

**STATE OF TEXAS
MEDICAID AND CHIP
MANAGED CARE
DENTAL RATE SETTING
FY2019**

Prepared for:
Texas Health and Human Services Commission
Texas Dental Services 529-12-0003 V1.17

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June 29, 2018

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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, 2018 through August 31, 2019 (FY2019) for the Dental Health Maintenance Organizations (DHMOs) participating in the Texas Medicaid and CHIP Dental programs. This report presents the rating methodology and assumptions used in developing the FY2019 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 2019. 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 2018. 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 2014 through February 2018. 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 FY2017 period provided by the EQRO.
- Information provided by HHSC regarding proposed FY2019 dental fee schedule 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, 2016 through August 31, 2017 (FY2017).

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 FY2019 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 FY2019 (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, 2017 through December 31, 2017 (CY2017) were developed. These estimates were then projected forward to FY2019 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 FY2019 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 1.08% for Medicaid Dental and 3.74% for CHIP Dental.

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

Removal of FQHC Wrap Payment

The wrap portion of dental claims at a Federal Qualified Health Center (FQHC) was carved out of managed care and paid through fee-for-service effective September 1, 2017 for the Medicaid dental program and March 1, 2018 for the CHIP dental program. Attachment 3 Exhibit C provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid and CHIP Dental program.

Dental Fee Schedule Change

Effective September 1, 2018 HHSC will reduce reimbursement for certain therapeutic dental services by 2.5%. Attachment 3 Exhibit D provides details regarding the calculation of the dental fee schedule change adjustment factor for the Medicaid and CHIP 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 historical dental administrative service costs for the Medicaid and CHIP dental programs.

The premium rates also include an amount for premium tax (1.75% of premium), maintenance tax (\$0.02 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 MCOs for (i) the ACA Health Insurance Providers Fee, (ii) any applicable federal income tax impact resulting from payment of the ACA Health Insurance Providers Fee and (iii) any applicable state premium tax impact resulting from payment of the ACA Health Insurance Providers Fee. Such reimbursement will be provided based on a CMS-approved methodology, if necessary or applicable. HHSC has included the Health Insurance Providers Fee in the managed care capitation rates for each of 2014, 2015 and 2016 through amendments to the initially certified rates for these time periods.

V. Summary

The chart below presents the resulting statewide FY2019 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	3.08	17.90	26.25	24.79	
Medicaid	12.59	32.00	36.19	36.26	26.15

Attachment 1 presents a description of the calculation of the FY2019 Medicaid and CHIP Dental Plan premium rates.

Attachment 5 presents the required rating index summarizing the applicable sections from the 2018-2019 Medicaid Managed Care Rate Development Guide.

VI. Actuarial Certification of FY2019 Medicaid and CHIP 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.

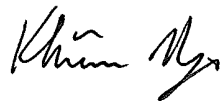
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the Medicaid and CHIP Dental Plan premium rates for state fiscal year 2019 (FY2019) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

I certify that the Medicaid and CHIP 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 FY2019 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 2018-2019 Medicaid Managed Care Rate Development Guide

Attachment 1

Summary of FY2019 Medicaid and CHIP Dental Rating Analysis

The attached exhibit presents summary information regarding the FY2019 Medicaid and CHIP Dental Plan rate development. The top of the exhibit shows summary base period enrollment, premium and claims experience. We projected the FY2019 cost for the dental plans 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 (\$.02 pmpm).

