

**STATE OF TEXAS  
CHILDREN'S HEALTH INSURANCE  
PROGRAM  
CHIP RATE SETTING  
STATE FISCAL YEAR 2007**

Prepared for:  
Texas Health and Human Services Commission

A handwritten signature in cursive script that reads "David Wilkes".

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July 14, 2006

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## I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop the state fiscal year 2007 (FY2007, September 1, 2006 through August 31, 2007) premium rates for health plans participating in the Texas Children's Health Insurance Program (CHIP). This report presents the rating methodology and assumptions used in developing the premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 20 years. We have participated in the state's Medicaid managed care rating process since its inception in 1993 and in developing premium rates for CHIP plans since that program's inception in 2000. This year, as in previous years, we have worked closely with HHSC in developing the FY2007 CHIP premium rates.

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

- Monthly enrollment by age group for each health plan. This includes historical enrollment since September 2003 and a projection of future enrollment through August 2007. These projections were prepared by HHSC System Forecasting staff.
- Claim lag reports by age group for each health plan for the period September 2003 through March 2006. These reports were provided by the health plans and include monthly paid claims by month of service.
- Financial Statistical Reports (FSR) for each participating health plan for FY2004, FY2005 and the first six months of FY2006. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the health plan.
- Reports from the EQRO summarizing their analysis of the health plan's encounter data.
- Current (FY2006) premium rates for each health plan.
- The number of maternity deliveries by health plan for the period September 2003 through December 2005.
- Information regarding recent changes in covered services and provider reimbursement under the State Medicaid and CHIP programs.
- Information from the health plans regarding current and projected payment rates for certain capitated services, such as mental health and vision.
- Acuity risk adjustment analysis prepared by the EQRO for each participating health plan.
- Information from the health plans regarding current and projected reinsurance premium rates.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

## II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2007 CHIP premium rates relies primarily on health plan financial experience. The historical claims experience data for each health plan was analyzed and estimates for the base period (FY2005) were developed. These estimates were then projected forward to FY2007 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 FY2007 cost under the health plan. These projected total cost rates were determined separately for each health plan. The results of this analysis were then combined for all health plans in a service area in order to develop a set of community rates for each service delivery area (SDA).

The health plans under review are located in the following service areas:

- Austin Area
- Corpus Christi Area
- Dallas Area
- El Paso Area
- Exclusive Provider Organization Area
- Fort Worth Area
- Houston Area
- Laredo Area
- Lubbock Area
- San Antonio Area

The Exclusive Provider Organization (EPO) plan serves 170 mostly rural Texas counties. The FY2007 premium rates for the EPO were developed using the same methodology as that used for all other CHIP health plans.

Premium rates were determined for the following age groups:

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

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
- Hearing Services
- Home Health Services

- Emergency Room Services
- Ambulance Services
- Vision Services

Services specifically excluded from the analysis include:

- Prescription Drugs
- Dental and Orthodontia Services

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the health plans, (ii) the claim amounts included in the FSRs and (iii) the claim amounts in the encounter data files as provided by the EQRO. There was satisfactory consistency between the three claims data sources for each of the health plans.

We projected the FY2007 cost for each individual health plan by estimating their base period (FY2005) average claims cost and then applying trend and other adjustment factors. (These adjustment factors are described in more detail in Section III.) We added capitation expenses for services capitated by the health plan (such as vision and behavioral health), a net cost of reinsurance, a reasonable provision for administrative expenses and a risk margin. Attachment 2 presents a description and an example of the experience analysis for a sample health plan. This type of analysis was conducted on the experience of each participating CHIP health plan.

The analysis of base period claims experience for each health plan 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 and adjustments were made if deemed appropriate.

As noted above, the CHIP premium rates are age based. In prior years the experience for all age groups was combined in order to develop a single rate change factor which was applied to all four age brackets. This year, for the first time, the rating process included an analysis of the experience for each age category. The analysis resulted in some significant rate changes by age group, especially for the under age one category.

HHSC utilized the combination of two rating methodologies in setting the FY2007 CHIP premium rates – individual plan experience rating and community rating. The individual plan experience rating method is described above and documented in Attachment 2. The community rates are developed by a weighted average of the projected FY2007 cost for each health plan in the service area (from the individual plan experience rating method). The weights used in this formula are the projected FY2007 number of members enrolled in each health plan by age group. Attachment 3 presents the summary community rating exhibit for each SDA along with a description of the analysis.

The base community rate in each service area was adjusted to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of acuity risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective memberships. Additional information

regarding risk adjustment is included in Section III below under Risk Adjustment and in Attachment 5.

The FY2007 CHIP health plan premium rates were then defined as the following: the minimum of (a) 110% of the rate developed using the individual experience of the plan and (b) the community rate with risk adjustment.

In addition to the premium, HHSC pays the CHIP health plans a \$3,000 delivery supplemental payment (DSP) per maternity delivery. More information on DSP is included in Attachment 6.

### III. Adjustment Factors

This section contains a description of the adjustment factors used in the FY2007 CHIP rate setting process.

#### ***Trend Factors***

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 under the CHIP program. The analysis included a review of HMO and EPO claims experience data through March, 2006. This analysis was used to select an annual trend rate assumption of 10.6% for FY2006 and 10.0% for FY2007 for each health plan.

#### ***Benefit Change Factors***

Effective September 1, 2005, the State restored several services and covered providers that were reduced or eliminated in FY2004. Effective September 1, 2003, behavioral health benefits were reduced significantly and vision, hospice, skilled nursing, tobacco cessation and chiropractic services were eliminated entirely. The rate setting process includes adjustments for the estimated cost impact of these restored benefits.

#### ***Investment Income Adjustment***

An investment income credit was included in the rating process to account for the income expected to be generated between the time the health plan receives the premium from HHSC and the time they pay claims. This revision is new for FY2007. We have assumed that the value of this timing (or cash flow) difference is 0.25% of premium. Attachment 4 presents our analysis and estimate of the value of this revision.

