724	459,962	1.0000	459,962	14.97	1.065
Mar-15	30,595	498,368	1.0000	498,368	16.29	1.183
Apr-15	30,608	477,287	1.0000	477,287	15.59	1.042
May-15	30,719	496,240	1.0000	496,240	16.15	1.070
Jun-15	30,789	419,562	1.0000	419,562	13.63	1.102
Jul-15	30,747	408,320	1.0000	408,320	13.28	1.057
Aug-15	30,761	405,468	1.0000	405,468	13.18	0.941
Sep-15	30,698	465,400	1.0000	465,400	15.16	1.033
Oct-15	30,818	503,237	1.0000	503,237	16.33	0.980
Nov-15	30,659	477,519	1.0000	477,519	15.58	1.025
Dec-15	30,174	473,893	1.0000	473,893	15.71	0.986
Jan-16	30,200	546,295	1.0000	546,295	18.09	1.109
Feb-16	30,717	532,966	1.0000	532,966	17.35	1.159
Mar-16	30,912	573,722	1.0000	573,722	18.56	1.139
Apr-16	31,141	559,085	1.0000	559,085	17.95	1.151
May-16	31,254	591,221	1.0000	591,221	18.92	1.171
Jun-16	31,442	473,963	0.9990	474,437	15.09	1.107
Jul-16	31,366	500,019	1.0000	500,019	15.94	1.200
Aug-16	31,417	520,948	0.9990	521,469	16.60	1.259
Sep-16	31,748	566,458	0.9830	576,254	18.15	1.197
Oct-16	31,850	546,131	0.9790	557,846	17.51	1.073
Nov-16	31,887	559,654	0.9690	577,559	18.11	1.163
Dec-16	31,675	538,392	0.9560	563,171	17.78	1.132
Jan-17	31,555	597,940	0.9140	654,202	20.73	1.146
FY2014	368,719			5,296,487	14.36	
FY2015	370,908			5,622,697	15.16	1.055
FY2016	370,798			6,219,263	16.77	1.106
9/15-1/16	183,266			2,999,310	16.37	
9/16-1/17	158,716			2,929,031	18.45	1.128

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Outpatient				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-13	30,699	879,546	1.0000	879,546	28.65	
Oct-13	30,921	992,091	1.0000	992,091	32.08	
Nov-13	30,871	785,852	1.0000	785,852	25.46	
Dec-13	30,423	825,639	1.0000	825,639	27.14	
Jan-14	30,109	949,589	1.0000	949,589	31.54	
Feb-14	30,353	847,885	1.0000	847,885	27.93	
Mar-14	30,457	787,644	1.0000	787,644	25.86	
Apr-14	30,646	1,055,013	1.0000	1,055,013	34.43	
May-14	30,857	912,346	1.0000	912,346	29.57	
Jun-14	30,948	882,189	1.0000	882,189	28.51	
Jul-14	31,157	1,155,287	1.0000	1,155,287	37.08	
Aug-14	31,278	872,672	1.0000	872,672	27.90	
Sep-14	31,294	847,725	1.0000	847,725	27.09	0.945
Oct-14	31,565	986,679	1.0000	986,679	31.26	0.974
Nov-14	31,390	816,672	1.0000	816,672	26.02	1.022
Dec-14	30,987	797,957	1.0000	797,957	25.75	0.949
Jan-15	30,729	881,807	1.0000	881,807	28.70	0.910
Feb-15	30,724	815,893	1.0000	815,893	26.56	0.951
Mar-15	30,595	875,024	1.0000	875,024	28.60	1.106
Apr-15	30,608	965,505	1.0000	965,505	31.54	0.916
May-15	30,719	873,335	1.0000	873,335	28.43	0.962
Jun-15	30,789	912,690	1.0000	912,690	29.64	1.040
Jul-15	30,747	925,501	1.0000	925,501	30.10	0.812
Aug-15	30,761	918,078	1.0000	918,078	29.85	1.070
Sep-15	30,698	1,025,208	1.0000	1,025,208	33.40	1.233
Oct-15	30,818	940,381	1.0000	940,381	30.51	0.976
Nov-15	30,659	800,911	1.0000	800,911	26.12	1.004
Dec-15	30,174	833,723	1.0000	833,723	27.63	1.073
Jan-16	30,200	787,481	1.0000	787,481	26.08	0.909
Feb-16	30,717	884,721	1.0000	884,721	28.80	1.085
Mar-16	30,912	897,418	1.0000	897,418	29.03	1.015
Apr-16	31,141	923,384	1.0000	923,384	29.65	0.940
May-16	31,254	911,149	1.0000	911,149	29.15	1.025
Jun-16	31,442	964,891	0.9990	965,857	30.72	1.036
Jul-16	31,366	884,320	1.0000	884,320	28.19	0.937
Aug-16	31,417	915,341	0.9990	916,258	29.16	0.977
Sep-16	31,748	905,821	0.9830	921,486	29.02	0.869
Oct-16	31,850	846,877	0.9790	865,043	27.16	0.890
Nov-16	31,887	751,099	0.9690	775,128	24.31	0.931
Dec-16	31,675	842,165	0.9560	880,926	27.81	1.007
Jan-17	31,555	974,427	0.9140	1,066,113	33.79	1.296
FY2014	368,719			10,945,752	29.69	
FY2015	370,908			10,616,865	28.62	0.964
FY2016	370,798			10,770,811	29.05	1.015
9/15-1/16	183,266			5,272,426	28.77	
9/16-1/17	158,716			4,508,696	28.41	0.987