The bottom of the exhibit presents the projected FY2019 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
CY2017 Experience Period												
Member Months	2,245,424		10,454,187		16,806,749		5,425,377		495,528		35,427,264	
Estimated CY2017 Incurred Claims												
Non Ortho - Diagnostic	22,778,081	10.14	129,091,797	12.35	138,961,748	8.27	39,750,839	7.33	2,109,475	4.26	332,691,939	9.39
Non Ortho - Preventive	82,045	0.04	44,117,655	4.22	151,612,310	9.02	35,691,152	6.58	1,665,702	3.36	233,168,865	6.58
Non Ortho - Restorative	5,623	0.00	102,029,231	9.76	216,359,682	12.87	73,291,576	13.51	5,240,179	10.57	396,926,291	11.20
Non Ortho - Other	252,814	0.11	28,659,215	2.74	49,326,479	2.93	31,163,854	5.74	2,535,555	5.12	111,937,917	3.16
Orthodontic	0	0.00	11,408	0.00	1,044,178	0.06	887,764	0.16	142,882	0.29	2,086,231	0.06
Total	23,118,562	10.30	303,909,307	29.07	557,304,397	33.16	180,785,185	33.32	11,693,792	23.60	1,076,811,244	30.39
Projected FY2019												
Member Months	2,355,796		10,630,148		17,195,498		5,496,653		491,640		36,169,736	
Premiums at Current Rates	29,211,875	12.40	352,602,016	33.17	644,831,172	37.50	204,970,195	37.29	13,446,364	27.35	1,245,061,622	34.42
Annual Trend Assumptions	1.08 %		1.08 %		1.08 %		1.08 %		1.08 %			
Non Orthodontia Adjustment Factors												
FQHC Wrap Adjustment	0.9934		0.9971		0.9964		0.9961		0.9960			
Fee Schedule Change	1.0000		0.9893		0.9882		0.9856		0.9832			
Projected FY2019 Incurred Claims												
Non Orthodontia	24,530,126	10.41	310,326,508	29.19	570,509,668	33.18	182,168,126	33.14	11,425,415	23.24	1,098,959,844	30.38
Orthodontia	0	0.00	11,810	0.00	1,087,629	0.06	915,675	0.17	144,321	0.29	2,159,435	0.06
Total	24,530,126	10.41	310,338,318	29.19	571,597,298	33.24	183,083,801	33.31	11,569,737	23.53	1,101,119,279	30.44
Administrative Fee	4,122,644	1.75	18,602,759	1.75	30,092,121	1.75	9,619,143	1.75	860,371	1.75	63,297,038	1.75
Risk Margin	444,959	1.50%	5,103,158	1.50%	9,333,850	1.50%	2,989,347	1.50%	192,867	1.50%	18,064,182	1.50%
Premium Tax	519,119	1.75%	5,953,684	1.75%	10,889,492	1.75%	3,487,571	1.75%	225,012	1.75%	21,074,879	1.75%
Maintenance Tax	47,116	0.020	212,603	0.020	343,910	0.020	109,933	0.020	9,833	0.020	723,395	0.020
Projected Total Cost	29,663,965	12.59	340,210,522	32.00	622,256,671	36.19	199,289,795	36.26	12,857,819	26.15	1,204,278,772	33.30
Rate Change %		1.5%		-3.5%		-3.5%		-2.8%		-4.4%		-3.3%

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2017 Experience Period										
Member Months	2,439		1,132,705		2,731,438		970,257		4,836,839	
Estimated CY2017 Incurred Claims										
Non Ortho - Diagnostic	1,365	0.56	5,959,916	5.26	20,612,437	7.55	6,399,028	6.60	32,972,746	6.82
Non Ortho - Preventive	1,412	0.58	5,187,927	4.58	19,773,489	7.24	5,754,266	5.93	30,717,094	6.35
Non Ortho - Restorative	0	0.00	4,835,769	4.27	18,238,366	6.68	6,315,899	6.51	29,390,034	6.08
Non Ortho - Other	0	0.00	836,642	0.74	2,833,142	1.04	2,091,379	2.16	5,761,163	1.19
Orthodontic	0	0.00	0	0.00	18,131	0.01	19,369	0.02	37,501	0.01
Total	2,777	1.14	16,820,254	14.85	61,475,565	22.51	20,579,941	21.21	98,878,538	20.44
Projected FY2019										
Member Months	2,592		1,181,856		2,829,216		1,027,632		5,041,296	
Premiums at Current Rates	7,465	2.88	21,805,243	18.45	76,502,001	27.04	26,101,853	25.40	124,416,562	24.68
Annual Trend Assumptions	3.74 %		3.74 %		3.74 %		3.74 %			
Non Orthodontia Adjustment Factors										
FQHC Wrap Adjustment	1.0000		0.9932		0.9957		0.9953			
Fee Schedule Change	0.9979		0.9918		0.9916		0.9899			
Projected FY2019 Incurred Claims										
Non Orthodontia	3,131	1.21	18,378,844	15.55	66,817,663	23.62	22,809,115	22.20	108,008,752	21.42
Orthodontia	0	0.00	0	0.00	19,966	0.01	21,809	0.02	41,775	0.01
Total	3,131	1.21	18,378,844	15.55	66,837,628	23.62	22,830,924	22.22	108,050,527	21.43
Administrative Fee	4,536	1.75	2,068,248	1.75	4,951,128	1.75	1,798,356	1.75	8,822,268	1.75
Risk Margin	120	1.50%	317,376	1.50%	1,113,881	1.50%	382,168	1.50%	1,813,545	1.50%
Premium Tax	140	1.75%	370,272	1.75%	1,299,528	1.75%	445,863	1.75%	2,115,802	1.75%
Maintenance Tax	52	0.020	23,637	0.020	56,584	0.020	20,553	0.020	100,826	0.020
Projected Total Cost	7,978	3.08	21,158,376	17.90	74,258,750	26.25	25,477,863	24.79	120,902,968	23.98
Rate Change %		6.9%		-3.0%		-2.9%		-2.4%		-2.8%