#### ***Risk Adjustment***

Several risk adjustment techniques are employed in the rate setting methodology. Premium rates are established separately by area and age group in order to recognize the inherent geographical and demographical variation in the cost of delivering care. In an attempt to treat the health plans more equitably regarding maternity expenses, the methodology includes a separate payment for maternity services. The rating methodology also includes a health status adjustment.

The base community rate in each service area was adjusted to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective members. The risk analysis was performed by the University of Florida's Institute for Child Health Policy (ICHP). The methodology used to incorporate the acuity risk adjustment is the Chronic Illness and Disability Payment System (CDPS). Additional information regarding risk adjustment is included in Attachment 5.

Although the results of the risk adjustment analysis were reviewed for reasonableness, Rudd and Wisdom did not audit the risk adjustment data or the results of ICHP's analysis.



#### IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for health plan administrative expenses. The amount allocated for administrative expenses is the greater of (a) \$10.1275 per member per month plus 7.5% of gross premium and (b) \$16.1275 pmpm plus 1.75% of gross premium. These amounts were intended to provide for all administrative-related services performed by the health plan. The reason for the “greater of” methodology was to recognize the relatively small and decreasing CHIP membership in many of the program’s health plans.

The premium rates also include a risk margin equal to 2.0% of gross premium.

## V. CHIP Perinatal

Effective January 1, 2007, a new group of clients will be covered under the CHIP program – CHIP Perinatal. The purpose of the new program is to extend CHIP services to unborn children of certain non-Medicaid eligible women. Newborns under this program will receive the same benefits as current CHIP participants. There will be no cost sharing applied to these participants. Also, for those newborns under 185% of the Federal Poverty Level (FPL), the initial inpatient facility cost will not be the financial responsibility of the health plan. Those costs will be carved-out and paid for by the Medicaid Fee-for-Service plan. All costs (including those for the initial inpatient facility stay) for newborns between 185% and 200% FPL are the responsibility of the health plan.

The CHIP benefits provided to expectant mothers are more limited in scope. They include limited prenatal and post-natal services only. There will be no cost sharing applied to these participants.

We have developed premium rates for four categories of clients or risk groups: (1) newborns under 185% of the Federal Poverty Level (FPL); (2) newborns between 185% and 200% FPL; (3) expectant mothers under 185% FPL; and (4) expectant mothers between 185% and 200% FPL.

Our basis for CHIP Perinatal newborn rates was STAR newborn rates. We began with FY2007 STAR newborn rates by SDA. For those CHIP service areas that are not a STAR area (Laredo and the EPO service area) we used the overall average STAR newborn rate. To the STAR rates we made adjustments for: (1) removal of delayed enrollment; (2) benefit differences between STAR and CHIP; (3) an additional 1% risk margin (3% versus the STAR program's 2%) and (4) the impact of carve-out of the initial inpatient facility cost for newborns under 185% FPL.

The basis for premium rates for expectant mothers was FY2004 and FY2005 fee-for-service (FFS) plan claims experience for selected services for TP 40 clients – pregnant women who are below 185% FPL and eligible only because they are pregnant (provided by HHSC Strategic Decision Support staff). This claims experience was trended forward to fiscal year 2007 assuming a 5% annual trend. Provisions for administrative expenses and risk margin were added to the projected claims, and an investment income credit was taken to produce the fiscal year 2007 premium rates for expectant mothers. The administrative expense provision was set equal to the average administrative fee included in the STAR rates. The risk margin is 3% which is 1% higher than that used for the regular CHIP program. The use of a higher risk margin was deemed appropriate given that CHIP Perinatal is a new program with no direct experience data to draw from. The expectant mother premium rates are the same for all areas and both the under 185% FPL and 185% to 200% FPL categories.

Attachment 7 includes documentation regarding the rate calculation for CHIP Perinatal.

## VI. Summary

The chart below presents results of the FY2007 CHIP rating analysis.

Health Plan	Regular CHIP				DSP
	Under Age 1	Ages 1-5	Ages 6-14	Ages 15-18	
FY2007 Premium Rates per member per month					
Seton – Austin	63.15	90.64	83.08	124.32	3,000.00
Superior - Austin	63.15	90.64	83.08	124.32	3,000.00
Americaid – Corpus	89.40	93.77	78.78	97.60	3,000.00
Driscoll – Corpus	89.40	93.77	78.78	97.60	3,000.00
Superior – Corpus	89.40	93.77	78.78	97.60	3,000.00
Americaid – Dallas	150.57	112.41	71.95	90.44	3,000.00
Parkland – Dallas	168.49	120.95	77.03	87.77	3,000.00
Unicare – Dallas	160.01	116.97	74.64	89.02	3,000.00
El Paso First – El Paso	69.86	71.92	63.91	76.51	3,000.00
Superior – El Paso	61.24	73.74	57.09	67.88	3,000.00
Aetna – Fort Worth	36.69	95.11	87.26	123.95	3,000.00
Americaid – Fort Worth	36.69	95.11	87.26	123.95	3,000.00
Cook – Fort Worth	36.69	95.11	87.26	123.95	3,000.00
Americaid – Houston	153.05	78.71	63.21	87.37	3,000.00
CHC – Houston	237.92	108.40	87.15	120.20	3,000.00
Molina – Houston	237.92	108.40	87.15	120.20	3,000.00
TCHP – Houston	239.35	110.24	88.54	122.48	3,000.00
UTMB – Houston	265.76	111.33	89.76	123.08	3,000.00
Mercy – Lardeo	69.95	96.18	65.33	100.15	3,000.00
Firstcare – Lubbock	50.60	73.42	65.52	95.23	3,000.00
Superior – Lubbock	56.26	76.79	68.04	93.75	3,000.00
Aetna – San Antonio	122.00	92.28	73.30	98.42	3,000.00
CFHP – San Antonio	124.20	92.65	74.33	98.52	3,000.00
Superior – San Antonio	100.58	78.71	61.06	84.70	3,000.00
Superior – EPO	124.90	90.14	70.85	93.69	3,000.00

