

**STATE OF TEXAS  
MEDICAID MANAGED CARE  
STAR HEALTH PROGRAM RATE SETTING  
STATE FISCAL YEAR 2021**

Prepared for:  
Texas Health and Human Services Commission  
STAR Health 529-15-0001 V2.12

Prepared by:  
Evan L. Dial, F.S.A., M.A.A.A.  
Khiem D. Ngo, F.S.A., M.A.A.A.  
David G. Wilkes F.S.A., M.A.A.A.  
Dustin J. Kim A.S.A, M.A.A.A  
Rudd and Wisdom, Inc.

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## I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop a fiscal year 2021 (FY2021, September 2020 through August 2021) premium rate for the STAR Health program. STAR Health is a managed health care program for Foster Care clients in Texas implemented on April 1, 2008. A single managed care organization, Superior Health Plan (Superior), covers this population in all 254 counties (statewide). This report presents the rating methodology and assumptions used in developing the FY2021 premium rate.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 30 years. We have participated in the state's managed care rating process since its inception in 1993. We have worked closely with HHSC staff in developing the FY2021 STAR Health premium rate.

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

- Monthly STAR Health enrollment for the period September 2012 through March 2020 with a projection through August 2021. These enrollment figures were provided by HHS System Forecasting staff.
- Claim lag reports provided by Superior for the period September 2016 through March 2020. These reports include monthly paid claim amounts by month of service.
- Information provided by Superior on high volume claimants during the experience period.
- Financial Statistical Reports (FSR) from the health plan for FY2017, FY2018, FY2019 and the first six months of FY2020. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the HMO. These reports are prepared by the health plan and are audited by an external audit organization. A health plan that participates in multiple programs and/or service areas submits a separate FSR for each individual area and program combination.
- Information from Superior regarding current and projected reinsurance premium rates.
- Information from Superior regarding current and projected payment rates for certain capitated services, such as dental and radiology.
  - Subcapitated services make up approximately 4.5% of total plan cost and are primarily dental services. Information about these arrangements was provided by Superior and verified with the audited FSRs. These items were reviewed for reasonableness by comparing the reported expense amounts to those expenses in other programs along with the historical dental expenditures within the STAR Health program.
- Information from both HHSC and Superior regarding recent changes in covered services and provider reimbursement under the Medicaid program.

- Information provided by HHSC regarding the expected impact of FY2020 and FY2021 Medicaid provider reimbursement rate changes.
- Information provided by HHSC regarding FY2019 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.
- Current (FY2020) STAR Health premium rate.

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

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

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

*The EQRO considers the required data elements for all MCO-SA combinations in all programs 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 FY2021 rate development. The accumulation of data sources noted above has

been assigned full credibility. Given the history of managed care data available for the STAR Health program the rate development is based exclusively on managed care data.

## II. Overview of the Rate Setting Methodology

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

The actuarial model used to derive the FY2021 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. Due to the significant differences between claim run out patterns, different base periods were selected for medical and prescription drugs. The base period for the medical component was defined as FY2019 (September 1, 2018 through August 31, 2019) while the base period for the prescription drug component was defined as CY2019 (January 1, 2019 through December 31, 2019). The primary reason for varying the base periods between medical and prescription is that prescription drug claims complete much faster and therefore require minimal estimation of incurred but unpaid claims. Estimates of the base period include an estimate of incurred but unpaid claims (IBNR). The IBNR estimate is based on claims paid through March 2020 and represents the following percentage of claims by type of service:

- Medical - 0.18%
- Prescription Drug – 0.0%

These estimates were then projected forward to FY2021 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2021 cost under the plan.

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

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

- Ambulance Services
- Dental and Orthodontia Services
- Prescription Drugs

Examples of services specifically excluded from the analysis include:

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

All expenses related to these, any other non-capitated services and any value-added services have been excluded from the FY2021 rating analysis.

We projected the FY2021 cost by estimating base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in Section III of this report. We added capitation expenses for services capitated by Superior (such as radiology and dental services), a net cost of reinsurance, a reasonable provision for administrative expenses, taxes and risk margin.

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

Attachment 1 to this report provides a description of the calculation of the FY2021 STAR Health premium rate. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 summarizes the development of the trend assumptions. Attachment 4 details the calculation of the rate adjustment factors for provider rate changes. Attachment 5 details the calculation of the Community First Choice (CFC) component of the premium which is eligible for an enhanced federal match rate. Attachment 6 provides the required index summarizing the applicable sections from the 2020-2021 Medicaid Managed Care Rate Development Guide.

### III. Adjustment Factors

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

#### ***Trend Factors - Medical***

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience for Foster Care clients and the actuary's professional judgment regarding future cost increases. All historical trends have been calculated as the average cost per member per month during a specified time period (monthly, quarterly or annually) compared to the same time period from the previous year. For example, the FY2018 trend has been calculated as the change in average cost per member per month during the period September 1, 2017 through August 31, 2018 (FY2018) compared to the average cost per member per month during the period September 1, 2016 through August 31, 2017 (FY2017). The experience trends for all time periods were adjusted to remove the impact of various provider reimbursement changes and other changes that have impacted the program.

The FY2020 trend assumption was developed from two components: (i) the actual trend for the period September 2019 through January 2020 and (ii) the projected trend for the period February 2020 through August 2020. The trend during the period September 2019 through January 2020 was 11.0%. The projected trend for the period February 2020 through August 2020 was calculated as the average trend during FY2018, FY2019 and the first five months of FY2020 and equaled 7.9%. The actual trend during the first five months and the projected trend during the final seven months of FY2020 were then blended together to develop the FY2020 trend assumption of 9.2%.

The FY2021 trend assumption was calculated as the average trend during FY2018, FY2019 and the first five months of FY2020 and equals 7.9%.

#### ***Trend Factors – Rx***

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2019) claims cost to the rating period (FY2021). The trend rate assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 2020. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by risk group and drug type (brand, generic and specialty) through February 2020. From this experience, the average annual utilization and cost per service were determined for each of the four 12-month periods ending February 2020.



Certain drugs and drug categories are excluded from the pharmacy trend analysis. Anti-viral agents used for the treatment of the Hepatitis C virus and the drug Orkambi were carved in to the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on recent trends. In addition, experience for the drugs Tamiflu and Makena were removed from our trend analysis. Tamiflu was removed due to the significant variation in the intensity of flu season from year to year. Makena was removed due to its one-time distortion of pharmacy trends for pregnant women. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates.

The STAR Health pharmacy trend assumptions for the remainder of FY2020 and all of FY2021 were developed using the following formula. The utilization and cost per service trend assumptions were set equal to one-sixth of the experience trend rate for the 12-month period ending February 2018 plus two-sixths of the experience trend rate for the 12-month period ending February 2019 plus three-sixths of the experience trend rate for the 12-month period ending February 2020. The final cost trend assumptions were then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2020 and combining the results into a single trend assumption. Attachment 3 – Exhibit B presents a summary of the historical pharmacy trend analysis.

The preferred drug list (PDL) changes implemented in FY2018 and FY2019 had a material impact on pharmacy cost and trends. As a result, recent pharmacy experience trends will tend to understate the expected underlying trend. In order to correct for this understatement, we developed adjustment factors to restate pharmacy experience for the three most recent 12-month periods assuming that the PDL changes had not been implemented. Attachment 3 – Exhibit C presents these adjustment factors and the resulting pharmacy trend assumptions used for the STAR Health program. We selected a prospective pharmacy trend assumption of 0.9% per annum.

Please note that the MCO was provided a detailed trend analysis file which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the trend assumption.

### ***Provider Reimbursement Adjustment***

Medicaid provider reimbursement changes were recognized for the following services: hospital inpatient reimbursement revisions, potentially preventable readmission (PPR) reimbursement reductions, potentially preventable complications (PPC) reimbursement reductions, therapy reimbursement revisions, anesthesiology reimbursement revisions and private duty nursing reimbursement revisions.

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

### ***Potentially Preventable Readmission Quality Improvement***

Effective September 1, 2019, HHSC began utilizing an adjustment to the base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2021. Attachment 4 presents a summary of the derivation of the adjustment factor.

Readmissions are an indicator of quality of care because they may reflect poor clinical care and poor coordination of services either during hospitalization or in the immediate post discharge period. A potentially preventable readmission is a readmission (return hospitalization within the specified readmission time interval) that is clinically related to the initial hospital admission. HHSC expects the MCOs to provide their members with timely access to appropriate care at the proper level by coordinating care across the entire continuum of the health care spectrum. Preventable readmissions should be avoided through high-quality outpatient care thus improving efficiency of the managed care programs.

### ***Removal of Invalid Clinician Administered Drugs (CADs)***

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

### ***Federally Qualified Health Center (FQHC) Wrap Payment Removal***

Effective September 1, 2017, MCOs were no longer required to reimburse FQHCs the full encounter rate. The MCO are expected to reimburse FQHCs at a rate that is comparable to the reimbursement of all other non-FQHC providers providing similar services. Subsequently, the FQHC will be reimbursed by HHSC up to their full encounter rate outside of the capitation rate. The rating adjustment was calculated by collecting the FQHC wrap payments paid by the MCOs during the FY2019 base period. Attachment 4 presents a summary of the derivation of this adjustment factor.

### ***Preferred Drug List Changes***

HHSC has recently implemented numerous changes to the Preferred Drug List (PDL). These changes include some of the program's highest expenditure drugs and will have a significant

impact on managed care pharmacy cost. Some of the PDL changes were implemented during the experience period used to develop the rates. We developed adjustment factors to reflect the anticipated cost impact of the PDL changes. Attachment 4 includes additional information regarding the application of the PDL changes adjustment factors.

### ***Hemostatic Drug Carve-Out***

Effective September 1, 2020, HHSC will carve out all hemostatic drugs from the managed care capitated arrangement. These drugs will continue to be covered services under the program but will be funded through a non-risk arrangement. Hemostatic drugs are rare and extremely high cost. In one example, the cost of a single hemophilia drug for a single plan participant is over \$10 million per year. The purpose of this carve-out is to improve the balance of risk between various MCOs. The hemostatic carve out adjustment factors are based on actual experience of the program and are determined by comparing the hemostatic drug experience to the base period claims cost by service area and risk group. Attachment 4 includes additional information regarding the hemostatic carve-out adjustment factors.

### ***Community First Choice Initiative***

Effective June 1, 2015, Texas began providing CFC services to individuals who:

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

The CFC services include:

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

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

### ***COVID-19***

No adjustments to the rate development assumptions have been made as a result of the COVID-19 pandemic and its potential impact on program utilization and cost. At the time the FY2021 rates were calculated, there was little credible information on the impact of the pandemic specific to the Texas Medicaid population. Based on the available information, it is our opinion that utilization has been depressed for certain services and populations beginning March, 2020 and is expected to continue at least partly for the remainder of FY2020. We expect that there will be a

rebound in utilization as (a) pent-up demand shifts services that were forgone during FY2020 into FY2021 and (b) potential increased hospitalizations if and when the pandemic spreads throughout the state. At this time the impact cannot be estimated with any degree of certainty and has been excluded from these calculations. Given the geographic size of Texas and the varying demographics (children, disabled children, disabled adults, dual eligible, etc.) the potential impact (or lack thereof) of COVID-19 will likely vary significantly by geographic region and population.

In order to mitigate the risk to both HHSC and the MCOs resulting from COVID-19 the following actions will be taken:

- COVID-19 related expenditures such as testing will be excluded from the capitation rates and paid via non-risk arrangements.
- HHSC and its actuaries will collect additional information from the participating MCOs during the summer and fall of 2020 to determine if a retroactive adjustment is necessary to properly account for COVID-19 related impacts to program expenditures.

#### IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses in the medical premium rate is \$30.00 pmpm plus 5.25% of gross premium. The amount allocated for administrative expenses in the prescription drug premium rate is \$1.80 pmpm. These amounts are intended to provide for all administrative-related services performed by the health plan.

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

|                |         |
|----------------|---------|
| FY18           | \$84.19 |
| FY19           | \$79.13 |
| FY20           | \$90.86 |
| 3 Year Average | \$84.73 |

Based on the administrative fee formula included in the rate development, the average administrative expense included in the capitation rate (medical and pharmacy components combined) is approximately \$85 which is in line with the historical average cost. The fixed and variable components of the administrative cost assumption are not intended to account for different administrative cost categories. The combined administrative assumption is intended to be a reasonable amount to cover all administrative costs. This formula is reviewed annually to ensure consistency with the reported administrative costs. For informational purposes the \$30 fixed component of the administrative expense formula breaks down into two categories:

- Quality Improvement - \$15.00
- General Administration - \$15.00

The quality improvement amount is primarily attributed to service coordination expenses and also includes services such as disease management, health information technology and wellness services among other items.

The premium rate also includes provisions for premium tax (1.75% of premium), maintenance tax (\$0.07 pmpm) and a risk margin (1.5% of premium). The premium tax and maintenance tax are based on Texas Department of Insurance requirements.

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC has developed a CMS-approved 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 retrospectively once the exact fee amounts are available. HHSC has included the Health Insurance Providers Fee in the managed care capitation rates for each of 2014, 2015, 2016 and 2018 through amendments to the initially certified rates for these time periods. 2020 will follow a similar methodology.

## V. Summary

The FY2021 total premium rate for the STAR Health program is \$1,106.98 per member per month. The total premium rate is made up of the total medical component of \$1,002.12 and the prescription drug component of \$104.86. This rate will be effective for the period September 1, 2020 through August 31, 2021. Attachment 1 shows the derivation of the premium rate.

A single rate cell or risk group has been deemed appropriate for STAR Health because the program is served by a single managed care plan and the overall demographics of the program have not varied significantly from year to year. Any changes in the acuity of the population are captured in the trend assumption as these ongoing changes are reflected in the historical claims experience which is used to develop the rating trend assumptions.

As noted in Section III, Texas is eligible for an enhanced match rate for CFC services. CFC services of \$3.21 pmpm are a component of the total rate. Further information regarding the calculation of this amount can be found in Attachment 5.

VI. Actuarial Certification of FY2021 STAR Health Premium Rate

We, Evan L. Dial, Khiem D. Ngo, David G. Wilkes and Dustin J. Kim are with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). Three are Fellows of the Society of Actuaries (FSAs) and one is an Associate of the Society of Actuaries (ASA). We are all members of the American Academy of Actuaries and meet the Academy's qualification standards for rendering this opinion.

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the STAR Health premium rate for the period September 1, 2020 through August 31, 2021 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

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

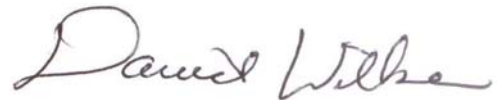
- (a) The premium rate has been developed in accordance with generally accepted actuarial principles and practices;
- (b) The premium rate is appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rate is actuarially sound as defined in the regulations.

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

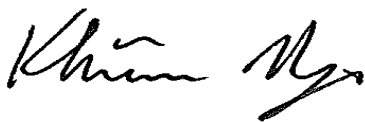
Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.3(c), 438.3(e), 438.4, 438.5, 438.6 and 438.7. Any health plan contracting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



Evan L. Dial, F.S.A., M.A.A.A.



David G. Wilkes, F.S.A., M.A.A.A.



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



Dustin J. Kim, A.S.A., M.A.A.A.

## VII. Attachments



## *Attachment 1*

### Summary of FY2021 STAR Health Rating Analysis

Exhibit A presents summary information regarding the FY2021 STAR Health medical rate development. Included on the exhibit are base period (FY2019) experience, projected FY2021 enrollment, trend and provider reimbursement adjustment factors, assumed capitation rates, reinsurance and administrative costs.

The actuarial model used to derive the FY2021 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. These estimates were then projected forward to FY2021 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2021 cost under the plan.

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

Exhibit B presents summary information regarding the FY2021 STAR Health prescription drug rate development. Included on the exhibit are base period (CY2019) experience, projected FY2021 enrollment, trend and provider reimbursement adjustment factors and administrative costs.

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

Exhibit C presents a comparison of the projected expenditures under the current (FY2020) premium rates and the FY2021 premium rates. The projection is split by medical and pharmacy.

The primary cost driver behind the larger than average medical rate increase is the continued increase in private duty nursing (PDN) utilization along with higher than average facility trends. PDN expenditures increased significantly beginning in March 2018 and this trend has continued into FY2020. This increased level of utilization has resulted in larger trend assumptions than have been used in prior rate developments.

The primary cause of the reduction in the pharmacy component of the STAR Health capitation rate between FY2020 and FY2021 is the continuing reduction in the actual cost of prescription drugs in the program. The per capita cost of drugs has been lower each year for the past four years. The average cost during the 12-month period ending 2/2020 was over 30% less than that for the 12-month period ending 2/2016.

FY2021 STAR Health Rating Analysis  
Rate Development for the STAR Health Program - Medical

|  | <u>Rating Period</u><br><u>FY2021</u> |
|--|---------------------------------------|
| Base Period Used in Rating             | FY2019                                |
| Base Period Experience                 |                                       |
| Member Months                          | 399,025                               |
| Estimated Incurred Claims              | 284,369,006                           |
| Estimated Incurred Claims pmpm         | \$ 712.66                             |
| Projected Rating Period Experience     |                                       |
| Member Months                          | 395,382                               |
| Current Premium Rate (FY2020)          | \$ 877.02                             |
| Projected Premium at Current Rate      | 346,757,548                           |
| Assumed Annual Trend Rate              |                                       |
| - FY2020                               | 9.2 %                                 |
| - FY2021                               | 7.9 %                                 |
| Provider Reimbursement Adjustment      | -0.04 %                               |
| Hospital Reimbursement Adjustment      | -0.36 %                               |
| Projected Incurred Claims pmpm         | \$ 836.35                             |
| Projected Incurred Claims              | 330,675,879                           |
| Capitation Expenses                    |                                       |
| Dental Services                        | \$ 42.93                              |
| OT/PT/ST                               | \$ 1.08                               |
| Radiology                              | \$ 1.52                               |
| Settlements and Miscellaneous Expenses | \$ 4.99                               |
| Total                                  | \$ 50.52                              |
| Reinsurance Expenses                   |                                       |
| Gross Premium                          | \$ 0.10                               |
| Projected Reinsurance Recoveries       | \$ 0.10                               |
| Net Reinsurance Cost                   | \$ 0.00                               |
| Administrative Expenses                |                                       |
| Fixed Amount                           | \$ 30.00                              |
| Percentage of Premium                  | 5.25 %                                |
| Total                                  | \$ 82.61                              |
| Premium Tax                            | 1.75 %                                |
| Maintenance Tax pmpm                   | \$ 0.07                               |
| Risk Margin                            | 1.50 %                                |
| Premium Rate pmpm                      | \$ 1,002.12                           |
| Projected Premium                      | 396,219,782                           |
| % Change                               | 14.3%                                 |

FY2021 STAR Health Rating Analysis  
 Rate Development for the STAR Health Program - Prescription Drug

|                                    | Rating Period<br>FY2021 |
|------------------------------------|-------------------------|
| Base Period Used in Rating         | CY2019                  |
| Base Period Experience             |                         |
| Member Months                      | 392,147                 |
| Estimated Incurred Claims          | 39,681,168              |
| Other Costs/Refunds                | -494,105                |
| Estimated Incurred Claims pmpm     | \$ 99.93                |
| Projected Rating Period Experience |                         |
| Member Months                      | 395,382                 |
| Current Premium Rate (FY2020)      | \$ 109.40               |
| Projected Premium at Current Rate  | 43,254,744              |
| Assumed Annual Trend Rate          | 0.90 %                  |
| PDL Change 7/1/2019                | -1.75 %                 |
| Hemostatic Carve-Out               | -0.01 %                 |
| Projected Incurred Claims pmpm     | \$ 99.65                |
| Projected Incurred Claims          | 39,398,979              |
| Administrative Expenses            | \$ 1.80                 |
| Premium Tax                        | 1.75 %                  |
| Risk Margin                        | 1.50 %                  |
| Premium Rate pmpm                  | \$ 104.86               |
| Projected Premium                  | 41,459,712              |
| % Change                           | -4.1%                   |

FY2021 STAR Health Rating Analysis

|          | Projected PMPM      |                     | Projected FY2021 Premium |                     | <u>% Rate Change</u> |
|----------|---------------------|---------------------|--------------------------|---------------------|----------------------|
|          | <u>FY2020 Rates</u> | <u>FY2021 Rates</u> | <u>FY2020 Rates</u>      | <u>FY2021 Rates</u> |                      |
| Medical  | 877.02              | 1,002.12            | 346,757,548              | 396,219,782         | 14.3%                |
| Pharmacy | 109.40              | 104.86              | 43,254,744               | 41,459,712          | -4.1%                |
| Total    | 986.42              | 1,106.98            | 390,012,292              | 437,679,494         | 12.2%                |

## *Attachment 2*

### STAR Health Incurred Claims Experience

The attached exhibits present a summary of STAR Health incurred claims experience by type of service during the base period used in the rate setting analysis. For each month during the experience period the exhibits show enrollment, claims incurred during the month and paid through March 31, 2020 and estimated incurred claims. All information has been provided by type of service.