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, 2018 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-14	2,866,260	82,453,563	1.000	82,453,563	28.77	
Oct-14	2,915,765	91,010,068	1.000	91,010,068	31.21	
Nov-14	2,939,555	75,688,406	1.000	75,688,406	25.75	
Dec-14	2,975,902	78,390,091	1.000	78,390,091	26.34	
Jan-15	2,961,066	88,916,741	1.000	88,916,741	30.03	
Feb-15	2,937,552	80,492,795	1.000	80,492,795	27.40	
Mar-15	2,922,091	95,325,800	1.000	95,325,800	32.62	
Apr-15	2,911,139	91,149,709	1.000	91,149,709	31.31	
May-15	2,904,987	81,606,291	1.000	81,606,291	28.09	
Jun-15	2,897,627	91,888,896	1.000	91,888,896	31.71	
Jul-15	2,896,532	99,480,480	1.000	99,480,480	34.34	
Aug-15	2,899,861	102,130,148	1.000	102,130,148	35.22	
Sep-15	2,917,789	87,218,942	1.000	87,218,942	29.89	1.039
Oct-15	2,931,700	92,975,564	1.000	92,975,564	31.71	1.016
Nov-15	2,942,787	81,072,338	1.000	81,072,338	27.55	1.070
Dec-15	2,952,384	83,933,693	1.000	83,933,693	28.43	1.079
Jan-16	2,943,789	88,653,614	1.000	88,653,614	30.12	1.003
Feb-16	2,934,949	90,553,775	1.000	90,553,775	30.85	1.126
Mar-16	2,931,425	98,445,696	1.000	98,445,696	33.58	1.029
Apr-16	2,918,874	88,330,303	1.000	88,330,303	30.26	0.967
May-16	2,923,446	82,069,336	1.000	82,069,336	28.07	0.999
Jun-16	2,939,799	94,736,014	1.000	94,736,014	32.23	1.016
Jul-16	2,935,496	90,003,667	1.000	90,003,667	30.66	0.893
Aug-16	2,931,210	107,660,027	1.000	107,660,027	36.73	1.043
Sep-16	2,950,965	84,774,400	1.000	84,774,400	28.73	0.961
Oct-16	2,956,882	88,929,507	1.000	88,929,507	30.08	0.948
Nov-16	2,974,982	85,972,458	1.000	85,974,231	28.90	1.049
Dec-16	2,981,368	83,342,140	1.000	83,343,919	27.95	0.983
Jan-17	2,966,124	92,838,151	1.000	92,842,655	31.30	1.039
Feb-17	2,971,269	85,067,746	1.000	85,073,974	28.63	0.928
Mar-17	2,962,496	98,190,127	1.000	98,200,104	33.15	0.987
Apr-17	2,946,074	86,884,493	1.000	86,896,255	29.50	0.975
May-17	2,939,164	86,301,322	1.000	86,319,373	29.37	1.046
Jun-17	2,946,021	94,965,686	1.000	94,991,422	32.24	1.001
Jul-17	2,933,650	89,661,304	1.000	89,695,185	30.57	0.997
Aug-17	2,930,970	103,095,115	0.999	103,173,720	35.20	0.958
Sep-17	2,937,019	81,855,463	0.999	81,962,788	27.91	0.971
Oct-17	2,943,575	91,306,488	0.998	91,520,326	31.09	1.034
Nov-17	2,974,448	85,913,865	0.995	86,367,086	29.04	1.005
Dec-17	2,976,454	76,454,383	0.984	77,682,123	26.10	0.934
FY2015	35,028,337			1,058,532,988	30.22	
FY2016	35,203,648			1,085,652,968	30.84	1.021
FY2017	35,459,965			1,080,214,747	30.46	0.988
CY2017	35,427,264			1,074,725,012	30.34	