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Inpatient				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-13	30,699	2,692,839	1.0000	2,692,839	87.72	
Oct-13	30,921	2,390,556	1.0000	2,390,556	77.31	
Nov-13	30,871	2,173,744	1.0000	2,173,744	70.41	
Dec-13	30,423	1,750,252	1.0000	1,750,252	57.53	
Jan-14	30,109	3,537,082	1.0000	3,537,082	117.48	
Feb-14	30,353	1,823,532	1.0000	1,823,532	60.08	
Mar-14	30,457	3,531,912	1.0000	3,531,912	115.96	
Apr-14	30,646	3,184,578	1.0000	3,184,578	103.91	
May-14	30,857	1,934,653	1.0000	1,934,653	62.70	
Jun-14	30,948	1,544,504	1.0000	1,544,504	49.91	
Jul-14	31,157	2,557,505	1.0000	2,557,505	82.08	
Aug-14	31,278	1,434,930	1.0000	1,434,930	45.88	
Sep-14	31,294	1,230,214	1.0000	1,230,214	39.31	0.448
Oct-14	31,565	1,412,989	1.0000	1,412,989	44.76	0.579
Nov-14	31,390	2,322,466	1.0000	2,322,466	73.99	1.051
Dec-14	30,987	2,328,617	1.0000	2,328,617	75.15	1.306
Jan-15	30,729	2,753,022	1.0000	2,753,022	89.59	0.763
Feb-15	30,724	1,748,263	1.0000	1,748,263	56.90	0.947
Mar-15	30,595	2,011,730	1.0000	2,011,730	65.75	0.567
Apr-15	30,608	2,098,663	1.0000	2,098,663	68.57	0.660
May-15	30,719	1,974,067	1.0000	1,974,067	64.26	1.025
Jun-15	30,789	2,212,631	1.0000	2,212,631	71.86	1.440
Jul-15	30,747	2,054,976	1.0000	2,054,976	66.83	0.814
Aug-15	30,761	2,169,905	1.0000	2,169,905	70.54	1.538
Sep-15	30,698	2,405,993	1.0000	2,405,993	78.38	1.994
Oct-15	30,818	2,232,773	1.0000	2,232,773	72.45	1.618
Nov-15	30,659	2,587,371	1.0000	2,587,371	84.39	1.141
Dec-15	30,174	3,037,758	1.0000	3,037,758	100.67	1.340
Jan-16	30,200	2,884,830	1.0000	2,884,830	95.52	1.066
Feb-16	30,717	3,429,640	1.0000	3,429,640	111.65	1.962
Mar-16	30,912	2,538,612	1.0000	2,538,612	82.12	1.249
Apr-16	31,141	3,109,199	1.0000	3,109,199	99.84	1.456
May-16	31,254	2,605,341	1.0000	2,605,341	83.36	1.297
Jun-16	31,442	1,638,119	0.9990	1,639,759	52.15	0.726
Jul-16	31,366	2,208,620	1.0000	2,208,620	70.41	1.054
Aug-16	31,417	1,948,475	0.9990	1,950,426	62.08	0.880
Sep-16	31,748	2,398,486	0.9830	2,439,965	76.85	0.981
Oct-16	31,850	2,168,236	0.9790	2,214,746	69.54	0.960
Nov-16	31,887	2,857,746	0.9690	2,949,171	92.49	1.096
Dec-16	31,675	1,354,297	0.9560	1,416,629	44.72	0.444
Jan-17	31,555	2,197,120	0.9140	2,403,851	76.18	0.797
FY2014	368,719			28,556,087	77.45	
FY2015	370,908			24,317,544	65.56	0.847
FY2016	370,798			30,630,322	82.61	1.260
9/15-1/16	183,266			16,578,365	90.46	
9/16-1/17	158,716			11,424,362	71.98	0.796

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Behavioral Health Non Inpatient				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	3,342,577	1.0000	3,342,577	108.88	
Oct-13	30,921	3,662,147	1.0000	3,662,147	118.44	
Nov-13	30,871	3,185,199	1.0000	3,185,199	103.18	
Dec-13	30,423	3,070,860	1.0000	3,070,860	100.94	
Jan-14	30,109	3,834,638	1.0000	3,834,638	127.36	
Feb-14	30,353	3,686,146	1.0000	3,686,146	121.44	
Mar-14	30,457	3,857,691	1.0000	3,857,691	126.66	
Apr-14	30,646	3,938,021	1.0000	3,938,021	128.50	
May-14	30,857	4,037,958	1.0000	4,037,958	130.86	
Jun-14	30,948	3,879,948	1.0000	3,879,948	125.37	
Jul-14	31,157	4,073,028	1.0000	4,073,028	130.73	
Aug-14	31,278	3,938,582	1.0000	3,938,582	125.92	
Sep-14	31,294	4,028,647	1.0000	4,028,647	128.74	1.182
Oct-14	31,565	4,274,961	1.0000	4,274,961	135.43	1.144
Nov-14	31,390	3,631,203	1.0000	3,631,203	115.68	1.121
Dec-14	30,987	3,710,538	1.0000	3,710,538	119.74	1.186
Jan-15	30,729	3,971,865	1.0000	3,971,865	129.25	1.015
Feb-15	30,724	3,721,279	1.0000	3,721,279	121.12	0.997
Mar-15	30,595	4,030,410	1.0000	4,030,410	131.73	1.040
Apr-15	30,608	4,101,345	1.0000	4,101,345	134.00	1.043
May-15	30,719	3,933,948	1.0000	3,933,948	128.06	0.979
Jun-15	30,789	4,131,142	1.0000	4,131,142	134.18	1.070
Jul-15	30,747	4,196,571	1.0000	4,196,571	136.49	1.044
Aug-15	30,761	3,947,404	1.0000	3,947,404	128.32	1.019
Sep-15	30,698	4,014,930	1.0000	4,014,930	130.79	1.016
Oct-15	30,818	4,018,596	1.0000	4,018,596	130.40	0.963
Nov-15	30,659	3,663,339	1.0000	3,663,339	119.49	1.033
Dec-15	30,174	3,614,279	1.0000	3,614,279	119.78	1.000
Jan-16	30,200	3,791,188	1.0000	3,791,188	125.54	0.971
Feb-16	30,717	3,888,983	1.0000	3,888,983	126.61	1.045
Mar-16	30,912	4,053,244	1.0000	4,053,244	131.12	0.995
Apr-16	31,141	3,966,926	1.0000	3,966,926	127.39	0.951
May-16	31,254	4,070,598	1.0000	4,070,598	130.24	1.017
Jun-16	31,442	4,136,303	0.9990	4,140,443	131.69	0.981
Jul-16	31,366	3,967,342	1.0000	3,967,342	126.49	0.927
Aug-16	31,417	4,234,406	0.9990	4,238,645	134.92	1.051
Sep-16	31,748	4,005,168	0.9830	4,074,433	128.34	0.981
Oct-16	31,850	3,905,987	0.9790	3,989,772	125.27	0.961
Nov-16	31,887	3,736,449	0.9690	3,855,984	120.93	1.012
Dec-16	31,675	3,577,873	0.9560	3,742,545	118.16	0.986
Jan-17	31,555	3,852,106	0.9140	4,214,558	133.56	1.064
FY2014	368,719			44,506,795	120.71	
FY2015	370,908			47,679,314	128.55	1.065
FY2016	370,798			47,428,513	127.91	0.995
9/15-1/16	183,266			22,991,316	125.45	
9/16-1/17	158,716			19,877,293	125.24	0.998

