

**STATE OF TEXAS
MEDICAID AND CHIP
MANAGED CARE
DENTAL RATE SETTING
FY2018**

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Texas Health and Human Services Commission
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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, 2017 through August 31, 2018 (FY2018) for the Dental Health Managed Organizations (DHMOs) participating in the Texas Medicaid and CHIP Dental programs. This report presents the rating methodology and assumptions used in developing the FY2018 Medicaid and CHIP 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 Medicaid managed care rating process since its inception in 1993 and in developing premium rates for CHIP plans since that program's inception in 2000. We have worked closely with HHSC's staff in developing the premium rates documented in this report.

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

- Monthly enrollment by age group for each dental plan. This includes historical enrollment since March 2012 and a projection of future enrollment through August 2018. 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 2017. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan. These reports were provided by HHSC.
- Claim lag reports by type of service and by age group for each dental plan for the period September 2013 through February 2017. These reports were provided by the dental plans and include monthly paid claims by month of service.
- Reports from the EQRO summarizing their analysis of the DHMO's encounter claims data.
- DHMO's detailed encounter claims data for the FY2016 period provided by the EQRO.
- Information provided by HHSC regarding proposed FY2018 Medicaid reimbursement changes.

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the DHMOs, (ii) the claim amounts reported in the FSRs and (iii) the claim amounts in the encounter data files. The three data sources are compared to ensure consistent results such that the three are considered interchangeable in aggregate. Although interchangeable in total, each data source has a unique role in the analysis. FSR data provides high level summary information of claims data, expenses and administrative costs. In some cases, this information is available at the risk group level while for others it is only provided at an aggregated level. DHMO summary reports provide HHSC-specified data points at a more granular level such as claim lag data by service. The detail encounter data provides claim data at

the most granular level including information for individual claims such as provider, procedure code, diagnostic information, etc. The use of these multiple data sources allows for a dynamic, flexible rating model that is not constrained to the data limitation of a single source.

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

In addition, HHSC employs the Institute for Child Health Policy (ICHP) as an External Quality Review Organization. ICHP reviews the encounter data and provides certification of the data quality. Below is an excerpt from the data certification report for the detail encounter period September 1, 2015 through August 31, 2016 (FY2016).

Medicaid Dental Certification

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

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

CHIP Dental Certification

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

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

Based on the review of the data by the EQRO, HHSC and Rudd and Wisdom, we have concluded that all data sources are consistent, complete and accurate. It is our opinion that the data collected for the rate development is high quality and we have no concerns over the availability or applicability to the 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 Medicaid and CHIP Dental programs, the rate development is based exclusively on managed care data.

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2018 (rating period) Medicaid and CHIP Dental Plan premium rates relies primarily on health plan financial experience. After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the health plans, (ii) the claim amounts included in the FSRs and (iii) the claim amounts in the encounter data files as provided by the EQRO. There was satisfactory consistency between the three claims data sources for each of the health plans.

The historical claims experience data for each dental plan was analyzed and estimates for the base period January 1, 2016 through December 31, 2016 were developed. These estimates were then projected forward to FY2018 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III. We added a reasonable provision for administrative expenses, taxes, and risk margin in order to project the total cost for the rating period. The results of this analysis were then combined for all dental plans in order to develop a set of statewide community rates that vary by the following age groups:

Medicaid Dental Program

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

CHIP Dental Program

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

Attachment 1 to this report provides a description of the calculation of the FY2018 Medicaid and CHIP Dental Plan premium rates. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 provides details regarding the calculation of the rate adjustment factors.

III. Adjustment Factors

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

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period claims cost to the rating period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience. Orthodontia claims experience were excluded from the Medicaid Dental trend analysis in order to not skew results due to Medicaid policy changes that resulted in large reductions to orthodontia claims experience. A single trend assumption was used for all age groups in order to reduce fluctuation from year to year and to increase credibility. The annual trend assumption used in the rating analysis for all dental services was 1.76% for Medicaid Dental and 4.89% for CHIP Dental.

Attachment 3 – Exhibit A provides details regarding the calculation of the trend assumptions.

Removal of FQHC Wrap Payment

Effective September 1, 2017 the wrap portion of dental claims at a Federal Qualified Health Center (FQHC) will be carved out of managed care and paid through fee-for-service for the Medicaid Dental program. Attachment 3 Exhibit B provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid Dental program.

Pay-for-Quality

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

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

Attachment 4 provides more details on the Dental P4Q Program.

IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$1.75 pmpm. This amount is intended to provide for all administrative-related services performed by the DHMO. The 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 (\$0.019 pmpm) and a risk margin (1.50% of premium).

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC has developed a procedure for reimbursing the DHMOs 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 FY2018 Medicaid and CHIP Dental Plan premium rates pmpm. Attachment 1 presents the derivation of the premium rates.

Program	Age <1	Age 1-5	Age 6-14	Age 15-18	Age 19-20
CHIP	2.88	18.45	27.04	25.40	
Medicaid	12.40	33.17	37.50	37.29	27.35

Attachment 1 presents a description of the calculation of the FY2018 Medicaid and CHIP Dental Plan premium rates.

Attachment 5 presents the required rating index summarizing the applicable sections from the 2017-2018 Medicaid Managed Care Rate Development Guide.