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-14	2,866,260	723,414	1.000	723,414	0.25	
Oct-14	2,915,765	740,274	1.000	740,274	0.25	
Nov-14	2,939,555	590,834	1.000	590,834	0.20	
Dec-14	2,975,902	569,701	1.000	569,701	0.19	
Jan-15	2,961,066	635,586	1.000	635,586	0.21	
Feb-15	2,937,552	521,279	1.000	521,279	0.18	
Mar-15	2,922,091	490,932	1.000	490,932	0.17	
Apr-15	2,911,139	490,178	1.000	490,178	0.17	
May-15	2,904,987	434,052	1.000	434,052	0.15	
Jun-15	2,897,627	426,689	1.000	426,689	0.15	
Jul-15	2,896,532	386,225	1.000	386,225	0.13	
Aug-15	2,899,861	371,703	1.000	371,703	0.13	
Sep-15	2,917,789	344,806	1.000	344,806	0.12	0.468
Oct-15	2,931,700	362,432	1.000	362,432	0.12	0.487
Nov-15	2,942,787	286,195	1.000	286,195	0.10	0.484
Dec-15	2,952,384	284,588	1.000	284,588	0.10	0.504
Jan-16	2,943,789	270,270	1.000	270,270	0.09	0.428
Feb-16	2,934,949	253,440	1.000	253,440	0.09	0.487
Mar-16	2,931,425	275,922	1.000	275,922	0.09	0.560
Apr-16	2,918,874	251,259	1.000	251,259	0.09	0.511
May-16	2,923,446	223,747	1.000	223,747	0.08	0.512
Jun-16	2,939,799	215,178	1.000	215,178	0.07	0.497
Jul-16	2,935,496	205,937	1.000	205,937	0.07	0.526
Aug-16	2,931,210	216,076	1.000	216,076	0.07	0.575
Sep-16	2,950,965	211,862	1.000	211,862	0.07	0.608
Oct-16	2,956,882	195,083	1.000	195,083	0.07	0.534
Nov-16	2,974,982	182,275	1.000	182,285	0.06	0.630
Dec-16	2,981,368	168,557	1.000	168,567	0.06	0.587
Jan-17	2,966,124	186,107	1.000	186,112	0.06	0.683
Feb-17	2,971,269	166,111	1.000	166,113	0.06	0.647
Mar-17	2,962,496	180,793	1.000	180,803	0.06	0.648
Apr-17	2,946,074	182,606	0.999	182,735	0.06	0.721
May-17	2,939,164	177,095	0.999	177,313	0.06	0.788
Jun-17	2,946,021	194,480	0.999	194,722	0.07	0.903
Jul-17	2,933,650	150,404	0.999	150,563	0.05	0.732
Aug-17	2,930,970	174,467	0.999	174,698	0.06	0.809
Sep-17	2,937,019	168,275	0.997	168,793	0.06	0.800
Oct-17	2,943,575	176,170	0.995	177,126	0.06	0.912
Nov-17	2,974,448	174,884	0.989	176,765	0.06	0.970
Dec-17	2,976,454	144,603	0.961	150,488	0.05	0.894
FY2015	35,028,337			6,380,869	0.18	
FY2016	35,203,648			3,189,851	0.09	0.497
FY2017	35,459,965			2,170,856	0.06	0.676
CY2017	35,427,264			2,086,231	0.06	