Health Plan	CHIP Perinatal				DSP
	Newborns Under 185% FPL	Newborns 185-200% FPL	Perinate Under 185% FPL	Perinate 185-200% FPL	
FY2007 Premium Rates per member per month					
Seton – Austin	380.66	774.58	152.35	152.35	3,000.00
Superior - Austin	380.66	774.58	152.35	152.35	3,000.00
Americaid – Corpus	346.50	705.08	152.35	152.35	3,000.00
Driscoll – Corpus	346.50	705.08	152.35	152.35	3,000.00
Superior – Corpus	346.50	705.08	152.35	152.35	3,000.00
Americaid – Dallas	324.98	661.29	152.35	152.35	3,000.00
Parkland – Dallas	324.98	661.29	152.35	152.35	3,000.00
Unicare – Dallas	324.98	661.29	152.35	152.35	3,000.00
El Paso First – El Paso	287.45	584.91	152.35	152.35	3,000.00
Superior – El Paso	287.45	584.91	152.35	152.35	3,000.00
Aetna – Fort Worth	288.79	587.64	152.35	152.35	3,000.00
Americaid – Fort Worth	288.79	587.64	152.35	152.35	3,000.00
Cook – Fort Worth	288.79	587.64	152.35	152.35	3,000.00
Americaid – Houston	342.66	697.26	152.35	152.35	3,000.00
CHC – Houston	342.66	697.26	152.35	152.35	3,000.00
Molina – Houston	342.66	697.26	152.35	152.35	3,000.00
TCHP – Houston	342.66	697.26	152.35	152.35	3,000.00
UTMB – Houston	342.66	697.26	152.35	152.35	3,000.00
Mercy – Lardeo	325.92	663.20	152.35	152.35	3,000.00
Firstcare – Lubbock	215.02	437.53	152.35	152.35	3,000.00
Superior – Lubbock	215.02	437.53	152.35	152.35	3,000.00
Aetna – San Antonio	335.90	683.52	152.35	152.35	3,000.00
CFHP – San Antonio	335.90	683.52	152.35	152.35	3,000.00
Superior – San Antonio	335.90	683.52	152.35	152.35	3,000.00
Superior – EPO	325.92	663.20	152.35	152.35	3,000.00

In addition to the premium, HHSC pays the CHIP health plans \$3,000 per maternity delivery. More information on this delivery supplemental payment is included in Attachment 6.

Attachment 1 presents additional information regarding the FY2007 rates including a comparison to current (FY2006) rates.

VII. Attachments

***Attachment 1***

Summary of FY2007 CHIP Rating Analysis

The attached exhibit presents summary information regarding the FY2007 CHIP rates. Included on the exhibit are current (FY2006) premium and delivery supplemental payment rates (DSP), projected FY2007 enrollment, FY2007 premium and DSP rates and a comparison of FY2006 and FY2007 rates.

Health Plan	Projected FY2007 Member Months				Age Bracket				Total	
	<1	1-5	6-14	15-18	<1	1-5	6-14	15-18		Total
Seton - Austin	660	32,472	112,644	37,212	182,988					
Driscoll - Corpus	84	17,244	73,476	29,748	120,552					
Amerigroup - Dallas	885	44,841	157,069	52,398	255,193					
Parkland - Dallas	960	45,900	146,664	42,300	235,824					
El Paso First - El Paso	132	11,400	66,588	29,004	107,124					
Superior - El Paso	150	7,584	26,565	8,862	43,161					
Cook - Fort Worth	1,464	58,176	196,296	63,024	318,960					
Amerigroup - Houston	742	37,589	131,665	43,924	213,919					
TCHP - Houston	1,944	104,436	343,572	108,348	558,300					
UTMB - Houston	528	36,564	156,228	63,672	256,992					
Mercy - Laredo	156	9,960	40,884	14,220	65,220					
Firstcare - Lubbock	24	4,488	19,308	7,632	31,452					
Superior - Lubbock	195	9,860	34,536	11,521	56,111					
CFHP - San Antonio	324	27,024	119,952	43,440	190,740					
Superior - San Antonio	337	17,075	59,810	19,953	97,175					
EPO Plan	1,968	138,468	568,920	214,356	923,712					
Total - All Plans	10,552	603,081	2,254,178	789,614	3,657,424					
Projected FY2007 Premium Based on FY2006 Rates										
Seton - Austin	440.35	91.72	60.94	117.89	79.35	290,631	2,978,332	6,864,525	4,386,923	14,520,411
Driscoll - Corpus	166.06	92.88	74.07	81.55	78.67	13,949	1,601,623	5,442,367	2,425,949	9,483,888
Amerigroup - Dallas	378.14	78.52	52.11	101.71	68.07	334,635	3,520,936	8,184,859	5,329,422	17,369,853
Parkland - Dallas	127.28	93.67	64.77	119.94	80.55	122,189	4,299,453	9,499,427	5,073,462	18,994,531
El Paso First - El Paso	361.17	74.96	49.67	96.06	65.31	47,674	854,544	3,307,426	2,786,124	6,995,769
Superior - El Paso	338.76	70.74	46.98	90.46	61.09	50,703	536,499	1,248,041	801,676	2,636,919
Cook - Fort Worth	135.76	90.07	76.57	98.27	83.59	198,753	5,239,912	15,030,385	6,193,368	26,662,418
Amerigroup - Houston	308.48	64.04	42.51	83.64	55.66	228,837	2,407,188	5,597,087	3,673,764	11,906,877
TCHP - Houston	502.71	95.83	75.84	127.78	91.15	977,268	10,008,102	26,056,500	13,844,707	50,886,578
UTMB - Houston	503.45	105.21	70.13	137.16	92.62	265,822	3,846,898	10,956,270	8,733,252	23,802,241
Mercy - Laredo	443.48	79.40	57.29	60.84	62.36	69,183	790,824	2,342,244	865,145	4,067,396
Firstcare - Lubbock	352.31	73.60	49.00	94.53	63.79	8,455	330,317	946,092	721,453	2,006,317
Superior - Lubbock	347.27	72.54	48.21	93.22	62.76	67,572	715,212	1,664,971	1,074,001	3,521,756
CFHP - San Antonio	410.81	83.67	54.76	107.78	71.54	133,102	2,261,098	6,568,572	4,681,963	13,644,735
Superior - San Antonio	326.76	68.38	45.17	87.15	58.84	110,112	1,167,599	2,701,636	1,738,883	5,718,230
EPO Plan	435.31	88.68	57.96	114.77	76.55	856,690	12,279,342	32,974,603	24,601,638	70,712,274
Total - All Plans	357.81	87.61	61.83	110.09	77.36	3,775,577	52,837,879	139,385,006	86,931,731	282,930,193
FY2006 (Current) Premium Rates pmpm										
Seton - Austin	440.35	91.72	60.94	117.89	79.35	290,631	2,978,332	6,864,525	4,386,923	14,520,411
Driscoll - Corpus	166.06	92.88	74.07	81.55	78.67	13,949	1,601,623	5,442,367	2,425,949	9,483,888
Amerigroup - Dallas	378.14	78.52	52.11	101.71	68.07	334,635	3,520,936	8,184,859	5,329,422	17,369,853
Parkland - Dallas	127.28	93.67	64.77	119.94	80.55	122,189	4,299,453	9,499,427	5,073,462	18,994,531
El Paso First - El Paso	361.17	74.96	49.67	96.06	65.31	47,674	854,544	3,307,426	2,786,124	6,995,769
Superior - El Paso	338.76	70.74	46.98	90.46	61.09	50,703	536,499	1,248,041	801,676	2,636,919
Cook - Fort Worth	135.76	90.07	76.57	98.27	83.59	198,753	5,239,912	15,030,385	6,193,368	26,662,418
Amerigroup - Houston	308.48	64.04	42.51	83.64	55.66	228,837	2,407,188	5,597,087	3,673,764	11,906,877
TCHP - Houston	502.71	95.83	75.84	127.78	91.15	977,268	10,008,102	26,056,500	13,844,707	50,886,578
UTMB - Houston	503.45	105.21	70.13	137.16	92.62	265,822	3,846,898	10,956,270	8,733,252	23,802,241
Mercy - Laredo	443.48	79.40	57.29	60.84	62.36	69,183	790,824	2,342,244	865,145	4,067,396
Firstcare - Lubbock	352.31	73.60	49.00	94.53	63.79	8,455	330,317	946,092	721,453	2,006,317
Superior - Lubbock	347.27	72.54	48.21	93.22	62.76	67,572	715,212	1,664,971	1,074,001	3,521,756
CFHP - San Antonio	410.81	83.67	54.76	107.78	71.54	133,102	2,261,098	6,568,572	4,681,963	13,644,735
Superior - San Antonio	326.76	68.38	45.17	87.15	58.84	110,112	1,167,599	2,701,636	1,738,883	5,718,230
EPO Plan	435.31	88.68	57.96	114.77	76.55	856,690	12,279,342	32,974,603	24,601,638	70,712,274
Total - All Plans	357.81	87.61	61.83	110.09	77.36	3,775,577	52,837,879	139,385,006	86,931,731	282,930,193