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Behavioral Health Inpatient				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	1,779,512	1.0000	1,779,512	57.97	
Oct-13	30,921	2,677,483	1.0000	2,677,483	86.59	
Nov-13	30,871	2,220,159	1.0000	2,220,159	71.92	
Dec-13	30,423	1,900,136	1.0000	1,900,136	62.46	
Jan-14	30,109	2,607,358	1.0000	2,607,358	86.60	
Feb-14	30,353	2,236,619	1.0000	2,236,619	73.69	
Mar-14	30,457	2,559,574	1.0000	2,559,574	84.04	
Apr-14	30,646	2,701,715	1.0000	2,701,715	88.16	
May-14	30,857	2,992,138	1.0000	2,992,138	96.97	
Jun-14	30,948	2,335,029	1.0000	2,335,029	75.45	
Jul-14	31,157	2,448,826	1.0000	2,448,826	78.60	
Aug-14	31,278	2,116,741	1.0000	2,116,741	67.68	
Sep-14	31,294	2,474,957	1.0000	2,474,957	79.09	1.364
Oct-14	31,565	2,776,954	1.0000	2,776,954	87.98	1.016
Nov-14	31,390	2,162,432	1.0000	2,162,432	68.89	0.958
Dec-14	30,987	2,083,742	1.0000	2,083,742	67.25	1.077
Jan-15	30,729	2,492,208	1.0000	2,492,208	81.10	0.937
Feb-15	30,724	2,126,117	1.0000	2,126,117	69.20	0.939
Mar-15	30,595	2,544,729	1.0000	2,544,729	83.17	0.990
Apr-15	30,608	2,575,571	1.0000	2,575,571	84.15	0.954
May-15	30,719	2,305,842	1.0000	2,305,842	75.06	0.774
Jun-15	30,789	2,168,041	1.0000	2,168,041	70.42	0.933
Jul-15	30,747	2,174,968	1.0000	2,174,968	70.74	0.900
Aug-15	30,761	1,938,217	1.0000	1,938,217	63.01	0.931
Sep-15	30,698	2,163,336	1.0000	2,163,336	70.47	0.891
Oct-15	30,818	2,103,077	1.0000	2,103,077	68.24	0.776
Nov-15	30,659	2,135,525	1.0000	2,135,525	69.65	1.011
Dec-15	30,174	2,003,537	1.0000	2,003,537	66.40	0.987
Jan-16	30,200	2,419,727	1.0000	2,419,727	80.12	0.988
Feb-16	30,717	2,764,483	1.0000	2,764,483	90.00	1.301
Mar-16	30,912	2,571,076	1.0000	2,571,076	83.17	1.000
Apr-16	31,141	2,657,011	1.0000	2,657,011	85.32	1.014
May-16	31,254	2,919,926	1.0000	2,919,926	93.43	1.245
Jun-16	31,442	2,413,454	0.9990	2,415,870	76.84	1.091
Jul-16	31,366	2,277,887	1.0000	2,277,887	72.62	1.027
Aug-16	31,417	2,255,125	0.9990	2,257,382	71.85	1.140
Sep-16	31,748	2,271,499	0.9830	2,310,782	72.78	1.033
Oct-16	31,850	2,388,914	0.9790	2,440,157	76.61	1.123
Nov-16	31,887	2,335,444	0.9690	2,410,159	75.58	1.085
Dec-16	31,675	1,522,015	0.9560	1,592,066	50.26	0.757
Jan-17	31,555	1,929,567	0.9140	2,111,123	66.90	0.835
FY2014	368,719			28,575,290	77.50	
FY2015	370,908			27,823,777	75.02	0.968
FY2016	370,798			28,688,835	77.37	1.031
9/15-1/16	183,266			13,589,684	74.15	
9/16-1/17	158,716			10,864,287	68.45	0.923

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Vision				
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-13	30,699	102,682	1.0000	102,682	3.34	
Oct-13	30,921	121,676	1.0000	121,676	3.94	
Nov-13	30,871	94,424	1.0000	94,424	3.06	
Dec-13	30,423	85,660	1.0000	85,660	2.82	
Jan-14	30,109	106,217	1.0000	106,217	3.53	
Feb-14	30,353	101,577	1.0000	101,577	3.35	
Mar-14	30,457	105,217	1.0000	105,217	3.45	
Apr-14	30,646	110,197	1.0000	110,197	3.60	
May-14	30,857	103,097	1.0000	103,097	3.34	
Jun-14	30,948	104,252	1.0000	104,252	3.37	
Jul-14	31,157	114,100	1.0000	114,100	3.66	
Aug-14	31,278	123,254	1.0000	123,254	3.94	
Sep-14	31,294	115,478	1.0000	115,478	3.69	1.103
Oct-14	31,565	112,182	1.0000	112,182	3.55	0.903
Nov-14	31,390	96,761	1.0000	96,761	3.08	1.008
Dec-14	30,987	89,678	1.0000	89,678	2.89	1.028
Jan-15	30,729	105,112	1.0000	105,112	3.42	0.970
Feb-15	30,724	95,736	1.0000	95,736	3.12	0.931
Mar-15	30,595	106,550	1.0000	106,550	3.48	1.008
Apr-15	30,608	112,787	1.0000	112,787	3.68	1.025
May-15	30,719	95,169	1.0000	95,169	3.10	0.927
Jun-15	30,789	106,987	1.0000	106,987	3.47	1.032
Jul-15	30,747	124,403	1.0000	124,403	4.05	1.105
Aug-15	30,761	124,278	1.0000	124,278	4.04	1.025
Sep-15	30,698	125,992	1.0000	125,992	4.10	1.112
Oct-15	30,818	89,265	1.0000	89,265	2.90	0.815
Nov-15	30,659	108,721	1.0000	108,721	3.55	1.150
Dec-15	30,174	105,150	1.0000	105,150	3.48	1.204
Jan-16	30,200	106,292	1.0000	106,292	3.52	1.029
Feb-16	30,717	119,621	1.0000	119,621	3.89	1.250
Mar-16	30,912	131,254	1.0000	131,254	4.25	1.219
Apr-16	31,141	105,118	1.0000	105,118	3.38	0.916
May-16	31,254	98,003	1.0000	98,003	3.14	1.012
Jun-16	31,442	113,462	0.9990	113,576	3.61	1.040
Jul-16	31,366	96,747	1.0000	96,747	3.08	0.762
Aug-16	31,417	93,854	0.9990	93,948	2.99	0.740
Sep-16	31,748	119,830	0.9830	121,902	3.84	0.936
Oct-16	31,850	112,506	0.9790	114,919	3.61	1.246
Nov-16	31,887	120,816	0.9690	124,681	3.91	1.103
Dec-16	31,675	104,961	0.9560	109,792	3.47	0.995
Jan-17	31,555	109,816	0.9140	120,149	3.81	1.082
FY2014	368,719			1,272,352	3.45	
FY2015	370,908			1,285,120	3.46	1.004
FY2016	370,798			1,293,687	3.49	1.007
9/15-1/16	183,266			655,042	3.57	
9/16-1/17	158,716			591,443	3.73	1.043