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-14	2,866,260	83,176,977	1.000	83,176,977	29.02	
Oct-14	2,915,765	91,750,342	1.000	91,750,342	31.47	
Nov-14	2,939,555	76,279,240	1.000	76,279,240	25.95	
Dec-14	2,975,902	78,959,792	1.000	78,959,792	26.53	
Jan-15	2,961,066	89,552,327	1.000	89,552,327	30.24	
Feb-15	2,937,552	81,014,074	1.000	81,014,074	27.58	
Mar-15	2,922,091	95,816,732	1.000	95,816,732	32.79	
Apr-15	2,911,139	91,639,888	1.000	91,639,888	31.48	
May-15	2,904,987	82,040,343	1.000	82,040,343	28.24	
Jun-15	2,897,627	92,315,585	1.000	92,315,585	31.86	
Jul-15	2,896,532	99,866,705	1.000	99,866,705	34.48	
Aug-15	2,899,861	102,501,851	1.000	102,501,851	35.35	
Sep-15	2,917,789	87,563,748	1.000	87,563,748	30.01	1.034
Oct-15	2,931,700	93,337,996	1.000	93,337,996	31.84	1.012
Nov-15	2,942,787	81,358,533	1.000	81,358,533	27.65	1.065
Dec-15	2,952,384	84,218,281	1.000	84,218,281	28.53	1.075
Jan-16	2,943,789	88,923,884	1.000	88,923,884	30.21	0.999
Feb-16	2,934,949	90,807,215	1.000	90,807,215	30.94	1.122
Mar-16	2,931,425	98,721,618	1.000	98,721,618	33.68	1.027
Apr-16	2,918,874	88,581,561	1.000	88,581,561	30.35	0.964
May-16	2,923,446	82,293,083	1.000	82,293,083	28.15	0.997
Jun-16	2,939,799	94,951,192	1.000	94,951,192	32.30	1.014
Jul-16	2,935,496	90,209,604	1.000	90,209,604	30.73	0.891
Aug-16	2,931,210	107,876,103	1.000	107,876,103	36.80	1.041
Sep-16	2,950,965	84,986,263	1.000	84,986,263	28.80	0.960
Oct-16	2,956,882	89,124,590	1.000	89,124,590	30.14	0.947
Nov-16	2,974,982	86,154,733	1.000	86,156,516	28.96	1.048
Dec-16	2,981,368	83,510,698	1.000	83,512,486	28.01	0.982
Jan-17	2,966,124	93,024,258	1.000	93,028,767	31.36	1.038
Feb-17	2,971,269	85,233,856	1.000	85,240,087	28.69	0.927
Mar-17	2,962,496	98,370,920	1.000	98,380,907	33.21	0.986
Apr-17	2,946,074	87,067,099	1.000	87,078,989	29.56	0.974
May-17	2,939,164	86,478,417	1.000	86,496,686	29.43	1.045
Jun-17	2,946,021	95,160,166	1.000	95,186,144	32.31	1.000
Jul-17	2,933,650	89,811,708	1.000	89,845,748	30.63	0.997
Aug-17	2,930,970	103,269,582	0.999	103,348,419	35.26	0.958
Sep-17	2,937,019	82,023,739	0.999	82,131,582	27.96	0.971
Oct-17	2,943,575	91,482,658	0.998	91,697,452	31.15	1.034
Nov-17	2,974,448	86,088,750	0.995	86,543,851	29.10	1.005
Dec-17	2,976,454	76,598,986	0.984	77,832,611	26.15	0.934
FY2015	35,028,337			1,064,913,856	30.40	
FY2016	35,203,648			1,088,842,819	30.93	1.017
FY2017	35,459,965			1,082,385,603	30.52	0.987
CY2017	35,427,264			1,076,811,244	30.39	

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-14	376,240	6,248,675	1.000	6,248,675	16.61	
Oct-14	356,981	6,520,071	1.000	6,520,071	18.26	
Nov-14	342,768	5,617,553	1.000	5,617,553	16.39	
Dec-14	335,020	5,704,420	1.000	5,704,420	17.03	
Jan-15	328,724	6,313,105	1.000	6,313,105	19.20	
Feb-15	324,086	5,725,694	1.000	5,725,694	17.67	
Mar-15	331,315	7,545,184	1.000	7,545,184	22.77	
Apr-15	332,002	6,599,059	1.000	6,599,059	19.88	
May-15	329,532	5,756,366	1.000	5,756,366	17.47	
Jun-15	333,242	7,262,253	1.000	7,262,253	21.79	
Jul-15	337,165	8,145,273	1.000	8,145,273	24.16	
Aug-15	342,431	8,456,340	1.000	8,456,340	24.70	
Sep-15	348,997	6,383,570	1.000	6,383,570	18.29	1.101
Oct-15	351,693	6,916,198	1.000	6,916,198	19.67	1.077
Nov-15	350,068	6,284,026	1.000	6,284,026	17.95	1.095
Dec-15	352,528	6,679,657	1.000	6,679,657	18.95	1.113
Jan-16	350,640	6,503,355	1.000	6,503,355	18.55	0.966
Feb-16	352,708	7,190,209	1.000	7,190,209	20.39	1.154
Mar-16	364,123	8,512,859	1.000	8,512,859	23.38	1.027
Apr-16	367,681	7,339,478	1.000	7,339,478	19.96	1.004
May-16	368,840	6,629,403	1.000	6,629,403	17.97	1.029
Jun-16	374,060	8,668,688	1.000	8,668,688	23.17	1.063
Jul-16	373,252	8,163,027	1.000	8,163,027	21.87	0.905
Aug-16	372,190	9,537,337	1.000	9,537,337	25.62	1.038
Sep-16	373,870	6,924,035	1.000	6,924,035	18.52	1.013
Oct-16	373,098	7,327,863	1.000	7,327,863	19.64	0.999
Nov-16	378,256	7,177,567	1.000	7,177,653	18.98	1.057
Dec-16	386,149	7,489,443	1.000	7,489,563	19.40	1.024
Jan-17	390,903	7,763,678	1.000	7,763,825	19.86	1.071
Feb-17	398,217	7,483,072	1.000	7,483,285	18.79	0.922
Mar-17	395,940	9,293,469	1.000	9,294,017	23.47	1.004
Apr-17	393,680	7,566,365	1.000	7,567,057	19.22	0.963
May-17	394,340	7,362,366	1.000	7,363,401	18.67	1.039
Jun-17	399,112	9,278,365	1.000	9,280,062	23.25	1.003
Jul-17	400,575	8,929,182	1.000	8,931,706	22.30	1.020
Aug-17	402,656	9,727,722	0.999	9,733,007	24.17	0.943
Sep-17	405,710	7,218,915	0.999	7,226,481	17.81	0.962
Oct-17	414,075	8,287,562	0.998	8,301,418	20.05	1.021
Nov-17	418,979	8,074,965	0.996	8,106,425	19.35	1.020
Dec-17	422,652	7,714,592	0.986	7,827,854	18.52	0.955
FY2015	4,069,506			79,893,993	19.63	
FY2016	4,326,780			88,807,807	20.53	1.045
FY2017	4,686,796			96,335,473	20.55	1.001
CY2017	4,836,839			98,878,538	20.44	