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Professional             |                   |                           | Trend Factor |                         |
|-----------|-------------------|--------------------------|-------------------|---------------------------|--------------|-------------------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims |              | Estimated Incurred pmpm |
| Sep-16    | 31,749            | 6,815,750                | 1.0000            | 6,815,750                 | 214.68       |                         |
| Oct-16    | 31,848            | 6,739,243                | 1.0000            | 6,739,243                 | 211.61       |                         |
| Nov-16    | 31,885            | 6,527,131                | 1.0000            | 6,527,131                 | 204.71       |                         |
| Dec-16    | 31,666            | 6,181,570                | 1.0000            | 6,181,570                 | 195.21       |                         |
| Jan-17    | 31,578            | 7,071,121                | 1.0000            | 7,071,121                 | 223.93       |                         |
| Feb-17    | 31,745            | 6,673,999                | 1.0000            | 6,673,999                 | 210.24       |                         |
| Mar-17    | 31,845            | 7,240,745                | 1.0000            | 7,240,745                 | 227.37       |                         |
| Apr-17    | 31,979            | 6,733,061                | 1.0000            | 6,733,061                 | 210.55       |                         |
| May-17    | 32,421            | 7,355,043                | 1.0000            | 7,355,043                 | 226.86       |                         |
| Jun-17    | 32,617            | 7,071,814                | 1.0000            | 7,071,814                 | 216.81       |                         |
| Jul-17    | 32,735            | 6,689,069                | 1.0000            | 6,689,069                 | 204.34       |                         |
| Aug-17    | 33,027            | 7,211,866                | 1.0000            | 7,211,866                 | 218.36       |                         |
| Sep-17    | 33,226            | 6,984,445                | 1.0000            | 6,984,445                 | 210.21       | 0.979                   |
| Oct-17    | 33,433            | 7,611,443                | 1.0000            | 7,611,443                 | 227.66       | 1.076                   |
| Nov-17    | 33,713            | 7,299,597                | 1.0000            | 7,299,597                 | 216.52       | 1.058                   |
| Dec-17    | 33,623            | 6,599,532                | 1.0000            | 6,599,532                 | 196.28       | 1.005                   |
| Jan-18    | 33,538            | 7,458,423                | 1.0000            | 7,458,423                 | 222.39       | 0.993                   |
| Feb-18    | 33,670            | 7,232,923                | 1.0000            | 7,232,923                 | 214.82       | 1.022                   |
| Mar-18    | 33,635            | 7,752,779                | 1.0000            | 7,752,779                 | 230.50       | 1.014                   |
| Apr-18    | 33,786            | 7,775,060                | 1.0000            | 7,775,060                 | 230.13       | 1.093                   |
| May-18    | 33,962            | 8,124,613                | 1.0000            | 8,124,613                 | 239.23       | 1.055                   |
| Jun-18    | 34,228            | 7,511,506                | 1.0000            | 7,511,506                 | 219.46       | 1.012                   |
| Jul-18    | 34,117            | 7,785,937                | 1.0000            | 7,785,937                 | 228.21       | 1.117                   |
| Aug-18    | 34,090            | 8,200,395                | 1.0000            | 8,200,395                 | 240.55       | 1.102                   |
| Sep-18    | 34,126            | 7,494,411                | 1.0000            | 7,494,411                 | 219.61       | 1.045                   |
| Oct-18    | 34,296            | 8,576,760                | 1.0000            | 8,576,760                 | 250.08       | 1.098                   |
| Nov-18    | 34,090            | 7,734,012                | 1.0000            | 7,734,012                 | 226.87       | 1.048                   |
| Dec-18    | 33,488            | 7,065,830                | 0.9990            | 7,072,903                 | 211.21       | 1.076                   |
| Jan-19    | 32,988            | 8,191,901                | 1.0000            | 8,191,901                 | 248.33       | 1.117                   |
| Feb-19    | 33,042            | 7,696,573                | 0.9990            | 7,704,277                 | 233.17       | 1.085                   |
| Mar-19    | 33,099            | 7,978,440                | 0.9980            | 7,994,429                 | 241.53       | 1.048                   |
| Apr-19    | 32,934            | 8,123,828                | 0.9980            | 8,140,109                 | 247.16       | 1.074                   |
| May-19    | 32,888            | 7,969,017                | 0.9980            | 7,984,987                 | 242.79       | 1.015                   |
| Jun-19    | 32,782            | 7,304,467                | 0.9970            | 7,326,446                 | 223.49       | 1.018                   |
| Jul-19    | 32,707            | 8,071,791                | 0.9950            | 8,112,352                 | 248.03       | 1.087                   |
| Aug-19    | 32,585            | 8,078,883                | 0.9940            | 8,127,649                 | 249.43       | 1.037                   |
| Sep-19    | 32,566            | 7,907,034                | 0.9870            | 8,011,179                 | 246.00       | 1.120                   |
| Oct-19    | 32,633            | 8,886,838                | 0.9860            | 9,013,020                 | 276.19       | 1.104                   |
| Nov-19    | 32,288            | 7,792,614                | 0.9840            | 7,919,323                 | 245.27       | 1.081                   |
| Dec-19    | 31,635            | 7,509,551                | 0.9660            | 7,773,862                 | 245.74       | 1.163                   |
| Jan-20    | 31,301            | 8,001,624                | 0.9270            | 8,631,741                 | 275.76       | 1.110                   |
| FY2017    | 385,095           |                          |                   | 82,310,412                | 213.74       |                         |
| FY2018    | 405,021           |                          |                   | 90,336,654                | 223.04       | 1.044                   |
| FY2019    | 399,025           |                          |                   | 94,460,236                | 236.73       | 1.061                   |
| 9/18-1/19 | 168,988           |                          |                   | 39,069,987                | 231.20       |                         |
| 9/19-1/20 | 160,423           |                          |                   | 41,349,126                | 257.75       | 1.115                   |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Emergency Room           |                   |                           |                         | Trend Factor |
|-----------|-------------------|--------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm |              |
| Sep-16    | 31,749            | 543,273                  | 1.0000            | 543,273                   | 17.11                   |              |
| Oct-16    | 31,848            | 538,849                  | 1.0000            | 538,849                   | 16.92                   |              |
| Nov-16    | 31,885            | 543,774                  | 1.0000            | 543,774                   | 17.05                   |              |
| Dec-16    | 31,666            | 526,634                  | 1.0000            | 526,634                   | 16.63                   |              |
| Jan-17    | 31,578            | 583,375                  | 1.0000            | 583,375                   | 18.47                   |              |
| Feb-17    | 31,745            | 541,781                  | 1.0000            | 541,781                   | 17.07                   |              |
| Mar-17    | 31,845            | 583,384                  | 1.0000            | 583,384                   | 18.32                   |              |
| Apr-17    | 31,979            | 585,618                  | 1.0000            | 585,618                   | 18.31                   |              |
| May-17    | 32,421            | 590,223                  | 1.0000            | 590,223                   | 18.20                   |              |
| Jun-17    | 32,617            | 480,432                  | 1.0000            | 480,432                   | 14.73                   |              |
| Jul-17    | 32,735            | 539,662                  | 1.0000            | 539,662                   | 16.49                   |              |
| Aug-17    | 33,027            | 478,987                  | 1.0000            | 478,987                   | 14.50                   |              |
| Sep-17    | 33,226            | 543,309                  | 1.0000            | 543,309                   | 16.35                   | 0.956        |
| Oct-17    | 33,433            | 670,050                  | 1.0000            | 670,050                   | 20.04                   | 1.185        |
| Nov-17    | 33,713            | 647,763                  | 1.0000            | 647,763                   | 19.21                   | 1.127        |
| Dec-17    | 33,623            | 692,657                  | 1.0000            | 692,657                   | 20.60                   | 1.239        |
| Jan-18    | 33,538            | 715,357                  | 1.0000            | 715,357                   | 21.33                   | 1.155        |
| Feb-18    | 33,670            | 622,804                  | 1.0000            | 622,804                   | 18.50                   | 1.084        |
| Mar-18    | 33,635            | 630,102                  | 1.0000            | 630,102                   | 18.73                   | 1.023        |
| Apr-18    | 33,786            | 601,651                  | 1.0000            | 601,651                   | 17.81                   | 0.972        |
| May-18    | 33,962            | 603,532                  | 1.0000            | 603,532                   | 17.77                   | 0.976        |
| Jun-18    | 34,228            | 576,953                  | 1.0000            | 576,953                   | 16.86                   | 1.144        |
| Jul-18    | 34,117            | 508,318                  | 1.0000            | 508,318                   | 14.90                   | 0.904        |
| Aug-18    | 34,090            | 584,321                  | 1.0000            | 584,321                   | 17.14                   | 1.182        |
| Sep-18    | 34,126            | 631,774                  | 1.0000            | 631,774                   | 18.51                   | 1.132        |
| Oct-18    | 34,296            | 654,682                  | 1.0000            | 654,682                   | 19.09                   | 0.952        |
| Nov-18    | 34,090            | 624,230                  | 1.0000            | 624,230                   | 18.31                   | 0.953        |
| Dec-18    | 33,488            | 669,136                  | 0.9990            | 669,805                   | 20.00                   | 0.971        |
| Jan-19    | 32,988            | 660,622                  | 1.0000            | 660,622                   | 20.03                   | 0.939        |
| Feb-19    | 33,042            | 658,030                  | 0.9990            | 658,689                   | 19.93                   | 1.078        |
| Mar-19    | 33,099            | 644,359                  | 0.9980            | 645,651                   | 19.51                   | 1.041        |
| Apr-19    | 32,934            | 643,339                  | 0.9980            | 644,628                   | 19.57                   | 1.099        |
| May-19    | 32,888            | 568,701                  | 0.9980            | 569,841                   | 17.33                   | 0.975        |
| Jun-19    | 32,782            | 539,799                  | 0.9970            | 541,424                   | 16.52                   | 0.980        |
| Jul-19    | 32,707            | 555,253                  | 0.9950            | 558,044                   | 17.06                   | 1.145        |
| Aug-19    | 32,585            | 591,871                  | 0.9940            | 595,443                   | 18.27                   | 1.066        |
| Sep-19    | 32,566            | 659,811                  | 0.9870            | 668,501                   | 20.53                   | 1.109        |
| Oct-19    | 32,633            | 705,626                  | 0.9860            | 715,645                   | 21.93                   | 1.149        |
| Nov-19    | 32,288            | 739,469                  | 0.9840            | 751,493                   | 23.27                   | 1.271        |
| Dec-19    | 31,635            | 725,318                  | 0.9660            | 750,847                   | 23.73                   | 1.187        |
| Jan-20    | 31,301            | 658,780                  | 0.9270            | 710,658                   | 22.70                   | 1.134        |
| FY2017    | 385,095           |                          |                   | 6,535,991                 | 16.97                   |              |
| FY2018    | 405,021           |                          |                   | 7,396,817                 | 18.26                   | 1.076        |
| FY2019    | 399,025           |                          |                   | 7,454,832                 | 18.68                   | 1.023        |
| 9/18-1/19 | 168,988           |                          |                   | 3,241,113                 | 19.18                   |              |
| 9/19-1/20 | 160,423           |                          |                   | 3,597,145                 | 22.42                   | 1.169        |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Outpatient               |                   |                           |                         |              |
|-----------|-------------------|--------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm | Trend Factor |
| Sep-16    | 31,749            | 891,095                  | 1.0000            | 891,095                   | 28.07                   |              |
| Oct-16    | 31,848            | 851,121                  | 1.0000            | 851,121                   | 26.72                   |              |
| Nov-16    | 31,885            | 722,489                  | 1.0000            | 722,489                   | 22.66                   |              |
| Dec-16    | 31,666            | 818,723                  | 1.0000            | 818,723                   | 25.85                   |              |
| Jan-17    | 31,578            | 990,827                  | 1.0000            | 990,827                   | 31.38                   |              |
| Feb-17    | 31,745            | 948,130                  | 1.0000            | 948,130                   | 29.87                   |              |
| Mar-17    | 31,845            | 1,017,778                | 1.0000            | 1,017,778                 | 31.96                   |              |
| Apr-17    | 31,979            | 866,348                  | 1.0000            | 866,348                   | 27.09                   |              |
| May-17    | 32,421            | 998,163                  | 1.0000            | 998,163                   | 30.79                   |              |
| Jun-17    | 32,617            | 943,706                  | 1.0000            | 943,706                   | 28.93                   |              |
| Jul-17    | 32,735            | 748,534                  | 1.0000            | 748,534                   | 22.87                   |              |
| Aug-17    | 33,027            | 852,523                  | 1.0000            | 852,523                   | 25.81                   |              |
| Sep-17    | 33,226            | 925,957                  | 1.0000            | 925,957                   | 27.87                   | 0.993        |
| Oct-17    | 33,433            | 1,056,786                | 1.0000            | 1,056,786                 | 31.61                   | 1.183        |
| Nov-17    | 33,713            | 1,080,375                | 1.0000            | 1,080,375                 | 32.05                   | 1.414        |
| Dec-17    | 33,623            | 916,160                  | 1.0000            | 916,160                   | 27.25                   | 1.054        |
| Jan-18    | 33,538            | 1,031,626                | 1.0000            | 1,031,626                 | 30.76                   | 0.980        |
| Feb-18    | 33,670            | 1,014,853                | 1.0000            | 1,014,853                 | 30.14                   | 1.009        |
| Mar-18    | 33,635            | 1,009,349                | 1.0000            | 1,009,349                 | 30.01                   | 0.939        |
| Apr-18    | 33,786            | 1,033,947                | 1.0000            | 1,033,947                 | 30.60                   | 1.130        |
| May-18    | 33,962            | 1,117,624                | 1.0000            | 1,117,624                 | 32.91                   | 1.069        |
| Jun-18    | 34,228            | 983,854                  | 1.0000            | 983,854                   | 28.74                   | 0.993        |
| Jul-18    | 34,117            | 988,343                  | 1.0000            | 988,343                   | 28.97                   | 1.267        |
| Aug-18    | 34,090            | 1,164,980                | 1.0000            | 1,164,980                 | 34.17                   | 1.324        |
| Sep-18    | 34,126            | 881,924                  | 1.0000            | 881,924                   | 25.84                   | 0.927        |
| Oct-18    | 34,296            | 1,120,949                | 1.0000            | 1,120,949                 | 32.68                   | 1.034        |
| Nov-18    | 34,090            | 980,934                  | 1.0000            | 980,934                   | 28.77                   | 0.898        |
| Dec-18    | 33,488            | 976,973                  | 0.9990            | 977,951                   | 29.20                   | 1.072        |
| Jan-19    | 32,988            | 1,120,681                | 1.0000            | 1,120,681                 | 33.97                   | 1.104        |
| Feb-19    | 33,042            | 1,066,081                | 0.9990            | 1,067,148                 | 32.30                   | 1.072        |
| Mar-19    | 33,099            | 1,072,765                | 0.9980            | 1,074,915                 | 32.48                   | 1.082        |
| Apr-19    | 32,934            | 1,096,238                | 0.9980            | 1,098,435                 | 33.35                   | 1.090        |
| May-19    | 32,888            | 1,153,027                | 0.9980            | 1,155,338                 | 35.13                   | 1.068        |
| Jun-19    | 32,782            | 1,051,537                | 0.9970            | 1,054,701                 | 32.17                   | 1.119        |
| Jul-19    | 32,707            | 1,097,561                | 0.9950            | 1,103,076                 | 33.73                   | 1.164        |
| Aug-19    | 32,585            | 1,110,363                | 0.9940            | 1,117,065                 | 34.28                   | 1.003        |
| Sep-19    | 32,566            | 1,004,411                | 0.9870            | 1,017,641                 | 31.25                   | 1.209        |
| Oct-19    | 32,633            | 1,220,431                | 0.9860            | 1,237,759                 | 37.93                   | 1.160        |
| Nov-19    | 32,288            | 1,141,104                | 0.9840            | 1,159,658                 | 35.92                   | 1.248        |
| Dec-19    | 31,635            | 1,127,457                | 0.9660            | 1,167,139                 | 36.89                   | 1.263        |
| Jan-20    | 31,301            | 1,123,557                | 0.9270            | 1,212,035                 | 38.72                   | 1.140        |
| FY2017    | 385,095           |                          |                   | 10,649,437                | 27.65                   |              |
| FY2018    | 405,021           |                          |                   | 12,323,855                | 30.43                   | 1.100        |
| FY2019    | 399,025           |                          |                   | 12,753,118                | 31.96                   | 1.050        |
| 9/18-1/19 | 168,988           |                          |                   | 5,082,440                 | 30.08                   |              |
| 9/19-1/20 | 160,423           |                          |                   | 5,794,233                 | 36.12                   | 1.201        |



FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Inpatient                |                   |                           | Trend Factor |                         |
|-----------|-------------------|--------------------------|-------------------|---------------------------|--------------|-------------------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims |              | Estimated Incurred pmpm |
| Sep-16    | 31,749            | 5,514,738                | 1.0000            | 5,514,738                 | 173.70       |                         |
| Oct-16    | 31,848            | 5,095,880                | 1.0000            | 5,095,880                 | 160.01       |                         |
| Nov-16    | 31,885            | 5,407,122                | 1.0000            | 5,407,122                 | 169.58       |                         |
| Dec-16    | 31,666            | 3,989,259                | 1.0000            | 3,989,259                 | 125.98       |                         |
| Jan-17    | 31,578            | 4,729,501                | 1.0000            | 4,729,501                 | 149.77       |                         |
| Feb-17    | 31,745            | 4,920,753                | 1.0000            | 4,920,753                 | 155.01       |                         |
| Mar-17    | 31,845            | 4,833,145                | 1.0000            | 4,833,145                 | 151.77       |                         |
| Apr-17    | 31,979            | 4,921,065                | 1.0000            | 4,921,065                 | 153.88       |                         |
| May-17    | 32,421            | 6,387,560                | 1.0000            | 6,387,560                 | 197.02       |                         |
| Jun-17    | 32,617            | 4,840,494                | 1.0000            | 4,840,494                 | 148.40       |                         |
| Jul-17    | 32,735            | 4,399,305                | 1.0000            | 4,399,305                 | 134.39       |                         |
| Aug-17    | 33,027            | 5,294,805                | 1.0000            | 5,294,805                 | 160.32       |                         |
| Sep-17    | 33,226            | 4,744,401                | 1.0000            | 4,744,401                 | 142.79       | 0.822                   |
| Oct-17    | 33,433            | 5,319,312                | 1.0000            | 5,319,312                 | 159.10       | 0.994                   |
| Nov-17    | 33,713            | 6,777,879                | 1.0000            | 6,777,879                 | 201.05       | 1.186                   |
| Dec-17    | 33,623            | 5,194,105                | 1.0000            | 5,194,105                 | 154.48       | 1.226                   |
| Jan-18    | 33,538            | 5,538,113                | 1.0000            | 5,538,113                 | 165.13       | 1.103                   |
| Feb-18    | 33,670            | 7,137,649                | 1.0000            | 7,137,649                 | 211.99       | 1.368                   |
| Mar-18    | 33,635            | 4,471,839                | 1.0000            | 4,471,839                 | 132.95       | 0.876                   |
| Apr-18    | 33,786            | 6,473,718                | 1.0000            | 6,473,718                 | 191.61       | 1.245                   |
| May-18    | 33,962            | 4,862,022                | 1.0000            | 4,862,022                 | 143.16       | 0.727                   |
| Jun-18    | 34,228            | 5,906,099                | 1.0000            | 5,906,099                 | 172.55       | 1.163                   |
| Jul-18    | 34,117            | 5,437,315                | 1.0000            | 5,437,315                 | 159.37       | 1.186                   |
| Aug-18    | 34,090            | 6,824,314                | 1.0000            | 6,824,314                 | 200.19       | 1.249                   |
| Sep-18    | 34,126            | 6,653,176                | 1.0000            | 6,653,176                 | 194.96       | 1.365                   |
| Oct-18    | 34,296            | 5,643,535                | 1.0000            | 5,643,535                 | 164.55       | 1.034                   |
| Nov-18    | 34,090            | 5,210,384                | 1.0000            | 5,210,384                 | 152.84       | 0.760                   |
| Dec-18    | 33,488            | 5,876,681                | 0.9990            | 5,882,564                 | 175.66       | 1.137                   |
| Jan-19    | 32,988            | 7,841,022                | 1.0000            | 7,841,022                 | 237.69       | 1.439                   |
| Feb-19    | 33,042            | 4,923,446                | 0.9990            | 4,928,375                 | 149.15       | 0.704                   |
| Mar-19    | 33,099            | 7,433,450                | 0.9980            | 7,448,346                 | 225.03       | 1.693                   |
| Apr-19    | 32,934            | 7,656,157                | 0.9980            | 7,671,500                 | 232.94       | 1.216                   |
| May-19    | 32,888            | 6,300,875                | 0.9980            | 6,313,502                 | 191.97       | 1.341                   |
| Jun-19    | 32,782            | 5,148,118                | 0.9970            | 5,163,609                 | 157.51       | 0.913                   |
| Jul-19    | 32,707            | 5,572,389                | 0.9950            | 5,600,390                 | 171.23       | 1.074                   |
| Aug-19    | 32,585            | 5,064,714                | 0.9940            | 5,095,285                 | 156.37       | 0.781                   |
| Sep-19    | 32,566            | 7,169,456                | 0.9870            | 7,263,886                 | 223.05       | 1.144                   |
| Oct-19    | 32,633            | 7,276,252                | 0.9860            | 7,379,566                 | 226.14       | 1.374                   |
| Nov-19    | 32,288            | 5,498,298                | 0.9840            | 5,587,701                 | 173.06       | 1.132                   |
| Dec-19    | 31,635            | 5,924,319                | 0.9660            | 6,132,836                 | 193.86       | 1.104                   |
| Jan-20    | 31,301            | 5,512,192                | 0.9270            | 5,946,270                 | 189.97       | 0.799                   |
| FY2017    | 385,095           |                          |                   | 60,333,626                | 156.67       |                         |
| FY2018    | 405,021           |                          |                   | 68,686,765                | 169.59       | 1.082                   |
| FY2019    | 399,025           |                          |                   | 73,451,689                | 184.08       | 1.085                   |
| 9/18-1/19 | 168,988           |                          |                   | 31,230,681                | 184.81       |                         |
| 9/19-1/20 | 160,423           |                          |                   | 32,310,260                | 201.41       | 1.090                   |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Vision                   |                   |                           |                         |              |
|-----------|-------------------|--------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm | Trend Factor |
| Sep-16    | 31,749            | 133,362                  | 1.0000            | 133,362                   | 4.20                    |              |
| Oct-16    | 31,848            | 114,508                  | 1.0000            | 114,508                   | 3.60                    |              |
| Nov-16    | 31,885            | 122,555                  | 1.0000            | 122,555                   | 3.84                    |              |
| Dec-16    | 31,666            | 106,865                  | 1.0000            | 106,865                   | 3.37                    |              |
| Jan-17    | 31,578            | 115,703                  | 1.0000            | 115,703                   | 3.66                    |              |
| Feb-17    | 31,745            | 98,207                   | 1.0000            | 98,207                    | 3.09                    |              |
| Mar-17    | 31,845            | 119,629                  | 1.0000            | 119,629                   | 3.76                    |              |
| Apr-17    | 31,979            | 102,509                  | 1.0000            | 102,509                   | 3.21                    |              |
| May-17    | 32,421            | 113,363                  | 1.0000            | 113,363                   | 3.50                    |              |
| Jun-17    | 32,617            | 116,457                  | 1.0000            | 116,457                   | 3.57                    |              |
| Jul-17    | 32,735            | 121,768                  | 1.0000            | 121,768                   | 3.72                    |              |
| Aug-17    | 33,027            | 139,476                  | 1.0000            | 139,476                   | 4.22                    |              |
| Sep-17    | 33,226            | 132,416                  | 1.0000            | 132,416                   | 3.99                    | 0.949        |
| Oct-17    | 33,433            | 139,156                  | 1.0000            | 139,156                   | 4.16                    | 1.158        |
| Nov-17    | 33,713            | 117,188                  | 1.0000            | 117,188                   | 3.48                    | 0.904        |
| Dec-17    | 33,623            | 103,906                  | 1.0000            | 103,906                   | 3.09                    | 0.916        |
| Jan-18    | 33,538            | 135,588                  | 1.0000            | 135,588                   | 4.04                    | 1.103        |
| Feb-18    | 33,670            | 132,641                  | 1.0000            | 132,641                   | 3.94                    | 1.273        |
| Mar-18    | 33,635            | 125,100                  | 1.0000            | 125,100                   | 3.72                    | 0.990        |
| Apr-18    | 33,786            | 126,634                  | 1.0000            | 126,634                   | 3.75                    | 1.169        |
| May-18    | 33,962            | 142,325                  | 1.0000            | 142,325                   | 4.19                    | 1.199        |
| Jun-18    | 34,228            | 121,238                  | 1.0000            | 121,238                   | 3.54                    | 0.992        |
| Jul-18    | 34,117            | 135,909                  | 1.0000            | 135,909                   | 3.98                    | 1.071        |
| Aug-18    | 34,090            | 150,993                  | 1.0000            | 150,993                   | 4.43                    | 1.049        |
| Sep-18    | 34,126            | 117,079                  | 1.0000            | 117,079                   | 3.43                    | 0.861        |
| Oct-18    | 34,296            | 152,516                  | 1.0000            | 152,516                   | 4.45                    | 1.068        |
| Nov-18    | 34,090            | 122,457                  | 1.0000            | 122,457                   | 3.59                    | 1.033        |
| Dec-18    | 33,488            | 98,094                   | 0.9990            | 98,192                    | 2.93                    | 0.949        |
| Jan-19    | 32,988            | 134,704                  | 1.0000            | 134,704                   | 4.08                    | 1.010        |
| Feb-19    | 33,042            | 126,535                  | 0.9990            | 126,662                   | 3.83                    | 0.973        |
| Mar-19    | 33,099            | 117,814                  | 0.9980            | 118,051                   | 3.57                    | 0.959        |
| Apr-19    | 32,934            | 131,151                  | 0.9980            | 131,414                   | 3.99                    | 1.065        |
| May-19    | 32,888            | 116,518                  | 0.9980            | 116,751                   | 3.55                    | 0.847        |
| Jun-19    | 32,782            | 123,915                  | 0.9970            | 124,287                   | 3.79                    | 1.070        |
| Jul-19    | 32,707            | 147,163                  | 0.9950            | 147,902                   | 4.52                    | 1.135        |
| Aug-19    | 32,585            | 151,418                  | 0.9940            | 152,332                   | 4.67                    | 1.055        |
| Sep-19    | 32,566            | 134,114                  | 0.9870            | 135,880                   | 4.17                    | 1.216        |
| Oct-19    | 32,633            | 130,334                  | 0.9860            | 132,185                   | 4.05                    | 0.911        |
| Nov-19    | 32,288            | 112,063                  | 0.9840            | 113,885                   | 3.53                    | 0.982        |
| Dec-19    | 31,635            | 102,419                  | 0.9660            | 106,024                   | 3.35                    | 1.143        |
| Jan-20    | 31,301            | 89,050                   | 0.9270            | 96,063                    | 3.07                    | 0.752        |
| FY2017    | 385,095           |                          |                   | 1,404,402                 | 3.65                    |              |
| FY2018    | 405,021           |                          |                   | 1,563,093                 | 3.86                    | 1.058        |
| FY2019    | 399,025           |                          |                   | 1,542,346                 | 3.87                    | 1.002        |
| 9/18-1/19 | 168,988           |                          |                   | 624,948                   | 3.70                    |              |