Health Plan	FY2005 DSP Rates pmpm				Projected FY2007 DSP Counts				Projected FY2007 Total Revenue Based on FY2006 Rates						
	<1	1-5	6-14	15-18	Total	<1	1-5	6-14	15-18	Total	<1	1-5	6-14	15-18	Total
Seton - Austin	0.0001		5	14,744		79.43					79.43				
Driscoll - Corpus	0.0000		0	0		78.67					78.67				
Amerigroup - Dallas	0.0002		9	26,737		68.17					68.17				
Parkland - Dallas	0.0001		4	10,973		80.59					80.59				
El Paso First - El Paso	0.0000		0	0		65.31					65.31				
Superior - El Paso	0.0000		0	630		61.11					61.11				
Cook - Fort Worth	0.0001		5	15,099		83.64					83.64				
Amerigroup - Houston	0.0002		7	22,302		55.76					55.76				
TCHP - Houston	0.0000		4	11,979		91.17					91.17				
UTMB - Houston	0.0001		5	15,495		92.68					92.68				
Mercy - Laredo	0.0000		0	0		62.36					62.36				
Firstcare - Lubbock	0.0001		1	2,496		63.87					63.87				
Superior - Lubbock	0.0000		0	816		62.78					62.78				
CFHP - San Antonio	0.0000		2	5,455		71.56					71.56				
Superior - San Antonio	0.0000		0	1,441		58.86					58.86				
EPO Plan	0.0000		7	19,741		76.57					76.57				
Total - All Plans	0.0000		49	147,907		77.40					77.40				



Health Plan	Age Bracket				Total	FY2007 Premium	Age Bracket				Total
	<1	1-5	6-14	15-18			<1	1-5	6-14	15-18	
FY2007 Adjusted Premium Rates pmpm (Individual Experience Rating)											
Seton - Austin	63.15	90.64	83.08	124.32	92.74	41,679	2,943,262	9,358,464	4,626,196	16,969,600	
Driscoll - Corpus	89.40	93.77	78.78	97.60	85.58	7,510	1,616,970	5,788,439	2,903,405	10,316,324	
Amerigroup - Dallas	65.93	99.55	62.32	94.93	75.57	58,345	4,463,948	9,788,532	4,974,162	19,284,987	
Parkland - Dallas	235.20	131.26	86.00	83.20	94.91	225,792	6,024,834	12,613,104	3,519,360	22,383,090	
El Paso First - El Paso	79.30	79.40	68.32	81.11	72.98	10,468	905,160	4,549,292	2,352,514	7,817,434	
Superior - El Paso	35.01	65.35	52.48	61.77	56.59	5,240	495,621	1,394,151	547,419	2,442,430	
Cook - Fort Worth	36.69	95.11	87.26	123.95	95.71	53,714	5,533,119	17,128,789	7,811,825	30,527,447	
Amerigroup - Houston	88.69	74.63	62.91	61.32	64.73	65,792	2,805,254	8,283,057	2,693,391	13,847,494	
TCHP - Houston	320.01	121.52	97.42	137.35	110.45	622,099	12,691,063	33,470,784	14,881,598	61,665,544	
UTMB - Houston	85.77	97.41	82.37	127.43	95.68	45,287	3,561,699	12,868,500	8,113,723	24,589,209	
Mercy - Laredo	69.95	96.18	65.33	100.15	77.64	10,912	957,953	2,670,952	1,424,133	5,063,950	
Firstcare - Lubbock	45.25	68.05	79.25	118.73	87.21	1,086	305,408	1,530,159	906,147	2,742,801	
Superior - Lubbock	57.30	82.67	59.97	79.77	68.01	11,149	815,089	2,071,111	919,042	3,816,392	
CFHP - San Antonio	143.33	102.13	79.39	111.32	89.99	46,439	2,759,961	9,522,989	4,835,741	17,165,130	
Superior - San Antonio	88.53	70.00	58.78	68.59	62.87	29,833	1,195,260	3,515,656	1,368,560	6,109,309	
EPO Plan	124.90	90.14	70.85	93.69	79.16	245,803	12,481,506	40,307,982	20,083,014	73,118,304	
Total - All Plans	140.37	98.75	77.57	103.80	86.91	1,481,148	59,556,107	174,861,962	81,960,229	317,859,446	