VI. Actuarial Certification of FY2018 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.

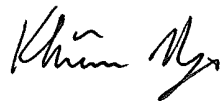
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid Dental Plan premium rates for state fiscal year 2018 (FY2018) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

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



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

VII. Attachments

Attachment 1 - Summary of FY2018 Medicaid and CHIP Dental Rating Analysis

Attachment 2 - Medicaid and CHIP Dental Incurred Claims Experience

Attachment 3 - Dental Rating Adjustment Factors

Attachment 4 - Dental Pay-for-Quality (P4Q) Program

Attachment 5 - Index for 2017-2018 Medicaid Managed Care Rate Development Guide

Attachment 1

Summary of FY2018 Medicaid and CHIP Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2018 Medicaid and CHIP Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2018 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 (1.50% of gross premium), premium tax (1.75%) and maintenance tax (\$.019 pmpm).

The bottom of the exhibit presents the projected FY2018 cost based on the above assumptions.

	<1		1-5		6-14		15-18		19-20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2016 Experience Period												
Member Months	2,285,834		10,426,611		16,843,388		5,276,225		491,530		35,323,589	
Estimated CY2016 Incurred Claims												
Non Ortho - Diagnostic	22,270,552	9.74	126,658,809	12.15	139,215,282	8.27	37,856,624	7.17	2,021,929	4.11	328,023,197	9.29
Non Ortho - Preventive	441,028	0.19	46,001,943	4.41	155,625,651	9.24	35,794,561	6.78	1,727,786	3.52	239,590,969	6.78
Non Ortho - Restorative	12,524	0.01	106,245,318	10.19	219,780,336	13.05	71,605,439	13.57	5,384,324	10.95	403,027,941	11.41
Non Ortho - Other	-283	0.00	28,290,834	2.71	49,152,693	2.92	29,337,121	5.56	2,440,333	4.96	109,220,698	3.09
Orthodontic	0	0.00	5,638	0.00	1,090,296	0.06	1,301,733	0.25	222,852	0.45	2,620,519	0.07
Total	22,723,822	9.94	307,202,541	29.46	564,864,257	33.54	175,895,478	33.34	11,797,225	24.00	1,082,483,323	30.64
Projected FY2018												
Member Months	2,361,178		10,660,645		17,273,274		5,369,775		487,865		36,152,738	
Premiums at Current Rates	27,602,174	11.69	371,310,282	34.83	667,784,770	38.66	205,125,398	38.20	13,772,431	28.23	1,285,595,055	35.56
Annual Cost Trend Assumptions												
Non Orthodontia	1.76 %		1.76 %		1.76 %		1.76 %		1.76 %		1.76 %	
Orthodontia	1.76 %		1.76 %		1.76 %		1.76 %		1.76 %		1.76 %	
Non Orthodontia Adjustment Factors												
FQHC Wrap Adjustment	0.9996		0.9997		0.9996		0.9997		0.9993			
Projected FY2018 Incurred Claims												
Non Orthodontia	24,155,729	10.23	323,262,513	30.32	594,983,556	34.45	182,877,223	34.06	11,818,739	24.23	1,137,097,760	31.45
Orthodontia	0	0.00	5,934	0.00	1,151,113	0.07	1,363,902	0.25	227,717	0.47	2,748,666	0.08
Total	24,155,729	10.23	323,268,447	30.32	596,134,670	34.51	184,241,125	34.31	12,046,455	24.69	1,139,846,426	31.53
Administrative Fee	4,132,062	1.75	18,656,130	1.75	30,228,229	1.75	9,397,106	1.75	853,764	1.75	63,267,291	1.75
Risk Margin	439,272	1.50%	5,304,324	1.50%	9,716,186	1.50%	3,003,739	1.50%	200,148	1.50%	18,663,669	1.50%
Premium Tax	512,484	1.75%	6,188,378	1.75%	11,335,550	1.75%	3,504,362	1.75%	233,506	1.75%	21,774,280	1.75%
Maintenance Tax	45,256	0.019	204,329	0.019	331,071	0.019	102,921	0.019	9,351	0.019	692,927	0.019
Projected Total Cost	29,284,803	12.40	353,621,608	33.17	647,745,705	37.50	200,249,252	37.29	13,343,225	27.35	1,244,244,593	34.42
Rate Change %		6.1%		-4.8%		-3.0%		-2.4%		-3.1%		-3.2%