| 9/19-1/20 | 160,423           |                          |                   | 584,037                   | 3.64                    | 0.984        |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Other - PDN, DME, Therapy |                   |                           |                         | Trend Factor |
|-----------|-------------------|---------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid  | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm |              |
| Sep-16    | 31,749            | 6,168,709                 | 1.0000            | 6,168,709                 | 194.30                  |              |
| Oct-16    | 31,848            | 6,216,989                 | 1.0000            | 6,216,989                 | 195.21                  |              |
| Nov-16    | 31,885            | 6,278,737                 | 1.0000            | 6,278,737                 | 196.92                  |              |
| Dec-16    | 31,666            | 6,512,244                 | 1.0000            | 6,512,244                 | 205.65                  |              |
| Jan-17    | 31,578            | 6,421,948                 | 1.0000            | 6,421,948                 | 203.37                  |              |
| Feb-17    | 31,745            | 5,792,052                 | 1.0000            | 5,792,052                 | 182.46                  |              |
| Mar-17    | 31,845            | 6,377,384                 | 1.0000            | 6,377,384                 | 200.26                  |              |
| Apr-17    | 31,979            | 5,971,079                 | 1.0000            | 5,971,079                 | 186.72                  |              |
| May-17    | 32,421            | 6,584,163                 | 1.0000            | 6,584,163                 | 203.08                  |              |
| Jun-17    | 32,617            | 6,397,553                 | 1.0000            | 6,397,553                 | 196.14                  |              |
| Jul-17    | 32,735            | 6,343,749                 | 1.0000            | 6,343,749                 | 193.79                  |              |
| Aug-17    | 33,027            | 6,394,122                 | 1.0000            | 6,394,122                 | 193.60                  |              |
| Sep-17    | 33,226            | 6,365,317                 | 1.0000            | 6,365,317                 | 191.58                  | 0.986        |
| Oct-17    | 33,433            | 6,753,521                 | 1.0000            | 6,753,521                 | 202.00                  | 1.035        |
| Nov-17    | 33,713            | 6,624,054                 | 1.0000            | 6,624,054                 | 196.48                  | 0.998        |
| Dec-17    | 33,623            | 6,465,954                 | 1.0000            | 6,465,954                 | 192.31                  | 0.935        |
| Jan-18    | 33,538            | 6,752,920                 | 1.0000            | 6,752,920                 | 201.35                  | 0.990        |
| Feb-18    | 33,670            | 6,291,457                 | 1.0000            | 6,291,457                 | 186.86                  | 1.024        |
| Mar-18    | 33,635            | 6,927,613                 | 1.0000            | 6,927,613                 | 205.96                  | 1.028        |
| Apr-18    | 33,786            | 6,889,949                 | 1.0000            | 6,889,949                 | 203.93                  | 1.092        |
| May-18    | 33,962            | 7,221,443                 | 1.0000            | 7,221,443                 | 212.63                  | 1.047        |
| Jun-18    | 34,228            | 7,135,872                 | 1.0000            | 7,135,872                 | 208.48                  | 1.063        |
| Jul-18    | 34,117            | 7,223,088                 | 1.0000            | 7,223,088                 | 211.72                  | 1.092        |
| Aug-18    | 34,090            | 7,521,136                 | 1.0000            | 7,521,136                 | 220.63                  | 1.140        |
| Sep-18    | 34,126            | 7,295,422                 | 1.0000            | 7,295,422                 | 213.78                  | 1.116        |
| Oct-18    | 34,296            | 7,889,193                 | 1.0000            | 7,889,193                 | 230.03                  | 1.139        |
| Nov-18    | 34,090            | 7,512,034                 | 1.0000            | 7,512,034                 | 220.36                  | 1.122        |
| Dec-18    | 33,488            | 7,735,981                 | 0.9990            | 7,743,725                 | 231.24                  | 1.202        |
| Jan-19    | 32,988            | 8,220,967                 | 1.0000            | 8,220,967                 | 249.21                  | 1.238        |
| Feb-19    | 33,042            | 7,386,415                 | 0.9990            | 7,393,809                 | 223.77                  | 1.198        |
| Mar-19    | 33,099            | 8,012,110                 | 0.9980            | 8,028,166                 | 242.55                  | 1.178        |
| Apr-19    | 32,934            | 7,967,034                 | 0.9980            | 7,983,000                 | 242.39                  | 1.189        |
| May-19    | 32,888            | 8,113,834                 | 0.9980            | 8,130,095                 | 247.21                  | 1.163        |
| Jun-19    | 32,782            | 7,621,568                 | 0.9970            | 7,644,502                 | 233.19                  | 1.119        |
| Jul-19    | 32,707            | 8,257,237                 | 0.9950            | 8,298,730                 | 253.73                  | 1.198        |
| Aug-19    | 32,585            | 8,515,742                 | 0.9940            | 8,567,144                 | 262.92                  | 1.192        |
| Sep-19    | 32,566            | 8,414,498                 | 0.9870            | 8,525,328                 | 261.78                  | 1.225        |
| Oct-19    | 32,633            | 8,928,202                 | 0.9860            | 9,054,972                 | 277.48                  | 1.206        |
| Nov-19    | 32,288            | 8,220,187                 | 0.9840            | 8,353,849                 | 258.73                  | 1.174        |
| Dec-19    | 31,635            | 8,071,998                 | 0.9660            | 8,356,105                 | 264.14                  | 1.142        |
| Jan-20    | 31,301            | 8,254,299                 | 0.9270            | 8,904,314                 | 284.47                  | 1.141        |
| FY2017    | 385,095           |                           |                   | 75,458,729                | 195.95                  |              |
| FY2018    | 405,021           |                           |                   | 82,172,323                | 202.88                  | 1.035        |
| FY2019    | 399,025           |                           |                   | 94,706,786                | 237.35                  | 1.170        |
| 9/18-1/19 | 168,988           |                           |                   | 38,661,340                | 228.78                  |              |
| 9/19-1/20 | 160,423           |                           |                   | 43,194,567                | 269.25                  | 1.177        |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Total - Medical          |                   |                           |                         | Trend Factor |
|-----------|-------------------|--------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm |              |
| Sep-16    | 31,749            | 20,066,927               | 1.0000            | 20,066,927                | 632.05                  |              |
| Oct-16    | 31,848            | 19,556,590               | 1.0000            | 19,556,590                | 614.06                  |              |
| Nov-16    | 31,885            | 19,601,808               | 1.0000            | 19,601,808                | 614.77                  |              |
| Dec-16    | 31,666            | 18,135,295               | 1.0000            | 18,135,295                | 572.71                  |              |
| Jan-17    | 31,578            | 19,912,475               | 1.0000            | 19,912,475                | 630.58                  |              |
| Feb-17    | 31,745            | 18,974,922               | 1.0000            | 18,974,922                | 597.73                  |              |
| Mar-17    | 31,845            | 20,172,064               | 1.0000            | 20,172,064                | 633.45                  |              |
| Apr-17    | 31,979            | 19,179,680               | 1.0000            | 19,179,680                | 599.76                  |              |
| May-17    | 32,421            | 22,028,514               | 1.0000            | 22,028,514                | 679.45                  |              |
| Jun-17    | 32,617            | 19,850,455               | 1.0000            | 19,850,455                | 608.59                  |              |
| Jul-17    | 32,735            | 18,842,087               | 1.0000            | 18,842,087                | 575.59                  |              |
| Aug-17    | 33,027            | 20,371,780               | 1.0000            | 20,371,780                | 616.82                  |              |
| Sep-17    | 33,226            | 19,695,846               | 1.0000            | 19,695,846                | 592.78                  | 0.938        |
| Oct-17    | 33,433            | 21,550,268               | 1.0000            | 21,550,268                | 644.58                  | 1.050        |
| Nov-17    | 33,713            | 22,546,855               | 1.0000            | 22,546,855                | 668.79                  | 1.088        |
| Dec-17    | 33,623            | 19,972,313               | 1.0000            | 19,972,313                | 594.01                  | 1.037        |
| Jan-18    | 33,538            | 21,632,026               | 1.0000            | 21,632,026                | 645.00                  | 1.023        |
| Feb-18    | 33,670            | 22,432,326               | 1.0000            | 22,432,326                | 666.24                  | 1.115        |
| Mar-18    | 33,635            | 20,916,782               | 1.0000            | 20,916,782                | 621.88                  | 0.982        |
| Apr-18    | 33,786            | 22,900,960               | 1.0000            | 22,900,960                | 677.82                  | 1.130        |
| May-18    | 33,962            | 22,071,560               | 1.0000            | 22,071,560                | 649.89                  | 0.956        |
| Jun-18    | 34,228            | 22,235,522               | 1.0000            | 22,235,522                | 649.63                  | 1.067        |
| Jul-18    | 34,117            | 22,078,910               | 1.0000            | 22,078,910                | 647.15                  | 1.124        |
| Aug-18    | 34,090            | 24,446,139               | 1.0000            | 24,446,139                | 717.11                  | 1.163        |
| Sep-18    | 34,126            | 23,073,786               | 1.0000            | 23,073,786                | 676.14                  | 1.141        |
| Oct-18    | 34,296            | 24,037,635               | 1.0000            | 24,037,635                | 700.89                  | 1.087        |
| Nov-18    | 34,090            | 22,184,051               | 1.0000            | 22,184,051                | 650.75                  | 0.973        |
| Dec-18    | 33,488            | 22,422,695               | 0.9990            | 22,445,140                | 670.24                  | 1.128        |
| Jan-19    | 32,988            | 26,169,897               | 1.0000            | 26,169,897                | 793.32                  | 1.230        |
| Feb-19    | 33,042            | 21,857,080               | 0.9990            | 21,878,959                | 662.16                  | 0.994        |
| Mar-19    | 33,099            | 25,258,939               | 0.9980            | 25,309,558                | 764.66                  | 1.230        |
| Apr-19    | 32,934            | 25,617,747               | 0.9980            | 25,669,085                | 779.41                  | 1.150        |
| May-19    | 32,888            | 24,221,972               | 0.9980            | 24,270,513                | 737.97                  | 1.136        |
| Jun-19    | 32,782            | 21,789,404               | 0.9970            | 21,854,969                | 666.68                  | 1.026        |
| Jul-19    | 32,707            | 23,701,393               | 0.9950            | 23,820,495                | 728.30                  | 1.125        |
| Aug-19    | 32,585            | 23,512,989               | 0.9940            | 23,654,919                | 725.94                  | 1.012        |
| Sep-19    | 32,566            | 25,289,324               | 0.9870            | 25,622,416                | 786.77                  | 1.164        |
| Oct-19    | 32,633            | 27,147,682               | 0.9860            | 27,533,146                | 843.72                  | 1.204        |
| Nov-19    | 32,288            | 23,503,735               | 0.9840            | 23,885,909                | 739.79                  | 1.137        |
| Dec-19    | 31,635            | 23,461,062               | 0.9660            | 24,286,814                | 767.73                  | 1.145        |
| Jan-20    | 31,301            | 23,639,502               | 0.9270            | 25,501,081                | 814.70                  | 1.027        |
| FY2017    | 385,095           |                          |                   | 236,692,597               | 614.63                  |              |
| FY2018    | 405,021           |                          |                   | 262,479,508               | 648.06                  | 1.054        |
| FY2019    | 399,025           |                          |                   | 284,369,006               | 712.66                  | 1.100        |
| 9/18-1/19 | 168,988           |                          |                   | 117,910,509               | 697.74                  |              |
| 9/19-1/20 | 160,423           |                          |                   | 126,829,367               | 790.59                  | 1.133        |