FY2007 Premium Rate Change Relative to Current Rates

Seton - Austin	-85.7 %	-1.2 %	36.3 %	5.5 %	16.9 %
Driscoll - Corpus	-46.2 %	1.0 %	6.4 %	19.7 %	8.8 %
Amerigroup - Dallas	-82.6 %	26.8 %	19.6 %	-6.7 %	11.0 %
Parkland - Dallas	84.8 %	40.1 %	32.8 %	-30.6 %	17.8 %
El Paso First - El Paso	-78.0 %	5.9 %	37.5 %	-15.6 %	11.7 %
Superior - El Paso	-89.7 %	-7.6 %	11.7 %	-31.7 %	-7.4 %
Cook - Fort Worth	-73.0 %	5.6 %	14.0 %	26.1 %	14.5 %
Amerigroup - Houston	-71.2 %	16.5 %	48.0 %	-26.7 %	16.3 %
TCHP - Houston	-36.3 %	26.8 %	28.5 %	7.5 %	21.2 %
UTMB - Houston	-83.0 %	-7.4 %	17.5 %	-7.1 %	3.3 %
Mercy - Laredo	-84.2 %	21.1 %	14.0 %	64.6 %	24.5 %
Firstcare - Lubbock	-87.2 %	-7.5 %	61.7 %	25.6 %	36.7 %
Superior - Lubbock	-83.5 %	14.0 %	24.4 %	-14.4 %	8.4 %
CFHP - San Antonio	-65.1 %	22.1 %	45.0 %	3.3 %	25.8 %
Superior - San Antonio	-72.9 %	2.4 %	30.1 %	-21.3 %	6.8 %
EPO Plan	-71.3 %	1.6 %	22.2 %	-18.4 %	3.4 %
Total - All Plans	-60.8 %	12.7 %	25.5 %	-5.7 %	12.3 %

Health Plan	Age Bracket					Total	FY2007 Premium	Age Bracket			Total
	<1	1-5	6-14	15-18	Total			<1	1-5	6-14	
FY2007 Premium Rates pmpm (Community Rating without Risk Adjustment)											
Seton - Austin	63.15	90.64	83.08	124.32	92.74	41,682	2,943,359	9,358,670	4,626,050	16,969,760	
Driscoll - Corpus	89.40	93.77	78.78	97.60	85.58	7,509	1,617,026	5,788,675	2,903,343	10,316,554	
Amerigroup - Dallas	160.01	116.97	74.64	89.02	85.33	141,601	5,245,022	11,723,854	4,664,399	21,774,876	
Parkland - Dallas	160.01	116.97	74.64	89.02	85.81	153,610	5,368,861	10,947,218	3,765,474	20,235,162	
El Paso First - El Paso	69.86	74.84	64.23	76.74	68.76	9,222	853,226	4,277,142	2,225,792	7,365,381	
Superior - El Paso	69.86	74.84	64.23	76.74	68.69	10,457	567,627	1,706,372	680,094	2,964,549	
Cook - Fort Worth	36.69	95.11	87.26	123.95	95.71	53,714	5,532,941	17,128,633	7,812,120	30,527,408	
Amerigroup - Houston	237.92	108.40	87.15	120.20	98.20	176,493	4,074,790	11,475,095	5,279,805	21,006,184	
TCHP - Houston	237.92	108.40	87.15	120.20	98.07	462,513	11,321,312	29,943,538	13,023,915	54,751,279	
UTMB - Houston	237.92	108.40	87.15	120.20	98.68	125,621	3,963,695	13,615,833	7,653,660	25,358,809	
Mercy - Laredo	69.95	96.18	65.33	100.15	77.64	10,911	957,930	2,670,824	1,424,072	5,063,738	
Firstcare - Lubbock	54.82	76.64	68.11	95.90	76.06	1,316	343,947	1,315,050	731,900	2,392,212	
Superior - Lubbock	54.82	76.64	68.11	95.90	75.27	10,667	755,606	2,352,200	1,104,864	4,223,338	
CFHP - San Antonio	122.00	92.28	73.30	98.42	81.79	39,529	2,493,704	8,792,976	4,275,215	15,601,424	
Superior - San Antonio	122.00	92.28	73.30	98.42	81.96	41,113	1,575,650	4,384,349	1,963,682	7,964,795	
EPO Plan	124.90	90.14	70.85	93.69	79.16	245,803	12,480,948	40,306,446	20,083,484	73,116,680	
Total - All Plans	145.16	99.65	77.98	104.12	87.39	1,531,761	60,095,644	175,786,874	82,217,869	319,632,149	