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2016 Experience Period										
Member Months	2,103		1,009,856		2,531,251		892,643		4,435,853	
Estimated CY2016 Incurred Claims										
Non Ortho - Diagnostic	1,008	0.48	5,387,153	5.33	19,140,759	7.56	5,800,266	6.50	30,329,186	6.84
Non Ortho - Preventive	961	0.46	4,771,941	4.73	18,588,807	7.34	5,436,436	6.09	28,798,145	6.49
Non Ortho - Restorative	0	0.00	4,237,014	4.20	16,889,315	6.67	5,731,917	6.42	26,858,247	6.05
Non Ortho - Other	0	0.00	605,562	0.60	2,386,580	0.94	1,799,638	2.02	4,791,780	1.08
Orthodontic	0	0.00	0	0.00	15,251	0.01	35,405	0.04	50,656	0.01
Total	1,969	0.94	15,001,671	14.86	57,020,712	22.53	18,803,662	21.07	90,828,014	20.48
Projected FY2018										
Member Months	1,860		1,110,156		2,710,008		958,368		4,780,392	
Premiums at Current Rates	5,896	3.17	21,292,792	19.18	75,961,524	28.03	24,620,474	25.69	121,880,686	25.50
Annual Cost Trend Assumptions										
Non Orthodontia	4.89 %		4.89 %		4.89 %		4.89 %			
Orthodontia	4.89 %		4.89 %		4.89 %		4.89 %			
Non Orthodontia Adjustment Factors										
Adjustment #1	1.0000		1.0000		1.0000		1.0000			
Projected FY2018 Incurred Claims										
Non Orthodontia	1,886	1.01	17,857,514	16.09	66,085,873	24.39	21,819,020	22.77	105,764,293	22.12
Orthodontia	0	0.00	0	0.00	17,681	0.01	41,160	0.04	58,841	0.01
Total	1,886	1.01	17,857,514	16.09	66,103,554	24.39	21,860,180	22.81	105,823,134	22.14
Administrative Fee	3,255	1.75	1,942,773	1.75	4,742,514	1.75	1,677,144	1.75	8,365,686	1.75
Risk Margin	80	1.50%	307,311	1.50%	1,099,194	1.50%	365,205	1.50%	1,771,790	1.50%
Premium Tax	94	1.75%	358,530	1.75%	1,282,393	1.75%	426,072	1.75%	2,067,088	1.75%
Maintenance Tax	36	0.019	21,278	0.019	51,942	0.019	18,369	0.019	91,624	0.019
Projected Total Cost	5,350	2.88	20,487,405	18.45	73,279,597	27.04	24,346,969	25.40	118,119,322	24.71
Rate Change %		-9.3%		-3.8%		-3.5%		-1.1%		-3.1%

Attachment 2

Medicaid and CHIP Dental Incurred Claims Experience

The attached exhibit presents a summary of the historical incurred claims experience used in the rate setting analysis for Medicaid and CHIP Dental. For each month, the exhibit shows enrollment, claims incurred during the month and paid through February 28, 2017 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.

Exhibit A presents the Medicaid Dental claims experience and Exhibit B presents the CHIP Dental claims experience.

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

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-13	2,473,649	65,557,445	1.000	65,557,445	26.50	
Oct-13	2,447,873	75,937,085	1.000	75,937,085	31.02	
Nov-13	2,473,152	64,583,743	1.000	64,583,743	26.11	
Dec-13	2,473,231	57,818,543	1.000	57,818,543	23.38	
Jan-14	2,398,845	74,489,048	1.000	74,489,048	31.05	
Feb-14	2,408,911	67,461,930	1.000	67,461,930	28.01	
Mar-14	2,413,060	75,786,894	1.000	75,786,894	31.41	
Apr-14	2,501,692	76,219,314	1.000	76,219,314	30.47	
May-14	2,537,835	73,008,713	1.000	73,008,713	28.77	
Jun-14	2,598,407	75,552,771	1.000	75,552,771	29.08	
Jul-14	2,719,683	92,473,563	1.000	92,473,563	34.00	
Aug-14	2,790,850	97,066,769	1.000	97,066,769	34.78	
Sep-14	2,866,260	82,392,367	1.000	82,392,367	28.75	1.085
Oct-14	2,915,765	90,936,631	1.000	90,936,631	31.19	1.005
Nov-14	2,939,555	75,626,441	1.000	75,626,441	25.73	0.985
Dec-14	2,975,902	78,323,900	1.000	78,323,900	26.32	1.126
Jan-15	2,961,066	88,855,967	1.000	88,855,967	30.01	0.966
Feb-15	2,937,552	80,437,755	1.000	80,437,755	27.38	0.978
Mar-15	2,922,091	95,263,902	1.000	95,263,902	32.60	1.038
Apr-15	2,911,139	91,086,159	1.000	91,086,159	31.29	1.027
May-15	2,904,987	81,545,107	1.000	81,545,107	28.07	0.976
Jun-15	2,897,627	91,823,013	1.000	91,823,013	31.69	1.090
Jul-15	2,896,532	99,409,674	1.000	99,409,674	34.32	1.009
Aug-15	2,899,861	102,053,359	1.000	102,053,359	35.19	1.012
Sep-15	2,917,789	87,150,825	1.000	87,150,825	29.87	1.039
Oct-15	2,931,700	92,897,439	1.000	92,897,439	31.69	1.016
Nov-15	2,942,787	81,006,466	1.000	81,006,466	27.53	1.070
Dec-15	2,952,384	83,867,192	1.000	83,867,192	28.41	1.079
Jan-16	2,943,789	88,584,173	1.000	88,585,450	30.09	1.003
Feb-16	2,934,949	90,477,126	1.000	90,479,968	30.83	1.126
Mar-16	2,931,425	98,352,583	1.000	98,358,111	33.55	1.029
Apr-16	2,918,874	88,226,270	1.000	88,234,648	30.23	0.966
May-16	2,923,446	81,955,677	1.000	81,965,996	28.04	0.999
Jun-16	2,939,799	94,592,171	1.000	94,608,843	32.18	1.016
Jul-16	2,935,496	89,826,239	1.000	89,856,501	30.61	0.892
Aug-16	2,931,210	105,363,158	0.999	105,428,031	35.97	1.022
Sep-16	2,950,967	84,418,575	0.999	84,540,460	28.65	0.959
Oct-16	2,956,902	88,434,890	0.997	88,692,093	29.99	0.947
Nov-16	2,975,102	85,292,162	0.994	85,819,753	28.85	1.048
Dec-16	2,981,630	81,704,832	0.981	83,292,949	27.94	0.983
FY2014	30,237,188			895,955,819	29.63	
FY2015	35,028,337			1,057,754,274	30.20	1.019
FY2016	35,203,648			1,082,439,471	30.75	1.018
CY2016	35,323,589			1,079,862,804	30.57	