FY2021 STAR Health Rating Analysis  
 Estimated STAR Health Incurred Claims

| Month     | Number of Members | Prescription Drug        |                   |                           |                         | Trend Factor |
|-----------|-------------------|--------------------------|-------------------|---------------------------|-------------------------|--------------|
|           |                   | Claims Incurred and Paid | Completion Factor | Estimated Incurred Claims | Estimated Incurred pmpm |              |
| Sep-16    | 31,749            | 4,267,277                | 1.0000            | 4,267,277                 | 134.41                  |              |
| Oct-16    | 31,848            | 4,401,707                | 1.0000            | 4,401,707                 | 138.21                  |              |
| Nov-16    | 31,885            | 4,579,265                | 1.0000            | 4,579,265                 | 143.62                  |              |
| Dec-16    | 31,666            | 4,617,533                | 1.0000            | 4,617,533                 | 145.82                  |              |
| Jan-17    | 31,578            | 5,026,252                | 1.0000            | 5,026,252                 | 159.17                  |              |
| Feb-17    | 31,745            | 4,509,396                | 1.0000            | 4,509,396                 | 142.05                  |              |
| Mar-17    | 31,845            | 4,872,709                | 1.0000            | 4,872,709                 | 153.01                  |              |
| Apr-17    | 31,979            | 4,183,216                | 1.0000            | 4,183,216                 | 130.81                  |              |
| May-17    | 32,421            | 4,653,730                | 1.0000            | 4,653,730                 | 143.54                  |              |
| Jun-17    | 32,617            | 3,558,294                | 1.0000            | 3,558,294                 | 109.09                  |              |
| Jul-17    | 32,735            | 3,381,913                | 1.0000            | 3,381,913                 | 103.31                  |              |
| Aug-17    | 33,027            | 3,431,620                | 1.0000            | 3,431,620                 | 103.90                  |              |
| Sep-17    | 33,226            | 3,333,561                | 1.0000            | 3,333,561                 | 100.33                  | 0.746        |
| Oct-17    | 33,433            | 3,666,408                | 1.0000            | 3,666,408                 | 109.66                  | 0.793        |
| Nov-17    | 33,713            | 3,761,801                | 1.0000            | 3,761,801                 | 111.58                  | 0.777        |
| Dec-17    | 33,623            | 4,078,247                | 1.0000            | 4,078,247                 | 121.29                  | 0.832        |
| Jan-18    | 33,538            | 4,287,567                | 1.0000            | 4,287,567                 | 127.84                  | 0.803        |
| Feb-18    | 33,670            | 3,918,732                | 1.0000            | 3,918,732                 | 116.39                  | 0.819        |
| Mar-18    | 33,635            | 3,923,052                | 1.0000            | 3,923,052                 | 116.64                  | 0.762        |
| Apr-18    | 33,786            | 3,580,955                | 1.0000            | 3,580,955                 | 105.99                  | 0.810        |
| May-18    | 33,962            | 3,289,101                | 1.0000            | 3,289,101                 | 96.85                   | 0.675        |
| Jun-18    | 34,228            | 3,227,304                | 1.0000            | 3,227,304                 | 94.29                   | 0.864        |
| Jul-18    | 34,117            | 3,249,451                | 1.0000            | 3,249,451                 | 95.24                   | 0.922        |
| Aug-18    | 34,090            | 3,630,592                | 1.0000            | 3,630,592                 | 106.50                  | 1.025        |
| Sep-18    | 34,126            | 3,253,408                | 1.0000            | 3,253,408                 | 95.34                   | 0.950        |
| Oct-18    | 34,296            | 3,779,549                | 1.0000            | 3,779,549                 | 110.20                  | 1.005        |
| Nov-18    | 34,090            | 3,770,545                | 1.0000            | 3,770,545                 | 110.61                  | 0.991        |
| Dec-18    | 33,488            | 3,680,301                | 1.0000            | 3,680,301                 | 109.90                  | 0.906        |
| Jan-19    | 32,988            | 3,857,380                | 1.0000            | 3,857,380                 | 116.93                  | 0.915        |
| Feb-19    | 33,042            | 3,499,812                | 1.0000            | 3,499,822                 | 105.92                  | 0.910        |
| Mar-19    | 33,099            | 3,361,352                | 1.0000            | 3,361,352                 | 101.55                  | 0.871        |
| Apr-19    | 32,934            | 3,247,726                | 1.0000            | 3,247,726                 | 98.61                   | 0.930        |
| May-19    | 32,888            | 3,191,442                | 1.0000            | 3,191,442                 | 97.04                   | 1.002        |
| Jun-19    | 32,782            | 3,003,280                | 1.0000            | 3,003,280                 | 91.61                   | 0.972        |
| Jul-19    | 32,707            | 3,273,245                | 1.0000            | 3,273,245                 | 100.08                  | 1.051        |
| Aug-19    | 32,585            | 3,140,889                | 1.0000            | 3,140,889                 | 96.39                   | 0.905        |
| Sep-19    | 32,566            | 3,039,157                | 0.9997            | 3,040,091                 | 93.35                   | 0.979        |
| Oct-19    | 32,633            | 3,321,450                | 0.9994            | 3,323,451                 | 101.84                  | 0.924        |
| Nov-19    | 32,288            | 3,170,743                | 0.9990            | 3,173,845                 | 98.30                   | 0.889        |
| Dec-19    | 31,635            | 3,565,098                | 0.9990            | 3,568,648                 | 112.81                  | 1.026        |
| Jan-20    | 31,301            | 3,200,667                | 0.9989            | 3,204,178                 | 102.37                  | 0.875        |
| CY2017    | 391,942           |                          |                   | 48,457,146                | 123.63                  |              |
| CY2018    | 407,026           |                          |                   | 43,590,557                | 107.10                  | 0.866        |
| CY2019    | 392,147           |                          |                   | 39,681,168                | 101.19                  | 0.945        |
| 9/18-1/19 | 168,988           |                          |                   | 18,341,183                | 108.54                  |              |
| 9/19-1/20 | 160,423           |                          |                   | 16,310,212                | 101.67                  | 0.937        |

## Attachment 3

### STAR Health Trend Analysis

#### Medical

The FY2021 rating methodology uses assumed medical trend factors to adjust the base period (FY2019) claims cost to the rating period (FY2021). The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the plan. The trend assumptions are established on a statewide basis for FY2020 and FY2021.

The trend analysis included a review of health plan claims experience data through March 31, 2020. Based on this information, estimates of monthly incurred claims were made through January 31, 2020. The claims cost and trend experience was reviewed separately by type of service.

Exhibit A provides a summary of the FY2018, FY2019 and FY2020 trends by category of service. The FY2020 trend represents the trend during the period September 2019 through January 2020. All trends have been calculated as the average cost per member per month during the specified time period compared to the same time period during the prior fiscal year. For example, the FY2019 trend is calculated as the average cost per member per month during FY2019 divided by the average cost per member per month during FY2018.

All trends have been adjusted to remove the impact of the various provider reimbursement changes that have impacted the cost of the program. These adjustments are made for all items that have materially impacted historical costs and have distorted the trend from one time period to the next. For example, in September 1, 2019 the standard dollar amounts on which children's and rural hospital reimbursement is determined were revised resulting in a significant reimbursement increase for these facilities. As a result, the FY2020 observed trends are adjusted to remove the impact of the increased cost associated with these services to ensure the average cost during FY2019 and FY2020 are based on comparable services and reimbursement levels and the underlying trend is calculated.

The FY2020 trend assumption was developed from two components: (i) the observed trend for the period September 2019 through January 2020 and (ii) the projected trend for the period February 2020 through August 2020. The trend for the final seven months of FY2020 was projected using experience from FY2018, FY2019 and 9/2019-1/2020. The weighting of each time period was based on the number of months within each time period. The projected future trend is based on a more limited history than used in prior years due to the increased level of trend experienced in the STAR Health population over the past 24 months. Prior to the increase in FY2018, the STAR Health annual medical trend averaged around 0.5%. Given the prolonged period of significantly higher trends, we do not believe it is appropriate to use trends prior to FY2018 to project future growth rates for medical services. The elevated trends observed during FY2019 and FY2020 continue to be heavily impacted by increased utilization of private duty nursing services.

The FY2021 trend assumption was then developed from a simple average of the FY2018-FY2020

trends.