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Other - PDN, DME, Therapy				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	6,650,765	1.0000	6,650,765	216.64	
Oct-13	30,921	6,842,354	1.0000	6,842,354	221.29	
Nov-13	30,871	6,347,499	1.0000	6,347,499	205.61	
Dec-13	30,423	6,301,072	1.0000	6,301,072	207.12	
Jan-14	30,109	6,444,786	1.0000	6,444,786	214.05	
Feb-14	30,353	5,846,535	1.0000	5,846,535	192.62	
Mar-14	30,457	6,238,829	1.0000	6,238,829	204.84	
Apr-14	30,646	6,206,098	1.0000	6,206,098	202.51	
May-14	30,857	6,249,444	1.0000	6,249,444	202.53	
Jun-14	30,948	6,099,770	1.0000	6,099,770	197.10	
Jul-14	31,157	6,484,099	1.0000	6,484,099	208.11	
Aug-14	31,278	6,321,390	1.0000	6,321,390	202.10	
Sep-14	31,294	6,320,891	1.0000	6,320,891	201.98	0.932
Oct-14	31,565	6,635,252	1.0000	6,635,252	210.21	0.950
Nov-14	31,390	6,251,964	1.0000	6,251,964	199.17	0.969
Dec-14	30,987	6,464,633	1.0000	6,464,633	208.62	1.007
Jan-15	30,729	6,509,225	1.0000	6,509,225	211.83	0.990
Feb-15	30,724	6,010,347	1.0000	6,010,347	195.62	1.016
Mar-15	30,595	6,673,169	1.0000	6,673,169	218.11	1.065
Apr-15	30,608	6,446,160	1.0000	6,446,160	210.60	1.040
May-15	30,719	6,421,616	1.0000	6,421,616	209.04	1.032
Jun-15	30,789	6,621,344	1.0000	6,621,344	215.06	1.091
Jul-15	30,747	6,725,950	1.0000	6,725,950	218.75	1.051
Aug-15	30,761	6,470,594	1.0000	6,470,594	210.35	1.041
Sep-15	30,698	6,408,798	1.0000	6,408,798	208.77	1.034
Oct-15	30,818	6,665,305	1.0000	6,665,305	216.28	1.029
Nov-15	30,659	6,386,810	1.0000	6,386,810	208.32	1.046
Dec-15	30,174	6,618,103	1.0000	6,618,103	219.33	1.051
Jan-16	30,200	6,547,396	1.0000	6,547,396	216.80	1.023
Feb-16	30,717	6,526,411	1.0000	6,526,411	212.47	1.086
Mar-16	30,912	6,920,835	1.0000	6,920,835	223.89	1.026
Apr-16	31,141	6,696,741	1.0000	6,696,741	215.05	1.021
May-16	31,254	7,001,590	1.0000	7,001,590	224.02	1.072
Jun-16	31,442	7,014,878	0.9990	7,021,900	223.33	1.038
Jul-16	31,366	6,568,531	1.0000	6,568,531	209.42	0.957
Aug-16	31,417	6,642,730	0.9990	6,649,379	211.65	1.006
Sep-16	31,748	6,495,664	0.9830	6,608,000	208.14	0.997
Oct-16	31,850	6,493,324	0.9790	6,632,609	208.24	0.963
Nov-16	31,887	6,510,360	0.9690	6,718,637	210.70	1.011
Dec-16	31,675	6,603,084	0.9560	6,906,991	218.06	0.994
Jan-17	31,555	6,363,215	0.9140	6,961,942	220.63	1.018
FY2014	368,719			76,032,640	206.21	
FY2015	370,908			77,551,146	209.08	1.014
FY2016	370,798			80,011,798	215.78	1.032
9/15-1/16	183,266			39,152,822	213.64	
9/16-1/17	158,716			33,828,180	213.14	0.998