Medicaid Dental Plan
 Estimated Claims Experience
 All Age Groups
 Orthodontia Services

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-13	2,473,649	1,897,444	1.000	1,897,444	0.77	
Oct-13	2,447,873	1,997,189	1.000	1,997,189	0.82	
Nov-13	2,473,152	1,636,473	1.000	1,636,473	0.66	
Dec-13	2,473,231	1,400,602	1.000	1,400,602	0.57	
Jan-14	2,398,845	1,732,594	1.000	1,732,594	0.72	
Feb-14	2,408,911	1,463,881	1.000	1,463,881	0.61	
Mar-14	2,413,060	1,394,925	1.000	1,394,925	0.58	
Apr-14	2,501,692	1,249,479	1.000	1,249,479	0.50	
May-14	2,537,835	1,172,762	1.000	1,172,762	0.46	
Jun-14	2,598,407	1,050,803	1.000	1,050,803	0.40	
Jul-14	2,719,683	1,015,834	1.000	1,015,834	0.37	
Aug-14	2,790,850	864,126	1.000	864,126	0.31	
Sep-14	2,866,260	715,004	1.000	715,004	0.25	0.325
Oct-14	2,915,765	731,668	1.000	731,668	0.25	0.308
Nov-14	2,939,555	583,965	1.000	583,965	0.20	0.300
Dec-14	2,975,902	563,078	1.000	563,078	0.19	0.334
Jan-15	2,961,066	628,262	1.000	628,262	0.21	0.294
Feb-15	2,937,552	515,218	1.000	515,218	0.18	0.289
Mar-15	2,922,091	484,535	1.000	484,535	0.17	0.287
Apr-15	2,911,139	483,953	1.000	483,953	0.17	0.333
May-15	2,904,987	428,940	1.000	428,940	0.15	0.320
Jun-15	2,897,627	421,860	1.000	421,860	0.15	0.360
Jul-15	2,896,532	381,669	1.000	381,669	0.13	0.353
Aug-15	2,899,861	367,381	1.000	367,381	0.13	0.409
Sep-15	2,917,789	340,863	1.000	340,863	0.12	0.468
Oct-15	2,931,700	358,219	1.000	358,219	0.12	0.487
Nov-15	2,942,787	282,802	1.000	282,810	0.10	0.484
Dec-15	2,952,384	281,148	1.000	281,156	0.10	0.503
Jan-16	2,943,789	266,372	1.000	266,390	0.09	0.426
Feb-16	2,934,949	250,314	1.000	250,336	0.09	0.486
Mar-16	2,931,425	272,450	1.000	272,491	0.09	0.561
Apr-16	2,918,874	246,334	1.000	246,398	0.08	0.508
May-16	2,923,446	219,828	1.000	219,888	0.08	0.509
Jun-16	2,939,799	211,590	1.000	211,653	0.07	0.495
Jul-16	2,935,496	203,207	1.000	203,308	0.07	0.526
Aug-16	2,931,210	212,219	0.999	212,440	0.07	0.572
Sep-16	2,950,967	205,636	0.998	206,103	0.07	0.598
Oct-16	2,956,902	191,940	0.994	193,179	0.07	0.535
Nov-16	2,975,102	174,428	0.987	176,683	0.06	0.618
Dec-16	2,981,630	154,909	0.958	161,651	0.05	0.569
FY2014	30,237,188			16,876,111	0.56	
FY2015	35,028,337			6,305,533	0.18	0.323
FY2016	35,203,648			3,145,950	0.09	0.496
CY2016	35,323,589			2,620,519	0.07	