Attachment 3

Exhibit A & B –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, 2018. 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 CY2017Q4 as weights. The annual trend assumption was selected based on the simple average of the past sixteen calendar quarter trends. Based on this, the annual trend assumption used in the rating analysis for all dental services was 1.08% for Medicaid Dental and 3.74% for CHIP Dental.

Exhibit A presents the derivation of the trend assumption for Medicaid dental. Exhibit B presents the derivation of the trend assumption for CHIP dental.

Exhibit C – Removal of FQHC Wrap Payment

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 effective September 1, 2017 for the Medicaid dental program and March 1, 2018 for the CHIP 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. Exhibit C provides details regarding the calculation of the FQHC wrap payment adjustment factor for the Medicaid and CHIP dental program.

Exhibit D – Dental Fee Schedule Change

Effective September 1, 2018 HHSC will reduce reimbursement for certain therapeutic dental services by 2.5%. Exhibit D provides details regarding the calculation of the dental fee schedule change adjustment factor for the Medicaid and CHIP dental program.

Medicaid Dental FY2019 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	569,977	2,610,933	4,192,308	1,319,014	125,439	8,817,671
CY2016Q4	564,652	2,626,163	4,254,645	1,342,532	125,240	8,913,232
CY2017Q1	573,763	2,615,000	4,239,907	1,349,446	121,773	8,899,889
CY2017Q2	574,198	2,604,546	4,182,900	1,347,970	121,645	8,831,259
CY2017Q3	554,306	2,608,945	4,161,460	1,349,990	126,939	8,801,639
CY2017Q4	543,157	2,625,696	4,222,481	1,377,971	125,172	8,894,477

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	81,284,830	141,424,099	41,323,181	3,141,336	272,149,490
CY2014Q4	4,306,653	73,842,365	126,029,064	38,028,994	2,856,749	245,063,826
CY2015Q1	4,715,415	77,255,495	138,294,633	41,632,542	2,810,531	264,708,615
CY2015Q2	5,396,947	79,537,632	135,921,447	40,839,886	2,922,272	264,618,184
CY2015Q3	5,639,435	82,890,089	151,385,576	45,739,501	3,145,815	288,800,416
CY2015Q4	4,938,367	74,626,656	134,675,979	40,883,585	2,830,966	257,955,554
CY2016Q1	5,556,579	79,668,545	145,189,517	44,300,987	2,909,431	277,625,060
CY2016Q2	5,846,157	76,241,746	137,823,930	42,285,041	2,912,018	265,108,891
CY2016Q3	6,142,394	79,379,329	147,744,962	46,071,422	3,071,478	282,409,585
CY2016Q4	5,218,714	73,451,752	134,189,375	42,575,654	2,786,096	258,221,591
CY2017Q1	5,789,860	79,264,131	142,627,886	45,529,619	2,877,367	276,088,864
CY2017Q2	6,119,387	77,777,016	137,674,796	43,701,865	2,906,913	268,179,977
CY2017Q3	6,022,575	74,978,143	143,634,990	47,219,054	2,949,190	274,803,953
CY2017Q4	5,184,357	71,899,568	132,205,552	43,436,697	2,817,564	255,543,738