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Total - Medical				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	17,954,755	1.0000	17,954,755	584.86	
Oct-13	30,921	19,515,388	1.0000	19,515,388	631.14	
Nov-13	30,871	17,275,416	1.0000	17,275,416	559.60	
Dec-13	30,423	16,477,365	1.0000	16,477,365	541.61	
Jan-14	30,109	20,144,703	1.0000	20,144,703	669.06	
Feb-14	30,353	17,024,067	1.0000	17,024,067	560.87	
Mar-14	30,457	19,766,032	1.0000	19,766,032	648.98	
Apr-14	30,646	20,091,559	1.0000	20,091,559	655.60	
May-14	30,857	18,911,387	1.0000	18,911,387	612.87	
Jun-14	30,948	17,339,459	1.0000	17,339,459	560.28	
Jul-14	31,157	19,445,181	1.0000	19,445,181	624.10	
Aug-14	31,278	17,307,860	1.0000	17,307,860	553.36	
Sep-14	31,294	17,675,604	1.0000	17,675,604	564.82	0.966
Oct-14	31,565	19,121,914	1.0000	19,121,914	605.79	0.960
Nov-14	31,390	17,703,838	1.0000	17,703,838	564.00	1.008
Dec-14	30,987	18,192,822	1.0000	18,192,822	587.11	1.084
Jan-15	30,729	19,469,626	1.0000	19,469,626	633.59	0.947
Feb-15	30,724	17,081,503	1.0000	17,081,503	555.97	0.991
Mar-15	30,595	18,931,471	1.0000	18,931,471	618.78	0.953
Apr-15	30,608	19,043,923	1.0000	19,043,923	622.19	0.949
May-15	30,719	18,144,007	1.0000	18,144,007	590.64	0.964
Jun-15	30,789	18,642,196	1.0000	18,642,196	605.48	1.081
Jul-15	30,747	18,748,660	1.0000	18,748,660	609.77	0.977
Aug-15	30,761	18,021,784	1.0000	18,021,784	585.86	1.059
Sep-15	30,698	18,921,799	1.0000	18,921,799	616.39	1.091
Oct-15	30,818	18,850,316	1.0000	18,850,316	611.67	1.010
Nov-15	30,659	18,246,416	1.0000	18,246,416	595.14	1.055
Dec-15	30,174	18,925,281	1.0000	18,925,281	627.20	1.068
Jan-16	30,200	19,470,006	1.0000	19,470,006	644.70	1.018
Feb-16	30,717	20,666,583	1.0000	20,666,583	672.81	1.210
Mar-16	30,912	20,235,067	1.0000	20,235,067	654.60	1.058
Apr-16	31,141	20,421,945	1.0000	20,421,945	655.79	1.054
May-16	31,254	20,581,270	1.0000	20,581,270	658.52	1.115
Jun-16	31,442	19,066,726	0.9990	19,085,812	607.02	1.003
Jul-16	31,366	18,699,852	1.0000	18,699,852	596.18	0.978
Aug-16	31,417	19,049,411	0.9990	19,068,480	606.95	1.036
Sep-16	31,748	19,230,377	0.9830	19,562,947	616.19	1.000
Oct-16	31,850	18,945,228	0.9790	19,351,612	607.59	0.993
Nov-16	31,887	19,340,053	0.9690	19,958,776	625.91	1.052
Dec-16	31,675	16,853,653	0.9560	17,629,344	556.57	0.887
Jan-17	31,555	18,604,614	0.9140	20,355,158	645.06	1.001
FY2014	368,719			221,253,172	600.06	
FY2015	370,908			220,777,348	595.23	0.992
FY2016	370,798			233,172,827	628.84	1.056
9/15-1/16	183,266			115,080,400	627.94	
9/16-1/17	158,716			96,857,836	610.26	0.972

FY2018 STAR Health Rating Analysis
 Estimated STAR Health Incurred Claims

Month	Number of Members	Prescription Drug				Trend Factor
		Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	
Sep-13	30,699	4,105,232	1.0000	4,105,232	133.73	
Oct-13	30,921	4,551,012	1.0000	4,551,012	147.18	
Nov-13	30,871	4,448,357	1.0000	4,448,357	144.10	
Dec-13	30,423	4,854,426	1.0000	4,854,426	159.56	
Jan-14	30,109	4,948,980	1.0000	4,948,980	164.37	
Feb-14	30,353	4,512,857	1.0000	4,512,857	148.68	
Mar-14	30,457	4,425,359	1.0000	4,425,359	145.30	
Apr-14	30,646	4,449,258	1.0000	4,449,258	145.18	
May-14	30,857	4,321,709	1.0000	4,321,709	140.06	
Jun-14	30,948	4,072,268	1.0000	4,072,268	131.58	
Jul-14	31,157	4,290,658	1.0000	4,290,658	137.71	
Aug-14	31,278	4,075,548	1.0000	4,075,548	130.30	
Sep-14	31,294	4,244,773	1.0000	4,244,773	135.64	1.014
Oct-14	31,565	4,734,106	1.0000	4,734,106	149.98	1.019
Nov-14	31,390	4,390,571	1.0000	4,390,571	139.87	0.971
Dec-14	30,987	5,126,941	1.0000	5,126,941	165.45	1.037
Jan-15	30,729	5,103,050	1.0000	5,103,050	166.07	1.010
Feb-15	30,724	4,823,047	1.0000	4,823,047	156.98	1.056
Mar-15	30,595	4,725,152	1.0000	4,725,152	154.44	1.063
Apr-15	30,608	4,655,795	1.0000	4,655,795	152.11	1.048
May-15	30,719	4,527,995	1.0000	4,527,995	147.40	1.052
Jun-15	30,789	4,435,578	1.0000	4,435,578	144.06	1.095
Jul-15	30,747	4,464,919	1.0000	4,464,919	145.21	1.054
Aug-15	30,761	4,267,174	1.0000	4,267,174	138.72	1.065
Sep-15	30,698	4,435,392	1.0000	4,435,392	144.48	1.065
Oct-15	30,818	4,268,580	1.0000	4,268,580	138.51	0.924
Nov-15	30,659	4,235,021	1.0000	4,235,021	138.13	0.988
Dec-15	30,174	4,487,237	1.0000	4,487,237	148.71	0.899
Jan-16	30,200	4,311,613	1.0000	4,311,613	142.77	0.860
Feb-16	30,717	4,520,629	1.0000	4,520,629	147.17	0.938
Mar-16	30,912	4,679,321	1.0000	4,679,321	151.38	0.980
Apr-16	31,141	4,167,058	1.0000	4,167,058	133.81	0.880
May-16	31,254	4,445,825	1.0000	4,445,825	142.25	0.965
Jun-16	31,442	4,138,829	1.0000	4,138,829	131.63	0.914
Jul-16	31,366	3,841,631	1.0000	3,841,631	122.48	0.843
Aug-16	31,417	4,321,809	1.0000	4,321,809	137.56	0.992
Sep-16	31,748	4,287,717	1.0000	4,287,717	135.05	0.935
Oct-16	31,850	4,411,642	1.0000	4,411,642	138.51	1.000
Nov-16	31,887	4,590,175	1.0000	4,590,175	143.95	1.042
Dec-16	31,675	4,627,153	1.0000	4,627,153	146.08	0.982
Jan-17	31,555	5,038,122	1.0000	5,038,122	159.66	1.118
CY2014	371,041			53,593,027	144.44	
CY2015	368,021			54,428,941	147.90	1.024
CY2016	375,609			52,343,401	139.36	0.942

Attachment 3

STAR Health Trend Analysis

Medical

The FY2018 rating methodology uses assumed medical trend factors to adjust the base period (FY2016) claims cost to the rating period (FY2018). The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the plan. The trend assumptions are established on a statewide basis for FY2017 and FY2018.

The trend analysis included a review of health plan claims experience data through March 31, 2017. Based on this information, estimates of monthly incurred claims were made through January 31, 2017. The claims cost and trend experience was reviewed separately by type of service.