FY2007 Premium Rate Change Relative to Current Rates

Seton - Austin	-85.7 %	-1.2 %	36.3 %	5.5 %	16.9 %
Driscoll - Corpus	-46.2 %	1.0 %	6.4 %	19.7 %	8.8 %
Amerigroup - Dallas	-57.7 %	49.0 %	43.2 %	-12.5 %	25.4 %
Parkland - Dallas	25.7 %	24.9 %	15.2 %	-25.8 %	6.5 %
El Paso First - El Paso	-80.7 %	-0.2 %	29.3 %	-20.1 %	5.3 %
Superior - El Paso	-79.4 %	5.8 %	36.7 %	-15.2 %	12.4 %
Cook - Fort Worth	-73.0 %	5.6 %	14.0 %	26.1 %	14.5 %
Amerigroup - Houston	-22.9 %	69.3 %	105.0 %	43.7 %	76.4 %
TCHP - Houston	-52.7 %	13.1 %	14.9 %	-5.9 %	7.6 %
UTMB - Houston	-52.7 %	3.0 %	24.3 %	-12.4 %	6.5 %
Mercy - Laredo	-84.2 %	21.1 %	14.0 %	64.6 %	24.5 %
Firstcare - Lubbock	-84.4 %	4.1 %	39.0 %	1.4 %	19.2 %
Superior - Lubbock	-84.2 %	5.6 %	41.3 %	2.9 %	19.9 %
CFHP - San Antonio	-70.3 %	10.3 %	33.9 %	-8.7 %	14.3 %
Superior - San Antonio	-62.7 %	34.9 %	62.3 %	12.9 %	39.3 %
EPO Plan	-71.3 %	1.6 %	22.2 %	-18.4 %	3.4 %
Total - All Plans	-59.4 %	13.7 %	26.1 %	-5.4 %	13.0 %

Health Plan	Age Bracket				Total	Age Bracket				Total
	<1	1-5	6-14	15-18		<1	1-5	6-14	15-18	
FY2007 Premium Rates pmpm (Community Rating with Risk Adjustment)										
Seton - Austin	63.15	90.64	83.08	124.32	92.74	41,679	2,943,262	9,358,464	4,626,196	16,969,600
Driscoll - Corpus	89.40	93.77	78.78	97.60	85.58	7,510	1,616,970	5,788,439	2,903,405	10,316,324
Amerigroup - Dallas	150.57	112.41	71.95	90.44	83.13	133,247	5,040,607	11,301,106	4,738,894	21,213,854
Parkland - Dallas	168.49	120.95	77.03	87.77	87.88	161,750	5,551,605	11,297,528	3,712,671	20,723,554
El Paso First - El Paso	69.86	71.92	63.91	76.51	68.18	9,222	819,888	4,255,639	2,219,096	7,303,845
Superior - El Paso	69.86	84.12	65.13	77.43	71.01	10,456	637,974	1,730,203	686,201	3,064,834
Cook - Fort Worth	36.69	95.11	87.26	123.95	95.71	53,714	5,533,119	17,128,789	7,811,825	30,527,447
Amerigroup - Houston	190.34	97.89	78.61	108.66	88.56	141,199	3,679,570	10,350,200	4,772,731	18,943,699
TCHP - Houston	239.35	110.24	88.54	122.48	99.71	465,296	11,513,025	30,419,865	13,270,463	55,668,649
UTMB - Houston	265.76	111.33	89.76	123.08	101.45	140,321	4,070,670	14,023,025	7,836,750	26,070,766
Mercy - Laredo	69.95	96.18	65.33	100.15	77.64	10,912	957,953	2,670,952	1,424,133	5,063,950
Firstcare - Lubbock	50.60	73.42	65.52	95.23	73.85	1,214	329,509	1,265,060	726,795	2,322,579
Superior - Lubbock	57.84	78.94	69.95	96.38	76.91	11,255	778,313	2,415,779	1,110,408	4,315,754
CFHP - San Antonio	124.20	92.65	74.33	98.52	82.52	40,241	2,503,774	8,916,032	4,279,709	15,739,755
Superior - San Antonio	116.75	91.36	70.88	98.32	80.27	39,343	1,559,986	4,239,362	1,961,756	7,800,446
EPO Plan	124.90	90.14	70.85	93.69	79.16	245,803	12,481,506	40,307,982	20,083,014	73,118,304
Total - All Plans	143.40	99.52	77.84	104.06	87.26	1,513,162	60,017,729	175,468,424	82,164,046	319,163,361

FY2007 Premium Rate Change Relative to Current Rates

Seton - Austin	-85.7 %	-1.2 %	36.3 %	5.5 %	16.9 %
Driscoll - Corpus	-46.2 %	1.0 %	6.4 %	19.7 %	8.8 %
Amerigroup - Dallas	-60.2 %	43.2 %	38.1 %	-11.1 %	22.1 %
Parkland - Dallas	32.4 %	29.1 %	18.9 %	-26.8 %	9.1 %
El Paso First - El Paso	-80.7 %	-4.1 %	28.7 %	-20.4 %	4.4 %
Superior - El Paso	-79.4 %	18.9 %	38.6 %	-14.4 %	16.2 %
Cook - Fort Worth	-73.0 %	5.6 %	14.0 %	26.1 %	14.5 %
Amerigroup - Houston	-38.3 %	52.9 %	84.9 %	29.9 %	59.1 %
TCHP - Houston	-52.4 %	15.0 %	16.7 %	-4.1 %	9.4 %
UTMB - Houston	-47.2 %	5.8 %	28.0 %	-10.3 %	9.5 %
Mercy - Laredo	-84.2 %	21.1 %	14.0 %	64.6 %	24.5 %
Firstcare - Lubbock	-85.6 %	-0.2 %	33.7 %	0.7 %	15.8 %
Superior - Lubbock	-83.3 %	8.8 %	45.1 %	3.4 %	22.5 %
CFHP - San Antonio	-69.8 %	10.7 %	35.7 %	-8.6 %	15.4 %
Superior - San Antonio	-64.3 %	33.6 %	56.9 %	12.8 %	36.4 %
EPO Plan	-71.3 %	1.6 %	22.2 %	-18.4 %	3.4 %
Total - All Plans	-59.9 %	13.6 %	25.9 %	-5.5 %	12.8 %