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

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-13	2,473,649	67,454,889	1.000	67,454,889	27.27	
Oct-13	2,447,873	77,934,274	1.000	77,934,274	31.84	
Nov-13	2,473,152	66,220,216	1.000	66,220,216	26.78	
Dec-13	2,473,231	59,219,145	1.000	59,219,145	23.94	
Jan-14	2,398,845	76,221,643	1.000	76,221,643	31.77	
Feb-14	2,408,911	68,925,811	1.000	68,925,811	28.61	
Mar-14	2,413,060	77,181,819	1.000	77,181,819	31.99	
Apr-14	2,501,692	77,468,792	1.000	77,468,792	30.97	
May-14	2,537,835	74,181,475	1.000	74,181,475	29.23	
Jun-14	2,598,407	76,603,575	1.000	76,603,575	29.48	
Jul-14	2,719,683	93,489,397	1.000	93,489,397	34.38	
Aug-14	2,790,850	97,930,896	1.000	97,930,896	35.09	
Sep-14	2,866,260	83,107,370	1.000	83,107,370	29.00	1.063
Oct-14	2,915,765	91,668,299	1.000	91,668,299	31.44	0.987
Nov-14	2,939,555	76,210,405	1.000	76,210,405	25.93	0.968
Dec-14	2,975,902	78,886,978	1.000	78,886,978	26.51	1.107
Jan-15	2,961,066	89,484,229	1.000	89,484,229	30.22	0.951
Feb-15	2,937,552	80,952,974	1.000	80,952,974	27.56	0.963
Mar-15	2,922,091	95,748,436	1.000	95,748,436	32.77	1.024
Apr-15	2,911,139	91,570,112	1.000	91,570,112	31.46	1.016
May-15	2,904,987	81,974,047	1.000	81,974,047	28.22	0.965
Jun-15	2,897,627	92,244,874	1.000	92,244,874	31.83	1.080
Jul-15	2,896,532	99,791,343	1.000	99,791,343	34.45	1.002
Aug-15	2,899,861	102,420,740	1.000	102,420,740	35.32	1.007
Sep-15	2,917,789	87,491,688	1.000	87,491,688	29.99	1.034
Oct-15	2,931,700	93,255,657	1.000	93,255,657	31.81	1.012
Nov-15	2,942,787	81,289,267	1.000	81,289,276	27.62	1.065
Dec-15	2,952,384	84,148,340	1.000	84,148,348	28.50	1.075
Jan-16	2,943,789	88,850,546	1.000	88,851,839	30.18	0.999
Feb-16	2,934,949	90,727,440	1.000	90,730,303	30.91	1.122
Mar-16	2,931,425	98,625,033	1.000	98,630,602	33.65	1.027
Apr-16	2,918,874	88,472,604	1.000	88,481,046	30.31	0.964
May-16	2,923,446	82,175,506	1.000	82,185,885	28.11	0.996
Jun-16	2,939,799	94,803,761	1.000	94,820,496	32.25	1.013
Jul-16	2,935,496	90,029,446	1.000	90,059,809	30.68	0.891
Aug-16	2,931,210	105,575,377	0.999	105,640,471	36.04	1.020
Sep-16	2,950,967	84,624,210	0.999	84,746,562	28.72	0.958
Oct-16	2,956,902	88,626,830	0.997	88,885,272	30.06	0.945
Nov-16	2,975,102	85,466,590	0.994	85,996,436	28.91	1.046
Dec-16	2,981,630	81,859,741	0.981	83,454,601	27.99	0.982
FY2014	30,237,188			912,831,930	30.19	
FY2015	35,028,337			1,064,059,807	30.38	1.006
FY2016	35,203,648			1,085,585,422	30.84	1.015
CY2016	35,323,589			1,082,483,323	30.64	

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

Month	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-13	605,177	9,156,555	1.000	9,156,555	15.13	
Oct-13	598,969	10,468,522	1.000	10,468,522	17.48	
Nov-13	581,071	9,326,620	1.000	9,326,620	16.05	
Dec-13	567,382	8,185,801	1.000	8,185,801	14.43	
Jan-14	567,992	10,604,904	1.000	10,604,904	18.67	
Feb-14	556,730	9,778,709	1.000	9,778,709	17.56	
Mar-14	524,080	11,479,841	1.000	11,479,841	21.90	
Apr-14	490,204	8,851,346	1.000	8,851,346	18.06	
May-14	480,793	8,253,612	1.000	8,253,612	17.17	
Jun-14	460,968	9,262,285	1.000	9,262,285	20.09	
Jul-14	430,613	10,053,105	1.000	10,053,105	23.35	
Aug-14	404,408	9,983,171	1.000	9,983,171	24.69	
Sep-14	376,240	6,257,873	1.000	6,257,873	16.63	1.099
Oct-14	356,981	6,529,409	1.000	6,529,409	18.29	1.047
Nov-14	342,768	5,625,689	1.000	5,625,689	16.41	1.023
Dec-14	335,020	5,712,653	1.000	5,712,653	17.05	1.182
Jan-15	328,724	6,323,691	1.000	6,323,691	19.24	1.030
Feb-15	324,086	5,733,573	1.000	5,733,573	17.69	1.007
Mar-15	331,315	7,556,784	1.000	7,556,784	22.81	1.041
Apr-15	332,002	6,609,351	1.000	6,609,351	19.91	1.103
May-15	329,533	5,764,818	1.000	5,764,818	17.49	1.019
Jun-15	333,243	7,272,215	1.000	7,272,215	21.82	1.086
Jul-15	337,166	8,155,962	1.000	8,155,962	24.19	1.036
Aug-15	342,432	8,459,343	1.000	8,459,343	24.70	1.001
Sep-15	348,997	6,368,763	1.000	6,368,763	18.25	1.097
Oct-15	351,693	6,889,080	1.000	6,889,080	19.59	1.071
Nov-15	350,068	6,263,965	1.000	6,263,969	17.89	1.090
Dec-15	352,536	6,640,887	1.000	6,640,929	18.84	1.105
Jan-16	350,672	6,455,234	1.000	6,455,275	18.41	0.957
Feb-16	352,768	7,136,696	1.000	7,136,761	20.23	1.144
Mar-16	364,196	8,475,904	1.000	8,476,089	23.27	1.020
Apr-16	367,744	7,321,766	1.000	7,322,050	19.91	1.000
May-16	368,913	6,612,664	1.000	6,613,203	17.93	1.025
Jun-16	374,115	8,651,904	1.000	8,652,894	23.13	1.060
Jul-16	373,322	8,114,679	1.000	8,116,360	21.74	0.899
Aug-16	372,295	9,244,860	1.000	9,247,276	24.84	1.005
Sep-16	373,974	6,890,266	0.999	6,893,778	18.43	1.010
Oct-16	373,209	7,298,935	0.999	7,305,245	19.57	0.999
Nov-16	378,371	7,121,090	0.997	7,141,304	18.87	1.055
Dec-16	386,274	7,358,025	0.985	7,467,779	19.33	1.026
FY2014	6,268,387			115,404,471	18.41	
FY2015	4,069,510			80,001,359	19.66	1.068
FY2016	4,327,319			88,182,650	20.38	1.037
CY2016	4,435,853			90,828,014	20.48	