Exhibit A provides a summary of the FY2014, FY2015, FY2016 and FY2017 trends by category of service. The FY2017 trend represents the trend during the period September 2016 through January 2017. All trends have been calculated as the average cost per member per month during the specified time period compared to the same time period during the prior fiscal year. For example, the FY2016 trend is calculated as the average cost per member per month during FY2016 divided by the average cost per member per month during FY2015.

All trends have been adjusted to remove the impact of the various provider reimbursement changes that have impacted the cost of the program. These adjustments are made for all items that have materially impacted historical costs and have distorted the trend from one time period to the next. For example, the September 1, 2013 transition of children's hospital reimbursement from a percentage of billed charges to a DRG basis resulted in an increase in the average cost of inpatient services. As a result, the FY2014 observed trends are adjusted to remove the impact of the increased cost associated with these services to ensure the average cost during FY2013 and FY2014 are based on comparable services and reimbursement levels and the underlying trend is calculated.

The FY2017 trend assumption was developed from two components: (i) the observed trend for the period September 2016 through January 2017 and (ii) the projected trend for the period February 2017 through August 2017. The trend for the final seven months of FY2017 were projected using experience from FY2014, FY2015, FY2016 and 9/2016-1/2017. The weighting of each time period was based on the number of months within each time period.

The FY2018 trend assumption was then developed from a simple average of the FY2014 trend, FY2015 trend, FY2016 trend and FY2017 trend.

Although the medical trends were reviewed by component – professional, outpatient, inpatient, etc., a single trend assumption was selected and applied in aggregate. The MCO is paid a single capitation rate that does not vary by medical component. Splitting the analysis into separate

components (inpatient, physician, etc...) does not add any additional accuracy to the analysis but could increase the probability of distortions in the projection due to reporting differences among fiscal years, small sample sizes in a given category of service, or variations in the trend projections that could emerge for a category. There is significant interaction amongst all categories of service as MCOs may shift cost away from inpatient toward outpatient and looking at an individual category in isolation could lead to overgeneralizations. The aggregate analysis performed takes into consideration all service categories and their interactions with one another without sacrificing accuracy.

Use of the aggregate trend captures all interactions between categories of service, including the ongoing shifts that occur, and is reflective of the expected level of cost trend in future periods.

Prescription Drug

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2016) claims cost to the rating period (FY2018). The trend rate assumption was developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The STAR Health trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of managed care utilization and cost experience data paid through March 31, 2017. Utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by program, risk group and drug type (brand, generic and specialty) through February 2017. From this experience, the average annual utilization and cost per service were determined for each of the five 12-month periods ending February 2017.

Only those drugs covered under the capitated arrangement are included in the trend analysis. Anti-viral agents used for the treatment of Hepatitis C virus and the drug Orkambi are not included in the analysis as those drugs are carved out of the managed care contract. In addition, experience for the drugs Tamiflu and Makena were removed from our trend analysis. Tamiflu was removed due to the significant variation in the intensity of flu season from year to year. Makena was removed due to its one-time distortion of pharmacy trends for pregnant women. Please note that while excluded from the pharmacy trend analysis, the historical claims for Tamiflu and Makena were included in the base period experience used in developing the pharmacy component of the rate.

The STAR Health trend assumption for the remainder of FY2017 and all of FY2018 was developed using the following formula. The utilization and cost per service trend assumptions were set equal to one-sixth of the experience trend rate for the 12-month period ending February 2015 plus two-sixths of the experience trend rate for the 12-month period ending February 2016 plus three-sixths of the experience trend rate for the 12-month period ending February 2017. The final cost trend assumption was then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2017 and combining the results into a single trend assumption.

Exhibit B is a summary of the pharmacy trend analysis for STAR Health. Please note that the MCOs were provided a detailed trend analysis file which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the trend assumptions.

FY2018 STAR Health Rating Analysis

Trend Development - Medical

Historical Average Trend (1)	Professional	Outpatient - ER	Outpatient - Non ER	Inpatient	Behavioral Health		Vision	Other	Total
					Non Inpatient	Inpatient			
FY2014	-4.6%	4.1%	14.5%	17.5%	5.7%	14.4%	43.7%	-11.2%	0.5%
FY2015	-1.3%	5.5%	-3.6%	-15.3%	6.5%	-3.2%	0.4%	1.4%	-0.8%
FY2016	8.7%	10.6%	0.2%	21.9%	-0.5%	3.1%	0.7%	3.2%	5.1%
9/2016-1/2017	9.0%	14.1%	-1.2%	-16.5%	0.0%	-3.5%	6.2%	1.1%	-0.9%

Trend Assumption

9/2016-1/2017									-0.9%
2/2017-8/2017 (2)									1.3%
FY2017 (3)									0.4%
FY2018 (4)									1.3%

Footnotes:

- (1) Trends have been adjusted to remove the impact of policy and reimbursement changes.
- (2) Average trend during FY2014, FY2015, FY2016 and first five months of FY2017.
- (3) Average of actual 9/2016-1/2017 and assumed 2/2017-8/2017.
- (4) Average trend during FY2014-FY2017.

FY2018 Prescription Drug Rating Analysis
 STAR Health Pharmacy Trends

Total

Annual Trend in Number of Scripts per Member per Month

Brand Drugs

3/2013-2/2014	-17.2 %
3/2014-2/2015	-15.6 %
3/2015-2/2016	-11.5 %
3/2016-2/2017	-12.7 %
Use	-12.8 %

Generic Drugs

3/2013-2/2014	2.7 %
3/2014-2/2015	-0.1 %
3/2015-2/2016	-0.2 %
3/2016-2/2017	-0.1 %
Use	-0.1 %

Specialty Drugs

3/2013-2/2014	-6.0 %
3/2014-2/2015	-8.1 %
3/2015-2/2016	-8.2 %
3/2016-2/2017	-5.2 %
Use	-6.7 %

All Drugs

3/2013-2/2014	-3.8 %
3/2014-2/2015	-4.5 %
3/2015-2/2016	-3.0 %
3/2016-2/2017	-3.0 %
Use	-2.7 %

Annual Trend in Days Supply per Member per Month

Brand Drugs

3/2013-2/2014	-17.2 %
3/2014-2/2015	-15.8 %
3/2015-2/2016	-12.8 %
3/2016-2/2017	-14.1 %
Use	-13.9 %

Generic Drugs

3/2013-2/2014	5.2 %
3/2014-2/2015	-0.7 %
3/2015-2/2016	1.6 %
3/2016-2/2017	-0.2 %
Use	0.3 %