Although the medical trends were reviewed by component – professional, outpatient, inpatient, etc., a single trend assumption was selected and applied in aggregate. The MCO is paid a single capitation rate that does not vary by medical component. Splitting the analysis into separate components (inpatient, physician, etc...) does not add any additional accuracy to the analysis but could increase the probability of distortions in the projection due to reporting differences among fiscal years, small sample sizes in a given category of service, or variations in the trend projections that could emerge for a category. There is significant interaction amongst all categories of service as MCOs may shift cost away from inpatient toward outpatient and looking at an individual category in isolation could lead to overgeneralizations. The aggregate analysis performed takes into consideration all service categories and their interactions with one another without sacrificing accuracy.

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

### Prescription Drug

The rating methodology uses assumed pharmacy trend factors to adjust the base period (CY2019) claims cost to the rating period (FY2021). The trend rate assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience under the STAR Health program and the actuary's professional judgment regarding anticipated future cost changes. The trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 2020. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by risk group and drug type (brand, generic and specialty) through February 2020. From this experience, the average annual utilization and cost per service were determined for each of the four 12-month periods ending February 2020.

Certain drugs and drug categories are excluded from the pharmacy trend analysis. Anti-viral agents used for the treatment of the Hepatitis C virus and the drug Orkambi were carved in to the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on recent trends. In addition, experience for the drugs Tamiflu and Makena were removed from our trend analysis. Tamiflu was removed due to the significant variation in the intensity of flu season from year to year. Makena was removed due to its one-time distortion of pharmacy trends for pregnant women. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates.

The STAR Health pharmacy trend assumption for the remainder of FY2020 and all of FY2021 was developed using the following formula. The utilization and cost per service trend assumptions were set equal to one-sixth of the experience trend rate for the 12-month period ending February 2018 plus two-sixths of the experience trend rate for the 12-month period ending February 2019 plus three-sixths of the experience trend rate for the 12-month period ending February 2020. The

final cost trend assumption was then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2020 and combining the results into a single trend assumption. Exhibit B of this attachment presents a summary of the historical pharmacy trend analysis.

The preferred drug list (PDL) changes implemented in FY2018 and FY2019 had a material impact on pharmacy cost and trends. As a result, recent pharmacy experience trends will tend to understate the expected underlying trend. In order to correct for this understatement, we developed adjustment factors to restate pharmacy experience for the three most recent 12-month periods assuming that the PDL changes had not been implemented. Exhibit C of this attachment presents these adjustment factors and the resulting pharmacy trend assumptions used for the STAR Health program.

Please note that the MCO was provided a detailed trend analysis file which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the trend assumptions.



FY2021 STAR Health Rating Analysis  
Trend Development - Medical

| Historical Average Trend (1) | Professional | Outpatient -<br>ER | Outpatient -<br>Non ER | Inpatient | Vision | Other | Total |
|------------------------------|--------------|--------------------|------------------------|-----------|--------|-------|-------|
| FY2018                       | 4.1%         | 7.3%               | 9.8%                   | 8.0%      | 5.6%   | 3.3%  | 5.2%  |
| FY2019                       | 5.6%         | 1.7%               | 4.5%                   | 8.0%      | -0.4%  | 16.4% | 9.4%  |
| 9/2019-1/2020                | 11.5%        | 16.9%              | 20.1%                  | 6.6%      | -1.6%  | 13.2% | 11.0% |

Trend Assumption

|                   |  |  |  |  |  |  |       |
|-------------------|--|--|--|--|--|--|-------|
| 9/2019-1/2020     |  |  |  |  |  |  | 11.0% |
| 2/2020-8/2020 (2) |  |  |  |  |  |  | 7.9%  |
| FY2020 (3)        |  |  |  |  |  |  | 9.2%  |
| FY2021 (4)        |  |  |  |  |  |  | 7.9%  |

Footnotes:

- (1) Trends have been adjusted to remove the impact of policy and reimbursement changes.
- (2) Average trend during FY2018, FY2019 and first five months of FY2020.
- (3) Average of actual 9/2019-1/2020 and assumed 2/2020-8/2020.
- (4) Average trend during FY2018-FY2020.

FY2021 STAR Health Rating Analysis  
Trend Development - Pharmacy

Total

**Annual Trend in Number of Scripts per Member per Month**

**Brand Drugs**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | -11.7 % |
| 3/2016-2/2017 | -12.7 % |
| 3/2017-2/2018 | -16.9 % |
| 3/2018-2/2019 | -18.9 % |
| 3/2019-2/2020 | -7.7 %  |
| Use           | -13.0 % |

**Generic Drugs**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | -0.3 % |
| 3/2016-2/2017 | -0.3 % |
| 3/2017-2/2018 | 5.3 %  |
| 3/2018-2/2019 | 3.4 %  |
| 3/2019-2/2020 | 4.7 %  |
| Use           | 4.4 %  |

**Specialty Drugs**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | -8.9 % |
| 3/2016-2/2017 | -6.2 % |
| 3/2017-2/2018 | -3.6 % |
| 3/2018-2/2019 | -0.3 % |
| 3/2019-2/2020 | -6.1 % |
| Use           | -3.8 % |

**All Drugs**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | -3.2 % |
| 3/2016-2/2017 | -3.1 % |
| 3/2017-2/2018 | 0.8 %  |
| 3/2018-2/2019 | -0.3 % |
| 3/2019-2/2020 | 2.8 %  |
| Use           | 2.3 %  |

**Annual Trend in Days Supply per Member per Month**

**Brand Drugs**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | -13.0 % |
| 3/2016-2/2017 | -14.3 % |
| 3/2017-2/2018 | -18.8 % |
| 3/2018-2/2019 | -20.7 % |
| 3/2019-2/2020 | -7.0 %  |
| Use           | -13.5 % |

**Generic Drugs**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | 1.4 %  |
| 3/2016-2/2017 | -0.4 % |
| 3/2017-2/2018 | 6.2 %  |
| 3/2018-2/2019 | 5.2 %  |
| 3/2019-2/2020 | 7.1 %  |
| Use           | 6.3 %  |

FY2021 STAR Health Rating Analysis  
Trend Development - Pharmacy

|                        | <u>Total</u> |
|------------------------|--------------|
| <b>Specialty Drugs</b> |              |
| 3/2015-2/2016          | -8.8 %       |
| 3/2016-2/2017          | -4.6 %       |
| 3/2017-2/2018          | -5.5 %       |
| 3/2018-2/2019          | -0.1 %       |
| 3/2019-2/2020          | -5.0 %       |
| Use                    | -3.5 %       |

|                  |        |
|------------------|--------|
| <b>All Drugs</b> |        |
| 3/2015-2/2016    | -2.7 % |
| 3/2016-2/2017    | -3.8 % |
| 3/2017-2/2018    | 0.6 %  |
| 3/2018-2/2019    | 0.6 %  |
| 3/2019-2/2020    | 5.0 %  |
| Use              | 3.8 %  |

**Annual Trend in Incurred Claims per Days Supply**

|                    |         |
|--------------------|---------|
| <b>Brand Drugs</b> |         |
| 3/2015-2/2016      | 16.0 %  |
| 3/2016-2/2017      | 7.5 %   |
| 3/2017-2/2018      | -10.7 % |
| 3/2018-2/2019      | -6.8 %  |
| 3/2019-2/2020      | -1.1 %  |
| Use                | -4.6 %  |

|                      |         |
|----------------------|---------|
| <b>Generic Drugs</b> |         |
| 3/2015-2/2016        | -0.6 %  |
| 3/2016-2/2017        | -11.5 % |
| 3/2017-2/2018        | 9.9 %   |
| 3/2018-2/2019        | -0.1 %  |
| 3/2019-2/2020        | -31.4 % |
| Use                  | -14.1 % |

|                        |        |
|------------------------|--------|
| <b>Specialty Drugs</b> |        |
| 3/2015-2/2016          | 10.0 % |
| 3/2016-2/2017          | 45.0 % |
| 3/2017-2/2018          | 7.4 %  |
| 3/2018-2/2019          | 11.9 % |
| 3/2019-2/2020          | 18.8 % |
| Use                    | 14.6 % |

|                  |         |
|------------------|---------|
| <b>All Drugs</b> |         |
| 3/2015-2/2016    | 3.6 %   |
| 3/2016-2/2017    | 0.3 %   |
| 3/2017-2/2018    | -15.8 % |
| 3/2018-2/2019    | -12.0 % |
| 3/2019-2/2020    | -12.6 % |
| Use              | -10.3 % |

FY2021 STAR Health Rating Analysis  
Trend Development - Pharmacy

Total

**Annual Trend in Incurred Claims per Member per Month**

**Brand Drugs**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | 0.9 %   |
| 3/2016-2/2017 | -7.8 %  |
| 3/2017-2/2018 | -27.5 % |
| 3/2018-2/2019 | -26.0 % |
| 3/2019-2/2020 | -8.0 %  |
| Use           | -17.5 % |

**Generic Drugs**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | 0.8 %   |
| 3/2016-2/2017 | -11.8 % |
| 3/2017-2/2018 | 16.6 %  |
| 3/2018-2/2019 | 5.1 %   |
| 3/2019-2/2020 | -26.6 % |
| Use           | -8.7 %  |

**Specialty Drugs**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | 0.3 %  |
| 3/2016-2/2017 | 38.3 % |
| 3/2017-2/2018 | 1.5 %  |
| 3/2018-2/2019 | 11.8 % |
| 3/2019-2/2020 | 12.8 % |
| Use           | 10.6 % |

**All Drugs**

|               |               |
|---------------|---------------|
| 3/2015-2/2016 | 0.8 %         |
| 3/2016-2/2017 | -3.5 %        |
| 3/2017-2/2018 | -15.3 %       |
| 3/2018-2/2019 | -11.5 %       |
| 3/2019-2/2020 | -8.3 %        |
| Use           | <b>-6.8 %</b> |

**Generic Dispensing Rate (Days Supply)**

|               |        |
|---------------|--------|
| 3/2015-2/2016 | 74.0 % |
| 3/2016-2/2017 | 76.6 % |
| 3/2017-2/2018 | 80.8 % |
| 3/2018-2/2019 | 84.5 % |
| 3/2019-2/2020 | 86.2 % |
| Use           | 89.3 % |

FY2021 STAR Health Rating Analysis  
Trend Development - Pharmacy

All  
Members

**Incurred Claims per Member per Month**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | 135.462 |
| 3/2016-2/2017 | 130.752 |
| 3/2017-2/2018 | 110.782 |
| 3/2018-2/2019 | 98.073  |
| 3/2019-2/2020 | 89.975  |

**PDL Adjustment Factors**

|               |        |
|---------------|--------|
| 3/2017-2/2018 | 1.1634 |
| 3/2018-2/2019 | 1.3483 |
| 3/2019-2/2020 | 1.4774 |

**Adjusted Incurred Claims per Member per Month**

|               |         |
|---------------|---------|
| 3/2015-2/2016 | 135.462 |
| 3/2016-2/2017 | 130.752 |
| 3/2017-2/2018 | 128.884 |
| 3/2018-2/2019 | 132.232 |
| 3/2019-2/2020 | 132.929 |

**Annual Trend in Adjusted Incurred Claims per Member per Month**

|               |        |
|---------------|--------|
| 3/2016-2/2017 | -3.5 % |
| 3/2017-2/2018 | -1.4 % |
| 3/2018-2/2019 | 2.6 %  |
| 3/2019-2/2020 | 0.5 %  |
| Use           | 0.9 %  |

Notes:

Trend Adjustment Factors include adjustments for the significant PDL changes that took place in 2017 and 2019.