Attachment 3

Exhibit A –Trend Analysis

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

The trend analysis included a review of dental plan claims experience through February 28, 2017. Orthodontia claims experience were excluded from the Medicaid Dental trend analysis in order to not skew results due to Medicaid policy changes that resulted in large reductions to orthodontia claims experience. All historical trends were calculated as the average cost per member per month during a specified time period (quarterly) and compared to the same time period from the prior year.

The historical quarterly cost per member per month were calculated and adjusted for case-mix differences using members in CY2016Q4 as weights. The annual trend assumption was selected based on the simple average of the past twelve calendar quarter trends. Based on this, The annual trend assumption used in the rating analysis for all dental services was 1.76% for Medicaid Dental and 4.89% for CHIP Dental.

Exhibit B – Removal of FQHC Wrap Payment

Effective September 1, 2017 the wrap portion of dental claims at a Federally Qualified Health Center (FQHC) will be carved out of managed care and paid through fee-for-service for the Medicaid Dental program. The wrap portion of the dental claims were determined by repricing all dental claims at a FQHC. The wrap portion of a dental claim at a FQHC was then removed from the base period claims experience. Attachment 3 Exhibit B provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid Dental program.

Medicaid Dental FY2018 Rating
 Statewide Experience - Excludes Orthodontia Services
 Trend Analysis

Quarter	Member Months					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	522,972	2,489,330	3,267,505	939,218	121,652	7,340,677
CY2013Q2	553,813	2,501,581	3,318,825	956,165	124,376	7,454,760
CY2013Q3	506,297	2,467,287	3,311,070	953,276	124,204	7,362,134
CY2013Q4	540,855	2,438,932	3,332,580	958,323	123,566	7,394,256
CY2014Q1	516,799	2,361,249	3,283,031	944,069	115,668	7,220,816
CY2014Q2	566,233	2,409,041	3,514,020	1,027,754	120,886	7,637,934
CY2014Q3	571,504	2,580,201	3,923,573	1,171,146	130,369	8,376,793
CY2014Q4	570,135	2,672,491	4,190,821	1,267,479	130,296	8,831,222
CY2015Q1	563,835	2,634,825	4,211,478	1,287,490	123,081	8,820,709
CY2015Q2	581,200	2,591,151	4,143,411	1,275,552	122,439	8,713,753
CY2015Q3	568,227	2,590,348	4,149,406	1,278,605	127,596	8,714,182
CY2015Q4	564,300	2,611,411	4,224,475	1,301,970	124,715	8,826,871
CY2016Q1	568,658	2,597,880	4,216,405	1,307,178	120,042	8,810,163
CY2016Q2	582,462	2,591,585	4,179,835	1,307,423	120,814	8,782,119
CY2016Q3	569,988	2,610,926	4,192,308	1,319,012	125,440	8,817,673
CY2016Q4	564,727	2,626,220	4,254,840	1,342,612	125,235	8,913,634

Quarter	Estimated Incurred Claims					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	4,246,758	73,240,878	107,807,730	29,321,240	3,025,992	217,642,598
CY2013Q2	4,651,771	73,177,750	99,397,396	26,669,460	3,099,839	206,996,215
CY2013Q3	4,809,956	76,452,845	114,492,515	30,909,098	3,096,031	229,760,445
CY2013Q4	4,048,526	67,303,357	97,159,390	26,988,737	3,010,889	198,510,898
CY2014Q1	4,265,594	71,413,193	109,550,797	29,939,497	2,757,094	217,926,177
CY2014Q2	4,587,916	73,315,738	112,234,605	31,796,580	3,040,353	224,975,193
CY2014Q3	4,976,044	81,289,239	141,434,381	41,326,870	3,141,336	272,167,871
CY2014Q4	4,306,653	73,850,127	126,048,029	38,036,924	2,857,022	245,098,755
CY2015Q1	4,716,617	77,279,377	138,341,324	41,637,001	2,812,099	264,786,418
CY2015Q2	5,397,287	79,560,363	135,955,814	40,846,265	2,923,255	264,682,984
CY2015Q3	5,640,343	82,917,355	151,414,882	45,744,887	3,145,991	288,863,457
CY2015Q4	4,938,948	74,643,808	134,692,705	40,887,758	2,830,803	257,994,022
CY2016Q1	5,557,508	79,680,883	145,214,799	44,302,362	2,907,897	277,663,450
CY2016Q2	5,841,930	76,219,726	137,788,138	42,275,595	2,913,111	265,038,500
CY2016Q3	6,101,802	78,625,973	146,594,362	45,721,405	3,023,448	280,066,990
CY2016Q4	5,200,410	73,306,410	134,253,394	42,500,260	2,767,275	258,027,750