FY2018 Prescription Drug Rating Analysis
 STAR Health Pharmacy Trends

	<u>Total</u>
Specialty Drugs	
3/2013-2/2014	-5.8 %
3/2014-2/2015	-8.1 %
3/2015-2/2016	-9.0 %
3/2016-2/2017	-5.6 %
Use	-7.1 %
All Drugs	
3/2013-2/2014	-3.0 %
3/2014-2/2015	-5.4 %
3/2015-2/2016	-2.5 %
3/2016-2/2017	-3.7 %
Use	-2.8 %

Annual Trend in Incurred Claims per Days Supply

Brand Drugs	
3/2013-2/2014	11.1 %
3/2014-2/2015	16.8 %
3/2015-2/2016	16.1 %
3/2016-2/2017	10.2 %
Use	13.3 %
Generic Drugs	
3/2013-2/2014	-21.3 %
3/2014-2/2015	6.5 %
3/2015-2/2016	-0.6 %
3/2016-2/2017	-9.6 %
Use	-3.9 %
Specialty Drugs	
3/2013-2/2014	2.2 %
3/2014-2/2015	3.4 %
3/2015-2/2016	9.9 %
3/2016-2/2017	49.3 %
Use	28.5 %
All Drugs	
3/2013-2/2014	-6.6 %
3/2014-2/2015	5.0 %
3/2015-2/2016	3.7 %
3/2016-2/2017	2.5 %
Use	3.7 %

FY2018 Prescription Drug Rating Analysis
 STAR Health Pharmacy Trends

Total

Annual Trend in Incurred Claims per Member per Month

Brand Drugs

3/2013-2/2014	-8.1 %
3/2014-2/2015	-1.6 %
3/2015-2/2016	1.3 %
3/2016-2/2017	-5.3 %
Use	-2.4 %

Generic Drugs

3/2013-2/2014	-17.2 %
3/2014-2/2015	5.7 %
3/2015-2/2016	1.0 %
3/2016-2/2017	-9.8 %
Use	-3.6 %

Specialty Drugs

3/2013-2/2014	-3.8 %
3/2014-2/2015	-4.9 %
3/2015-2/2016	0.0 %
3/2016-2/2017	41.0 %
Use	19.4 %

All Drugs

3/2013-2/2014	-9.4 %
3/2014-2/2015	-0.7 %
3/2015-2/2016	1.1 %
3/2016-2/2017	-1.2 %

Use	0.8 %
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Generic Dispensing Rate (Days Supply)

3/2013-2/2014	67.7 %
3/2014-2/2015	71.0 %
3/2015-2/2016	74.0 %
3/2016-2/2017	76.6 %
FY2018	80.3 %

Attachment 4

Provider Reimbursement Adjustments

This attachment presents information regarding rating adjustments for the various provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting and before the end of FY2018.

The benefit and provider reimbursement changes recognized in the FY2018 rate setting are listed below. The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement bases and the resulting impact determined. The attached exhibit presents a summary of the derivation of the adjustment factors.

- Beginning May 1, 2013 HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Readmissions (PPR). The reimbursement reductions amount to 1-2% depending on a hospital's performance during the evaluation time period and can change from one fiscal year to the next. A new PPR reduction list will become effective September 1, 2017. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2016 net of those reductions that will be in place during FY2018.
- Beginning March 1, 2014 HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Complications (PPC). The reimbursement reductions amount to 2-2.5% depending on a hospital's performance during the evaluation time period and can change from one fiscal year to the next. A new PPC reduction list will become effective September 1, 2017. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2016 net of those reductions that will be in place during FY2018.
- Several hospitals have had their inpatient Standard Dollar Amount (SDA) revised as a result of annual reevaluations.
- Effective December 15, 2016 HHSC made revisions to the reimbursement for certain speech, physical and occupational therapy services. Further revisions will be effective September 1, 2017.
- Effective December 1, 2017 HHSC will make revisions to the therapy policies which will impact the reimbursement for therapy services provided by an assistant. Therapy assistant services will be reimbursed at a rate that is 85% of the therapy fee schedule.
- Effective February 1, 2017 HHSC revised the fee schedule for diagnostic radiology services, which includes hospital outpatient diagnostic radiology services. Fee schedule changes varied for professional, urban hospitals and rural hospitals.

- Effective October 1, 2016 HHSC implemented reimbursement changes for various procedure codes associated with labor and delivery surgery.
- Effective November 1, 2016 STAR Health members who are eligible for the Medically Dependent Children Program (MDCP) had their MDCP services carved into STAR Health. Prior to November 1, 2016 these members were receiving their acute care services through STAR Health and their MDCP waiver services through The Department of Aging and Disability Services (DADS).
- Effective November 1, 2016 STAR Health members who receive hospice care are no longer disenrolled from the program. The hospice services for these members continue to be carved out and paid through the fee-for-service program; however, all other acute care received will be carved in.
- Invalid clinician administered drugs have been removed from the base period. HHSC has provided guidance to the MCOs which specifies the reporting requirements for a CAD to be considered a valid claim.
- Effective September 1, 2017 FQHC wrap payments will be carved out of managed care. HHSC is developing policy language to ensure that FQHCs are reimbursed their full encounter rate; however, the MCO will only be responsible for reimbursing the FQHC an amount no less than the rate paid to non-FQHC providers providing similar services.

The attached exhibit presents a summary of the rating adjustment factors. With the exception of MDCP, hospice and FQHC, all adjustment factors were calculated by repricing the FY2016 base period encounter data with both the old and new reimbursement terms and comparing the relative difference.

The MDCP and hospice adjustment factors were calculated by accumulating the services previously carved out and paid under the FFS program. These applicable claims were collected by compiling a list of STAR Health members who were eligible for MDCP waiver services or were disenrolled from the program as a result of receiving hospice. Using these member IDs, all claims previously carved out and paid through FFS were collected from the internal HHSC data warehouse.

The FQHC adjustment was calculated by repricing all FQHC claims to the corresponding fee-for-service equivalent using the Medicaid fee schedule by procedure code. The difference between the full encounter rate and the fee-for-service equivalent is assumed to be the wrap payment which will be carved out and paid outside the monthly capitation rate based on HHSC-approved methodology.