Medicaid Dental FY2019 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	31.50	36.04	35.28	24.10	32.49
CY2014Q4	7.55	27.63	30.07	30.00	21.93	27.75
CY2015Q1	8.36	29.32	32.84	32.34	22.83	30.01
CY2015Q2	9.29	30.70	32.80	32.02	23.87	30.37
CY2015Q3	9.92	32.00	36.48	35.77	24.65	33.14
CY2015Q4	8.75	28.58	31.88	31.40	22.70	29.22
CY2016Q1	9.77	30.67	34.43	33.89	24.24	31.51
CY2016Q2	10.04	29.42	32.97	32.34	24.10	30.19
CY2016Q3	10.78	30.40	35.24	34.93	24.49	32.03
CY2016Q4	9.24	27.97	31.54	31.71	22.25	28.97
CY2017Q1	10.09	30.31	33.64	33.74	23.63	31.02
CY2017Q2	10.66	29.86	32.91	32.42	23.90	30.37
CY2017Q3	10.87	28.74	34.52	34.98	23.23	31.22
CY2017Q4	9.54	27.38	31.31	31.52	22.51	28.73

Quarter	PMPM	Case-Mix Adjusted	
	Actual	PMPM	Trend
CY2013Q1	29.65	30.03	
CY2013Q2	27.77	28.04	
CY2013Q3	31.21	31.52	
CY2013Q4	26.85	27.15	
CY2014Q1	30.18	30.52	1.6%
CY2014Q2	29.45	29.79	6.2%
CY2014Q3	32.49	32.75	3.9%
CY2014Q4	27.75	27.85	2.6%
CY2015Q1	30.01	30.09	-1.4%
CY2015Q2	30.37	30.50	2.4%
CY2015Q3	33.14	33.26	1.6%
CY2015Q4	29.22	29.29	5.2%
CY2016Q1	31.51	31.59	5.0%
CY2016Q2	30.19	30.30	-0.6%
CY2016Q3	32.03	32.12	-3.4%
CY2016Q4	28.97	29.02	-0.9%
CY2017Q1	31.02	31.09	-1.6%
CY2017Q2	30.37	30.45	0.5%
CY2017Q3	31.22	31.28	-2.6%
CY2017Q4	28.73	28.73	-1.0%

Selected Trend **1.08%**
 Avg last 12 quarters

CHIP Dental FY2019 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	201,112		994,776
CY2015Q3	492	234,008	586,242	207,851		1,028,593
CY2015Q4	612	238,841	602,590	212,246		1,054,289
CY2016Q1	580	242,021	610,928	213,942		1,067,471
CY2016Q2	557	252,616	634,166	223,242		1,110,581
CY2016Q3	513	255,027	638,101	225,671		1,119,312
CY2016Q4	475	260,118	647,917	228,993		1,137,503
CY2017Q1	525	274,907	672,453	237,175		1,185,060
CY2017Q2	627	277,524	671,937	237,044		1,187,132
CY2017Q3	629	284,108	681,528	242,676		1,208,941
CY2017Q4	658	296,166	705,520	253,362		1,255,706

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	16,942,445	5,733,925		26,243,420
CY2014Q4	348	2,872,118	11,258,556	3,702,012		17,833,034
CY2015Q1	641	3,237,047	12,351,249	3,985,157		19,574,095
CY2015Q2	616	3,381,762	12,264,677	3,960,717		19,607,773
CY2015Q3	648	3,672,872	14,572,173	4,727,885		22,973,577
CY2015Q4	328	3,329,888	12,490,223	4,049,404		19,869,843
CY2016Q1	814	3,704,770	13,983,899	4,505,728		22,195,210
CY2016Q2	193	3,810,748	14,187,204	4,627,993		22,626,138
CY2016Q3	851	3,940,365	15,407,426	5,263,324		24,611,966
CY2016Q4	222	3,662,431	13,779,920	4,541,399		21,983,973
CY2017Q1	766	4,256,792	15,270,325	5,000,852		24,528,735
CY2017Q2	512	4,199,791	15,009,798	4,988,193		24,198,294
CY2017Q3	797	4,171,987	16,211,279	5,494,059		25,878,122
CY2017Q4	702	4,199,715	14,939,467	5,083,575		24,223,460

CHIP Dental FY2019 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	19.98		19.89
CY2015Q2	1.40	14.97	21.62	19.69		19.71
CY2015Q3	1.32	15.70	24.86	22.75		22.33
CY2015Q4	0.54	13.94	20.73	19.08		18.85
CY2016Q1	1.40	15.31	22.89	21.06		20.79
CY2016Q2	0.35	15.09	22.37	20.73		20.37
CY2016Q3	1.66	15.45	24.15	23.32		21.99
CY2016Q4	0.47	14.08	21.27	19.83		19.33
CY2017Q1	1.46	15.48	22.71	21.09		20.70
CY2017Q2	0.82	15.13	22.34	21.04		20.38
CY2017Q3	1.27	14.68	23.79	22.64		21.41
CY2017Q4	1.07	14.18	21.18	20.06		19.29