Medicaid Dental FY2018 Rating
 Statewide Experience - Excludes Orthodontia Services
 Trend Analysis

Quarter	PMPM - Actual					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	8.12	29.42	32.99	31.22	24.87	29.65
CY2013Q2	8.40	29.25	29.95	27.89	24.92	27.77
CY2013Q3	9.50	30.99	34.58	32.42	24.93	31.21
CY2013Q4	7.49	27.60	29.15	28.16	24.37	26.85
CY2014Q1	8.25	30.24	33.37	31.71	23.84	30.18
CY2014Q2	8.10	30.43	31.94	30.94	25.15	29.45
CY2014Q3	8.71	31.51	36.05	35.29	24.10	32.49
CY2014Q4	7.55	27.63	30.08	30.01	21.93	27.75
CY2015Q1	8.37	29.33	32.85	32.34	22.85	30.02
CY2015Q2	9.29	30.70	32.81	32.02	23.88	30.38
CY2015Q3	9.93	32.01	36.49	35.78	24.66	33.15
CY2015Q4	8.75	28.58	31.88	31.40	22.70	29.23
CY2016Q1	9.77	30.67	34.44	33.89	24.22	31.52
CY2016Q2	10.03	29.41	32.96	32.34	24.11	30.18
CY2016Q3	10.71	30.11	34.97	34.66	24.10	31.76
CY2016Q4	9.21	27.91	31.55	31.65	22.10	28.95

Quarter	PMPM Actual	Case-Mix Adjusted PMPM	Trend
CY2013Q1	29.65	29.98	
CY2013Q2	27.77	28.00	
CY2013Q3	31.21	31.47	
CY2013Q4	26.85	27.11	
CY2014Q1	30.18	30.47	1.6%
CY2014Q2	29.45	29.74	6.2%
CY2014Q3	32.49	32.69	3.9%
CY2014Q4	27.75	27.81	2.6%
CY2015Q1	30.02	30.04	-1.4%
CY2015Q2	30.38	30.46	2.4%
CY2015Q3	33.15	33.21	1.6%
CY2015Q4	29.23	29.24	5.2%
CY2016Q1	31.52	31.54	5.0%
CY2016Q2	30.18	30.25	-0.7%
CY2016Q3	31.76	31.80	-4.3%
CY2016Q4	28.95	28.95	-1.0%

Selected Trend **1.76%**
 Avg last 12 quarters

CHIP Dental FY2018 Rating
Statewide Experience
Trend Analysis

Quarter	Member Months					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	4,144	298,235	1,091,478	382,786		1,776,643
CY2013Q2	4,519	303,988	1,099,522	386,260		1,794,289
CY2013Q3	4,585	304,607	1,095,575	386,524		1,791,291
CY2013Q4	2,789	292,176	1,075,341	377,116		1,747,422
CY2014Q1	2,219	267,755	1,021,609	357,219		1,648,802
CY2014Q2	1,603	250,850	869,152	310,360		1,431,965
CY2014Q3	890	232,121	715,016	263,234		1,211,261
CY2014Q4	598	215,612	600,765	217,794		1,034,769
CY2015Q1	444	220,116	564,156	199,409		984,125
CY2015Q2	440	225,880	567,344	201,114		994,778
CY2015Q3	492	234,008	586,242	207,853		1,028,595
CY2015Q4	612	238,842	602,593	212,250		1,054,297
CY2016Q1	580	242,033	610,928	214,095		1,067,636
CY2016Q2	556	252,624	634,181	223,411		1,110,772
CY2016Q3	508	255,059	638,136	225,888		1,119,591
CY2016Q4	459	260,140	648,006	229,249		1,137,854

Quarter	Estimated Incurred Claims					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	5,943	4,086,770	22,683,747	6,691,803		33,468,264
CY2013Q2	4,467	4,027,678	20,696,031	6,244,261		30,972,437
CY2013Q3	4,832	4,344,074	24,591,272	7,585,370		36,525,547
CY2013Q4	3,778	3,439,401	18,670,600	5,813,569		27,927,349
CY2014Q1	2,492	3,747,888	21,514,836	6,537,208		31,802,424
CY2014Q2	2,055	3,577,548	17,269,706	5,467,431		26,316,740
CY2014Q3	1,118	3,565,932	16,942,750	5,733,987		26,243,787
CY2014Q4	348	2,872,358	11,258,392	3,702,429		17,833,527
CY2015Q1	641	3,237,620	12,352,069	3,986,149		19,576,479
CY2015Q2	616	3,381,737	12,265,758	3,960,643		19,608,754
CY2015Q3	648	3,665,277	14,551,783	4,722,336		22,940,045
CY2015Q4	328	3,307,708	12,422,895	4,025,135		19,756,066
CY2016Q1	814	3,670,928	13,878,359	4,475,755		22,025,857
CY2016Q2	273	3,797,676	14,129,529	4,617,405		22,544,883
CY2016Q3	812	3,864,453	15,181,172	5,164,515		24,210,952
CY2016Q4	174	3,643,317	13,720,978	4,507,885		21,872,354