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

FY2018 STAR Health Rating Analysis
 Provider Reimbursement Adjustments
 Estimates Based on FY2016 STAR Health Encounter Data

Provider Reimbursement Adjustment Factor

Therapy Reimbursement Reduction	-1,721,601
Therapy Policy Reduction	-396,394
Radiology Reimbursement Reduction	-260,986
Labor & Delivery Reimbursement Revisions	256
Removal of Invalid CAD	-19,683
Carve In MDCP Services	792,346
Carve In Hospice Members	2,579,983
Remove FQHC Wrap Payment	-1,855,337
Total Provider Reimbursement Changes	-881,416
FY2016 Total Claims	233,172,827
Provider Reimbursement Adjustment	-0.38 %

Hospital Adjustment Factor

Standard Dollar Amount Changes	-17,586
PPR Reduction/Restoration	-98,926
PPC Reduction/Restoration	123,528
Total Hospital Reimbursement Changes	7,016
FY2016 Total Claims	233,172,827
Hospital Reimbursement Adjustment	0.00 %

Attachment 5

Community First Choice (CFC)

As a result of CFC, Texas is eligible for an enhanced federal match rate on all CFC eligible services. The calculation of the CFC portion of the rate is based on an estimation of the CFC eligible services included in the STAR Health premium rate.

Certain services such as personal care services are currently provided under the STAR Health program and are currently included in the STAR Health premium rate. These services are now eligible for the enhanced federal match rate and must be identified. This calculation involved the following steps:

- a. Determine the percentage of all claim payments which are associated with the personal care services now eligible for the enhanced CFC match.
- b. Determine the percentage of individuals receiving personal care services eligible for the enhanced CFC match. There is limited information regarding the number of STAR Health members that are eligible for CFC services. This estimated percentage is based on information from the Department of Aging and Disability Services (DADS) and represents the percentage of recipients receiving personal care services through DADS who are eligible for CFC.
- c. The CFC eligible services included in the STAR Health premium rate are then determined as the current premium rate multiplied by the percentage of total claims provided for personal care services multiplied by the percentage of members eligible for CFC.

Based on this calculation, the projected CFC portion of the total premium rate which is eligible for the enhanced federal match is \$4.22 per member per month.

FY2018 STAR Health Rating Analysis
CFC Enhanced Match Calculation

FY2016 Personal Care Services	4,149,038
FY2016 Total Claims	233,172,827
PCS % of Total	1.8%
% Eligible (1)	30.0%
CFC % of Total Premium (2)	0.53%
FY2018 Premium Rate	791.04
CFC Portion of Premium Rate	4.22

Footnotes:

(1) Projected percentage of total STAR Health population eligible for CFC.

(2) PCS % of Total Claims multiplied by % Eligible.

Attachment 6

FY2018 STAR Health Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2017-2018 Medicaid Managed Care Rate Development Guide, dated April 2017.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

- i. Rates are for the period September 1, 2017 through August 31, 2018 (FY2018).
- ii.
 - (a) The certification letter is on page 11 of the report.
 - (b) The final capitation rates are shown on page 10 of the report.
 - (c) Not applicable.
 - (d)
 - (i) See pages 1 and 4 through 5 of the report.
 - (ii) See page 1 of the report.
 - (iii) See page 1 of the report.
 - (iv) Not applicable. There have been no changes to the eligibility or enrolment criteria that will impact the rate development.
 - (v) Not applicable. There are no special contract provisions related to payment within the STAR Health program.
 - (vi) Not applicable.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Acknowledged.
- vi. Acknowledged.
- vii. Acknowledged.

- viii. Acknowledged.
- B. Appropriate Documentation
 - i. Acknowledged.
 - ii. Acknowledged.
 - iii. See pages 38 through 39 of the report.
 - iv. Not applicable.
 - v. Not applicable.

2. Data

- A. Rate Development Standards
 - i. (a) Acknowledged.
(b) Acknowledged.
(c) Acknowledged.
(d) Not applicable.
- B. Appropriate Documentation
 - i. (a) See pages 1 through 3 of the report.
 - ii. (a) See pages 1 through 3 of the report.
(b) See pages 2 through 3 of the report.
(c) See pages 2 through 3 of the report.
(d) Not applicable.
 - iii. (a) Base period data is fully credible.
(b) See page 4 of the report.
(c) No errors found in the data.

(d) See pages 35 through 37 of the report.

(e) Value added services and non-capitated services have been excluded from the analysis.

3. Projected benefit Costs and Trends

A. Rate Development Standards

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Not applicable. STAR Health eligibility ends at age 21 and therefore the IMD regulation does not impact this population.
- vi. Not applicable. STAR Health eligibility ends at age 21.

B. Appropriate Documentation

- i. See pages 13 through 15 of the report.
- ii. See pages 13 through 15 of the report. There have been no significant changes in the development of the benefit cost since the last certification.
- iii.
 - (a) See pages 28 through 34 of the report.
 - (b) See pages 28 through 34 of the report.
 - (c) See pages 28 through 34 of the report.
 - (d) See pages 28 through 34 of the report.
 - (e) Not applicable.
- iv. Not applicable.
- v. The STAR Health program stipulates the following two provisions related to in lieu of services:

- The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
- The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.

The cost for in lieu of services are not tracked from other services and are included in the rate development and are not treated differently than any other category of service.

- vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid eligible during a prior period. If the individual was eligible for and enrolled in Medicaid managed care during the prior six months, then the individual is retrospectively enrolled in the same managed care plan as their prior enrollment segment. The managed care plan is then retrospectively responsible for all Medicaid expenses incurred during this retrospective period and is also paid a retrospective premium for this time period.
- (b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the FY2018 premium rate.
- (c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2018 premium rate.
- (d) No adjustments are necessary to account for retroactive enrollment periods because the enrollment criteria has not changed from the base period to the rating period. All retroactive enrollment and claims information has been included in the base period data, the trend calculations and all other adjustment factors.

vii. See pages 35 through 37 of the report.

viii. See pages 35 through 37 of the report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

B. Withhold Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

C. Risk-Sharing Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

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

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

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

E. Pass-Through Payments

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Acknowledged.

v. Acknowledged.

B. Appropriate Documentation

i. See page 9 of the report.

ii. See page 9 of the report.

iii. See page 9 of the report.

6. Risk Adjustment and Acuity Adjustments

A. Rate Development Standards

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.

B. Appropriate Documentation

- i. Not applicable, risk adjustment is not applied to the STAR Health rate development.
- ii. Not applicable, risk adjustment is not applied to the STAR Health rate development.
- iii. Not applicable, risk adjustment is not applied to the STAR Health rate development.
- iv. Not applicable, risk adjustment is not applied to the STAR Health rate development.