Quarter	PMPM	Case-Mix Adjusted	
	Actual	PMPM	Trend
CY2013Q1	18.84	18.44	
CY2013Q2	17.26	16.96	
CY2013Q3	20.39	19.94	
CY2013Q4	15.98	15.64	
CY2014Q1	19.29	18.83	2.1%
CY2014Q2	18.38	18.08	6.6%
CY2014Q3	21.67	21.33	7.0%
CY2014Q4	17.23	17.10	9.3%
CY2015Q1	19.89	19.80	5.2%
CY2015Q2	19.71	19.65	8.7%
CY2015Q3	22.33	22.26	4.3%
CY2015Q4	18.85	18.78	9.8%
CY2016Q1	20.79	20.72	4.6%
CY2016Q2	20.37	20.31	3.4%
CY2016Q3	21.99	21.92	-1.5%
CY2016Q4	19.33	19.27	2.6%
CY2017Q1	20.70	20.67	-0.3%
CY2017Q2	20.38	20.37	0.3%
CY2017Q3	21.41	21.40	-2.4%
CY2017Q4	19.29	19.29	0.1%

Selected Trend **3.74%**
Avg last 12 quarters

FY2019 Medicaid and CHIP Dental Rating
 FQHC Wrap Payment Rate Adjustment
 FY2017 Experience Period
 Non Orthodontia Dental Services

Attachment 3 - Exhibit C

	<1	1-5	6-14	15-18	19-20	Total
Medicaid Dental						
FY2017 Incurred Claims	21,724,459	304,485,644	560,219,237	179,783,507	12,950,790	1,079,163,638
FQHC Wrap Payment	(144,068)	(885,288)	(1,990,491)	(694,960)	(51,219)	-3,766,025
Rate Adjustment	0.9934	0.9971	0.9964	0.9961	0.9960	
CHIP Dental						
FY2017 Incurred Claims	2,870	16,440,103	60,023,197	19,653,763		96,119,933
FQHC Wrap Payment	-	(111,095)	(260,250)	(91,606)		-462,951
Rate Adjustment	1.0000	0.9932	0.9957	0.9953		

FY2019 Medicaid and CHIP Dental Rating
 Fee Schedule Change Rate Adjustment
 FY2017 Experience Period
 Non Orthodontia Dental Services

Attachment 3 - Exhibit D

	<1	1-5	6-14	15-18	19-20	Total
Medicaid Dental						
FY2017 Incurred Claims	21,724,459	304,474,888	559,291,034	178,941,701	12,903,941	1,077,336,023
Fee Schedule Change Impact	(254)	(3,254,212)	(6,625,848)	(2,580,699)	(217,023)	-12,678,036
Rate Adjustment	1.0000	0.9893	0.9882	0.9856	0.9832	
CHIP Dental						
FY2017 Incurred Claims	2,870	16,439,853	60,009,875	19,637,550		96,090,148
Fee Schedule Change Impact	(6)	(135,193)	(504,213)	(197,392)		-836,804
Rate Adjustment	0.9979	0.9918	0.9916	0.9899		

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

FY2019 Medicaid Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2018-2019 Medicaid Managed Care Rate Development Guide, dated May 2018.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

- i. Rates are for the period September 1, 2018 through August 31, 2019 (FY2019).
- 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)
 - (i) See pages 1 through 3 of the report.
 - (ii) See page 1 of the report.
 - (iii) See page 3 of the report.
 - (iv) Not applicable.
 - (v) See Attachment 4 page 24 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. See Attachment 1 pages 9 through 11 of the report.

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 2 of the report.
- ii. (a) See pages 1 through 2 of the report.
(b) See pages 1 through 2 of the report.
(c) See pages 1 through 2 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 23 of the report.
 - (b) See Attachment 3 pages 17 through 23 of the report.
 - (c) See Attachment 3 pages 17 through 23 of the report.
 - (d) See Attachment 3 pages 17 through 23 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 FY2019 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2019 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 pages 17 through 23 of the report.

viii. See Attachment 3 pages 17 through 23 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 24 of the report.

B. Withhold Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) See Attachment 4 page 24 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.

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.

Section II. Medicaid Managed Care Rates with Long-Term Services and Support

Not applicable.

Section III. New Adult Group Capitation Rates

Not applicable.