Health Plan	Age Bracket				Total	FY2007 Premium	Age Bracket			Total
	<1	1-5	6-14	15-18			<1	1-5	6-14	
FY2007 Premium Rates pmpm (Minimum of CR w/RA and 110% of Indiv. Exper. Rating)										
Seton - Austin	63.15	90.64	83.08	124.32	92.74	41,679	2,943,262	9,358,464	4,626,196	16,969,600
Driscoll - Corpus	89.40	93.77	78.78	97.60	85.58	7,510	1,616,970	5,788,439	2,903,405	10,316,324
Amerigroup - Dallas	150.57	112.41	71.95	90.44	83.13	133,247	5,040,607	11,301,106	4,738,894	21,213,854
Parkland - Dallas	168.49	120.95	77.03	87.77	87.88	161,750	5,551,605	11,297,528	3,712,671	20,723,554
El Paso First - El Paso	69.86	71.92	63.91	76.51	68.18	9,222	819,888	4,255,639	2,219,096	7,303,845
Superior - El Paso	61.24	73.74	57.09	67.88	62.25	9,166	559,251	1,516,617	601,567	2,686,601
Cook - Fort Worth	36.69	95.11	87.26	123.95	95.71	53,714	5,533,119	17,128,789	7,811,825	30,527,447
Amerigroup - Houston	153.05	78.71	63.21	87.37	71.21	113,536	2,958,616	8,322,556	3,837,599	15,232,307
TCHP - Houston	239.35	110.24	88.54	122.48	99.71	465,296	11,513,025	30,419,865	13,270,463	55,668,649
UTMB - Houston	265.76	111.33	89.76	123.08	101.45	140,321	4,070,670	14,023,025	7,836,750	26,070,766
Mercy - Laredo	69.95	96.18	65.33	100.15	77.64	10,912	957,953	2,670,952	1,424,133	5,063,950
Firstcare - Lubbock	50.60	73.42	65.52	95.23	73.85	1,214	329,509	1,265,060	726,795	2,322,579
Superior - Lubbock	56.26	76.79	68.04	93.75	74.82	10,947	757,115	2,349,815	1,080,107	4,197,985
CFHP - San Antonio	124.20	92.65	74.33	98.52	82.52	40,241	2,503,774	8,916,032	4,279,709	15,739,755
Superior - San Antonio	100.58	78.71	61.06	84.70	69.16	33,894	1,343,985	3,652,024	1,689,999	6,719,901
EPO Plan	124.90	90.14	70.85	93.69	79.16	245,803	12,481,506	40,307,982	20,083,014	73,118,304
Total - All Plans	140.11	97.80	76.56	102.38	85.82	1,478,453	58,980,854	172,573,893	80,842,222	313,875,422

FY2007 Premium Rate Change Relative to Current Rates

Seton - Austin	-85.7 %	-1.2 %	36.3 %	5.5 %	16.9 %
Driscoll - Corpus	-46.2 %	1.0 %	6.4 %	19.7 %	8.8 %
Amerigroup - Dallas	-60.2 %	43.2 %	38.1 %	-11.1 %	22.1 %
Parkland - Dallas	32.4 %	29.1 %	18.9 %	-26.8 %	9.1 %
El Paso First - El Paso	-80.7 %	-4.1 %	28.7 %	-20.4 %	4.4 %
Superior - El Paso	-81.9 %	4.2 %	21.5 %	-25.0 %	1.9 %
Cook - Fort Worth	-73.0 %	5.6 %	14.0 %	26.1 %	14.5 %
Amerigroup - Houston	-50.4 %	22.9 %	48.7 %	4.5 %	27.9 %
TCHP - Houston	-52.4 %	15.0 %	16.7 %	-4.1 %	9.4 %
UTMB - Houston	-47.2 %	5.8 %	28.0 %	-10.3 %	9.5 %
Mercy - Laredo	-84.2 %	21.1 %	14.0 %	64.6 %	24.5 %
Firstcare - Lubbock	-85.6 %	-0.2 %	33.7 %	0.7 %	15.8 %
Superior - Lubbock	-83.8 %	5.9 %	41.1 %	0.6 %	19.2 %
CFHP - San Antonio	-69.8 %	10.7 %	35.7 %	-8.6 %	15.4 %
Superior - San Antonio	-69.2 %	15.1 %	35.2 %	-2.8 %	17.5 %
EPO Plan	-71.3 %	1.6 %	22.2 %	-18.4 %	3.4 %
Total - All Plans	-60.8 %	11.6 %	23.8 %	-7.0 %	10.9 %

## *Attachment 2*

### Individual Health Plan Experience Analysis

The following exhibits present a summary of the experience analysis performed for each participating health plan. These exhibits use hypothetical experience data from a sample health plan. The actual analysis is based on experience data provided by each plan. This data was checked for reasonableness by comparing to other data sources provided by HHSC, the EQRO and the health plan. Below is a brief description of each of the exhibits contained in this attachment.

Exhibit A. This exhibit shows monthly enrollment, amount of delivery supplemental payments and earned premium by age group for the period September 2003 through March 2006. This information was provided by HHSC.

Exhibit B. This exhibit shows a sample of a claim lag report. This report includes claim amounts by payment month and month of service. We analyzed claims experience for the period September 2003 through March 2006.

Exhibit C. This exhibit shows the calculation of estimated monthly incurred claims. The exhibit includes the following information: (i) monthly enrollment, (ii) claim amounts incurred in that month and paid through March, 2006, (iii) estimated proportion of that month's incurred claims paid through March, 2006 (completion factor), (iv) estimated incurred claims, (v) estimated incurred claims per member per month and (vi) the ratio of this month's incurred claims pmpm to the same statistic from one year ago (trend factor). The assumed completion factors and estimated incurred claims were derived based on the actual historical claims payment pattern of the health plan.

Exhibit D. This exhibit is a summary of the sample health plan's projected FY2007 cost based on the health plan's actual experience. The top of the exhibit shows summary base period (FY2005) enrollment, premium and claims experience. Trend assumptions for FY2006 and FY2007 are used to project the average base period claims cost to FY2007. Following that are several adjustments for benefit and cost sharing changes.