CHIP Dental FY2018 Rating
 Statewide Experience
 Trend Analysis

Quarter	PMPM - Actual					Total
	<1	1-5	6-14	15-18	19-20	
CY2013Q1	1.43	13.70	20.78	17.48		18.84
CY2013Q2	0.99	13.25	18.82	16.17		17.26
CY2013Q3	1.05	14.26	22.45	19.62		20.39
CY2013Q4	1.35	11.77	17.36	15.42		15.98
CY2014Q1	1.12	14.00	21.06	18.30		19.29
CY2014Q2	1.28	14.26	19.87	17.62		18.38
CY2014Q3	1.26	15.36	23.70	21.78		21.67
CY2014Q4	0.58	13.32	18.74	17.00		17.23
CY2015Q1	1.44	14.71	21.89	19.99		19.89
CY2015Q2	1.40	14.97	21.62	19.69		19.71
CY2015Q3	1.32	15.66	24.82	22.72		22.30
CY2015Q4	0.54	13.85	20.62	18.96		18.74
CY2016Q1	1.40	15.17	22.72	20.91		20.63
CY2016Q2	0.49	15.03	22.28	20.67		20.30
CY2016Q3	1.60	15.15	23.79	22.86		21.62
CY2016Q4	0.38	14.01	21.17	19.66		19.22

Quarter	PMPM	Case-Mix Adjusted	
	Actual	PMPM	Trend
CY2013Q1	18.84	18.49	
CY2013Q2	17.26	17.01	
CY2013Q3	20.39	20.00	
CY2013Q4	15.98	15.69	
CY2014Q1	19.29	18.88	2.1%
CY2014Q2	18.38	18.13	6.6%
CY2014Q3	21.67	21.40	7.0%
CY2014Q4	17.23	17.14	9.3%
CY2015Q1	19.89	19.86	5.2%
CY2015Q2	19.71	19.70	8.7%
CY2015Q3	22.30	22.30	4.2%
CY2015Q4	18.74	18.73	9.2%
CY2016Q1	20.63	20.62	3.8%
CY2016Q2	20.30	20.29	3.0%
CY2016Q3	21.62	21.62	-3.0%
CY2016Q4	19.22	19.22	2.6%

Selected Trend **4.89%**
 Avg last 12 quarters

FY2018 Medicaid Dental Rating
 FQHC Wrap Payment Rate Adjustment
 FY2016 Experience Period

Attachment 3 - Exhibit B

	<1	1-5	6-14	15-18	19-20	Total
FY2016 Incurred Claims	22,288,800	310,415,875	565,926,827	173,023,100	11,720,982	1,083,375,585
FQHC Wrap Payment	9,213	106,195	216,255	59,751	8,498	399,912
Rate Adjustment	0.9996	0.9997	0.9996	0.9997	0.9993	

Attachment 4

Pay for Quality Program

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

Dental P4Q Measures

The dental P4Q measures beginning in calendar year 2018 includes the following:

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

Methodology for Payment and Recoupment

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

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

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

Attachment 5

FY2018 Medicaid 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 7 of the report.
 - (b) The final capitation rates are shown on pages 6 of the report.
 - (c) Not applicable.
 - (d)
 - (i) See pages 1 through 3 of the report.
 - (ii) See page 1 of the report.
 - (iii) See page 1 of the report.
 - (iv) Not applicable.
 - (v) See Attachment 4 page 23 of the report.
 - (vi) Not applicable.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Acknowledged.
- vi. Acknowledged.
- vii. Acknowledged.
- viii. Acknowledged.

B. Appropriate Documentation

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.
- 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 1 through 3 of the report.
(c) See pages 1 through 3 of the report.
(d) Not applicable.
- iii. (a) Base period data is fully credible.
(b) See Attachment 2 pages 12 through 16 of the report.
(c) No errors found in the data.
(d) See page 4 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.
- vi. Not applicable.

B. Appropriate Documentation

- i. See page 6 and Attachment 1 pages 9 through 11 of the report.
- ii. See Attachment 1 pages 9 through 11 of the report. There have been no significant changes in the development of the benefit cost since the last certification.
- iii. (a) See Attachment 3 pages 17 through 21 of the report.
(b) See Attachment 3 pages 17 through 21 of the report.
(c) See Attachment 3 pages 17 through 21 of the report.
(d) See Attachment 3 pages 17 through 21 of the report.
(e) Not applicable.
- iv. Not applicable.
- v. Not applicable.
- vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid or CHIP eligible during a prior period. If the individual was

eligible for and enrolled in Medicaid or CHIP managed care during the prior period, then the individual is retrospectively enrolled in the same managed care plan as their prior enrollment segment. The managed care plan is then retrospectively responsible for all Medicaid expenses incurred during this retrospective period and is also paid a retrospective premium for this time period.

(b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the 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 have not changed from the base period to the rating period. All retroactive enrollment and claims information has been included in the base period data, the trend calculations and all other adjustment factors.

vii. See Attachment 3 page 22 of the report.

viii. See Attachment 3 page 22 of the report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 4 page 23 of the report.

B. Withhold Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 4 page 23 of the report.

C. Risk-Sharing Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

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

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

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

E. Pass-Through Payments

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

5. Projected Non-Benefit Costs

A. Rate Development Standards

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Acknowledged.

B. Appropriate Documentation

- i. See page 5 of the report.
- ii. See page 5 of the report.
- iii. See page 5 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.
- ii. Not applicable.
- iii. Not applicable.
- iv. Not applicable.