## *Attachment 4*

### Provider Reimbursement Adjustments

This attachment presents information regarding rating adjustments for the various provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting and before the end of FY2021.

The benefit and provider reimbursement changes recognized in the FY2021 rate setting are listed below. The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement bases and the resulting impact determined. The attached exhibit presents a summary of the derivation of the adjustment factors.

### Provider Reimbursement Adjustments

- Effective September 1, 2019, HHSC made revisions to the reimbursement rates for therapy services.
- Effective September 1, 2017, FQHC wrap payments were carved out of managed care. HHSC has developed policy language to ensure that FQHCs are reimbursed their full encounter rate; however, the MCO will only be responsible for reimbursing the FQHC an amount no less than the rate paid to non-FQHC providers providing similar services.
- Invalid clinician administered drugs have been removed from the base period. HHSC has provided guidance to the MCOs which specifies the reporting requirements for a CAD to be considered a valid claim.
- Effective March 1, 2019, HHSC made revisions to the reimbursement for anesthesiology services.
- Effective September 1, 2019, HHSC increased the reimbursement for private duty nursing (PDN) by 2.5%.

### Hospital Reimbursement Adjustments

- As a result of annual evaluations, several hospitals have had their Standard Dollar Amount (SDA) revised between FY2019 and FY2021. In addition, the SDAs for all rural and children's hospitals were increased effective September 1, 2019. The increases for children's hospitals were limited to FY2020 and will be restored to the pre-September 1, 2019 levels on September 1, 2020.
- Beginning May 1, 2013, HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Readmissions (PPR). The reimbursement reductions amount to 1-2% depending on a hospital's performance during the evaluation period and can change from

one fiscal year to the next. A new PPR reduction list will become effective September 1, 2020. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2019 net of those reductions that will be in place during FY2021.

- Beginning March 1, 2014, HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Complications (PPC). The reimbursement reductions amount to 2-2.5% depending on a hospital's performance during the evaluation period and can change from one fiscal year to the next. A new PPC reduction list will become effective September 1, 2020. As a result, the adjustment factors represent the restoration of those reductions that were in place during FY2019 net of those reductions that will be in place during FY2021.
- Effective September 1, 2019, HHSC began utilizing an adjustment to the base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2021. The 10% PPR adjustment is intended to be an introductory step in improving the quality and efficiency of the managed care programs. This assumption will be monitored as actual experience develops and reassessed in future rating periods.

#### Pharmacy Adjustments

- During FY2019, HHSC implemented numerous changes to the Preferred Drug List (PDL). These changes included some of the program's highest expenditure drugs (Nexium and Focalin) and had a significant impact on managed care pharmacy cost. These changes were implemented during the experience period used to develop the FY2021 capitation rates. As a result, it is necessary to adjust the base period experience to reflect this material change in cost.
- Effective September 1, 2020, HHSC will carve out all hemostatic drugs from the managed care capitated arrangement. These drugs will continue to be covered services under the program but will be funded through a non-risk arrangement. Hemostatic drugs are rare and extremely high cost. The purpose of this carve-out is to improve the balance of risk between various MCOs.

The attached exhibit presents a summary of the rating adjustment factors. With the exception of the FQHC adjustment factor, all adjustment factors were calculated by repricing the FY2019 (CY2019 for pharmacy services) base period encounter data with both the old and new reimbursement terms and comparing the relative difference. Although the MCOs are not required to change their reimbursement levels based on changes implemented by HHSC, the Medicaid fee schedule serves as a primary negotiating tool for both MCOs and providers in Texas. Many MCO/provider reimbursement contracts are directly tied to the Medicaid FFS fee schedule through established percentages (e.g. 100%, 102%, 95% etc.). As a result, MCO reimbursement has historically changed in conjunction with Medicaid FFS fee schedule changes, both increases and decreases. Furthermore, it is common for provider reimbursement contracts that are directly tied

to the Medicaid fee schedule (i.e. set at a % of Medicaid) to automatically adjust when the Medicaid fee schedule changes with no further need for recontracting. The correlation between managed care reimbursement and FFS fee schedules has been consistently observed throughout the history of the Texas managed care programs and is reiterated through discussions with the MCOs.

The FQHC adjustment was calculated by collecting the total FQHC wrap payments paid during the FY2019 and removing these amounts from the base period.

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



FY2021 STAR Health Rating Analysis  
 Provider Reimbursement Adjustments  
 Estimates Based on FY2019 STAR Health Encounter Data

**Provider Reimbursement Adjustment Factor**

|                                      |             |
|--------------------------------------|-------------|
| Therapy Reimbursement Changes        | 2,289,349   |
| Remove FQHC Wrap Payment             | -4,013,592  |
| Removal of Invalid CAD               | -140        |
| Anesthesiology Reimbursement Changes | 74,055      |
| PDN Reimbursement Increase           | 1,525,953   |
| Total Provider Reimbursement Changes | -124,375    |
| FY2019 Total Claims                  | 284,369,006 |
| Provider Reimbursement Adjustment    | -0.04 %     |

**Hospital Reimbursement Adjustment Factor**

|                                      |             |
|--------------------------------------|-------------|
| Standard Dollar Amount Changes       | 205,820     |
| PPR Reduction/Restoration            | 49,817      |
| PPC Reduction/Restoration            | -220,103    |
| PPR Efficiency Improvements          | -1,069,191  |
| Total Hospital Reimbursement Changes | -1,033,657  |
| FY2019 Total Claims                  | 284,369,006 |
| Hospital Reimbursement Adjustment    | -0.36 %     |

**Pharmacy Adjustment Factors**

|                                |            |
|--------------------------------|------------|
| CY2019 Incurred Claims         | 39,187,063 |
| Impact of PDL Changes 7/1/2019 | -685,774   |
| PDL Adjustment                 | -1.75 %    |
| Hemostatic Carve-Out           | -3,919     |
| Carve-Out Adjustment           | -0.01 %    |

## *Attachment 5*

### Community First Choice (CFC)

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

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

- a. Determine the percentage of all claim payments which are associated with the personal care services (PCS) for CFC eligible members. This information was compiled by collecting a list of CFC eligible members and collecting all PCS claims for these members during the FY2019 base period.
- b. The CFC eligible services included in the STAR Health premium rate are then determined as the current premium rate multiplied by the percentage of total claims provided for personal care services for CFC eligible members.

Based on this calculation, the projected CFC portion of the total premium rate which is eligible for the enhanced federal match is \$3.21 per member per month.

FY2021 STAR Health Rating Analysis  
CFC Enhanced Match Calculation

|                                   |             |
|-----------------------------------|-------------|
| FY2019 Personal Care Services (1) | 910,332     |
| FY2019 Total Claims               | 284,369,006 |
| PCS % of Total                    | 0.3%        |
| FY2021 Premium Rate               | 1,002.12    |
| CFC Portion of Premium Rate (2)   | 3.21        |

Footnotes:

- (1) Total PCS provided to CFC eligible members.
- (2) PCS % of Total Claims multiplied by FY2021 Premium Rate.

***Attachment 6***

FY2021 STAR Health Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2020-2021 Medicaid Managed Care Rate Development Guide, dated July 2020.

**Section I. Medicaid Managed Care Rates**

**1. General Information**

A. Rate Development Standards

- i. Rates are for the period September 1, 2020 through August 31, 2021 (FY2021).
- ii. (a) The certification letter is on page 13 of the report.  
(b) The final capitation rates are shown on page 12 of the report.  
(c) (i) See pages 1 and 4 through 5 of the report.  
(ii) See page 1 of the report.  
(iii) See page 1 of the report.  
(iv) Not applicable. There have been no changes since the prior certification.  
(v) Not applicable. There are no special contract provisions related to payment within the STAR Health program.  
(vi) Not applicable.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Acknowledged.
- vi. Acknowledged.
- vii. Acknowledged.
- viii. Acknowledged.

- ix. Acknowledged.
- B. Appropriate Documentation
  - i. Acknowledged.
  - ii. Acknowledged.
  - iii. Acknowledged.
  - iv. See pages 40 through 41 of the report.
  - v. (a) See pages 15 through 18 of the report.  
  
(b) Not applicable. All rating adjustment factors have been included in the report.
  - vi. Not applicable. While amendments may be necessary in future months there are no known at this time.

## 2. Data

- A. Rate Development Standards
  - i. (a) Acknowledged.  
  
(b) Acknowledged.  
  
(c) Acknowledged.  
  
(d) Not applicable.
- B. Appropriate Documentation
  - i. (a) See pages 1 through 3 of the report.
  - ii. (a) See pages 1 through 3 of the report.  
  
(b) See pages 2 through 3 of the report.  
  
(c) See pages 2 through 3 of the report.  
  
(d) Not applicable.

- iii. (a) Base period data is fully credible.
- (b) See page 4 of the report.
- (c) No errors found in the data.
- (d) See pages 36 through 39 of the report.
- (e) Value added services and non-capitated services have been excluded from the analysis.

### **3. Projected benefit Costs and Trends**

#### **A. Rate Development Standards**

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

#### **B. Appropriate Documentation**

- i. See pages 15 through 18 of the report.
- ii. (a) See pages 15 through 18 of the report.
- (b) There have been no significant changes in the development of the benefit cost since the last certification.
- (c) All recoupments and recoveries resulting from overpayments to providers have been netted out of the claim payments used in the rate development. MCOs are required to adjust encounter data to remove all overpayments and correct the submitted information. Any provider recoveries not adjusted for in the submitted encounter data are excluded from the base period as a negative add-on payment.
- iii. (a) See 28 through 35 of the report.

(b) See 28 through 35 of the report.

(c) See 28 through 35 of the report.

(d) See 28 through 35 of the report.

(e) Not applicable.

iv. Not applicable.

v. The STAR Health program stipulates the following provisions related to in lieu of services:

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

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

vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid eligible during a prior period. If the individual was eligible for and enrolled in Medicaid managed care during the prior six months, then the individual is retrospectively enrolled in the same managed care plan as their prior enrollment segment. The managed care plan is then retrospectively responsible for all Medicaid expenses incurred during this retrospective period and is also paid a retrospective premium for this time period.

(b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the FY2021 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2021 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 pages 36 through 39 of the report.

viii. See pages 36 through 39 of the report.

#### **4. Special Contract Provisions Related to Payment**

##### A. Incentive Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

##### B. Withhold Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

##### C. Risk-Sharing Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

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



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

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

(a) Not applicable. No such arrangements exist in the STAR Health program.

(b) Confirmed.

(c) Confirmed.

E. Pass-Through Payments

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

(a) Not applicable. No such arrangements exist in the STAR Health program.

**5. Projected Non-Benefit Costs**

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

- iv. Acknowledged.
- B. Appropriate Documentation
- i. See page 11 of the report.
  - ii. See page 11 of the report.
  - iii. See page 11 of the report.
  - iv. (a) See page 11 of the report.  
(b) Not applicable.  
(c) Not applicable.  
(d) See page 11 of the report.  
(e) Not applicable.  
(f) See page 11 of the report.

## **6. Risk Adjustment and Acuity Adjustments**

- A. Rate Development Standards
- i. Acknowledged.
  - ii. Acknowledged.
  - iii. Acknowledged.
- B. Appropriate Documentation
- i. Not applicable, risk adjustment is not applied to the STAR Health rate development.
  - ii. Not applicable, risk adjustment is not applied to the STAR Health rate development.
  - iii. Not applicable, risk adjustment is not applied to the STAR Health rate development.
  - iv. Not applicable, risk adjustment is not applied to the STAR Health rate development.