In addition to incurred claims, provision is also made for services that are capitated by the health plan, such as vision and behavioral health services. The cost of reinsurance is also considered. In developing the cost of reinsurance, an assumption is made regarding how much the plan is expected to receive in reinsurance recoveries (reimbursements from the reinsurance company for large claims). We have assumed that the net cost of reinsurance (reinsurance premium less reinsurance recoveries) is the minimum of (a) the actual reinsurance premium rate and (b) \$1.00 per member per month.

The rating methodology includes an explicit provision for administrative expenses. The amount allocated for administrative expenses is the greater of (a) \$10.1275 per member per month plus 7.5% of gross premium and (b) \$16.1275 pmpm plus 1.75% of gross premium. A risk margin is also included at 2.0% of gross premium.

At the bottom of Exhibit D is a summary of the projected FY2007 cost based on the above assumptions

Sample Health Plan  
Enrollment and Premium Experience

Month	<1	1-5	6-14	15-18	Total Members	Premium	Premium pmpm	Adjusted Premium	Adj Prem pmpm	Delivery Payments
Sep-03	124	5,188	15,901	5,132	26,345	1,721,476	65.34	1,928,225	73.19	9,000
Oct-03	114	4,896	15,278	4,918	25,206	1,644,174	65.23	1,842,680	73.10	3,000
Nov-03	104	4,410	14,441	4,721	23,676	1,543,583	65.20	1,729,150	73.03	6,000
Dec-03	98	4,151	13,842	4,541	22,632	1,474,801	65.16	1,652,095	73.00	0
Jan-04	84	3,945	13,248	4,363	21,640	1,407,417	65.04	1,576,975	72.87	0
Feb-04	80	3,778	12,940	4,286	21,084	1,389,910	65.92	1,535,650	72.83	6,000
Mar-04	85	3,602	12,610	4,236	20,533	1,357,116	66.09	1,497,620	72.94	0
Apr-04	72	3,458	12,326	4,107	19,963	1,314,104	65.83	1,452,125	72.74	0
May-04	68	3,360	12,063	4,013	19,504	1,282,631	65.76	1,417,800	72.69	0
Jun-04	57	3,315	11,940	3,987	19,299	1,266,270	65.61	1,400,145	72.55	0
Jul-04	54	3,298	11,968	4,010	19,330	1,267,528	65.57	1,401,510	72.50	0
Aug-04	48	3,276	11,957	4,033	19,314	1,265,324	65.51	1,398,890	72.43	0
Sep-04	52	3,228	11,979	4,045	19,304	1,316,409	68.19	1,398,900	72.47	0
Oct-04	44	3,134	11,888	3,989	19,055	1,295,167	67.97	1,377,905	72.31	3,000
Nov-04	45	3,062	11,636	3,994	18,737	1,277,492	68.18	1,356,540	72.40	0
Dec-04	46	3,004	11,658	3,966	18,674	1,271,477	68.09	1,351,300	72.36	0
Jan-05	43	2,927	11,618	3,986	18,574	1,264,224	68.06	1,343,190	72.32	0
Feb-05	42	2,904	11,562	3,948	18,456	1,255,126	68.01	1,334,130	72.29	0
Mar-05	45	2,878	11,497	3,941	18,361	1,250,213	68.09	1,328,280	72.34	0
Apr-05	45	2,910	11,557	3,950	18,463	1,256,958	68.08	1,335,662	72.34	3,000
May-05	45	2,927	11,645	3,985	18,603	1,266,498	68.08	1,345,726	72.34	0
Jun-05	46	2,950	11,747	4,021	18,764	1,277,495	68.08	1,357,395	72.34	3,000
Jul-05	46	2,982	11,862	4,058	18,949	1,290,066	68.08	1,370,796	72.34	0
Aug-05	47	3,013	11,992	4,103	19,155	1,304,102	68.08	1,385,696	72.34	0
Sep-05	46	3,002	11,971	4,090	19,109	1,381,996	72.32	1,381,996	72.32	0
Oct-05	45	2,991	11,950	4,077	19,063	1,378,296	72.30	1,378,296	72.30	0
Nov-05	44	2,980	11,929	4,064	19,017	1,374,596	72.28	1,374,596	72.28	0
Dec-05	43	2,969	11,908	4,051	18,971	1,370,896	72.26	1,370,896	72.26	0
Jan-06	42	2,958	11,887	4,038	18,925	1,367,196	72.24	1,367,196	72.24	0
Feb-06	41	2,947	11,866	4,025	18,879	1,363,496	72.22	1,363,496	72.22	0
Mar-06	40	2,936	11,845	4,012	18,833	1,359,796	72.20	1,359,796	72.20	0
FY2003	1,961	70,204	194,365	60,098	326,628	22,050,772	67.51	24,044,725	73.62	99,000
FY2004	988	46,677	158,514	52,347	258,526	16,934,333	65.50	18,832,865	72.85	24,000
FY2005	547	35,920	140,641	47,987	225,095	15,325,228	68.08	16,285,520	72.35	9,000

Sample Health Plan  
CHIP Incurred Claims Summary Lag Report

Month Incurred	Month Paid	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
Ages 6 to 14																	
Sep-03	98844	301670	120017	19287	3265	6474	1850	2341	1704	316	1347	807	306	0	160	-37	
Oct-03		86099	328120	197976	18651	12689	-1201	-254	838	990	146	7384	0	0	1735	1738	
Nov-03			17351	367907	68405	39292	5651	3370	7579	1947	657	-57	0	-43	32	35	
Dec-03				79890	251389	123262	19456	6304	2806	2392	107	-157	-1160	66	-30	-2656	
Jan-04					17198	383437	95120	15460	4917	5241	94	3	849	301	371	-22	
Feb-04						58788	330673	63094	25904	8509	2334	-1095	466	0	0	-137	
Mar-04							37050	375045	87951	25614	3633	1463	902	-2288	956	186	
Apr-04								49356	358033	79963	16664	7310	348	3833	720	470	
May-04									50126	340480	109840	31914	7497	6509	1813	278	
Jun-04										43481	290289	290289	13292	7486	1683	511	
Jul-04											20983	20983	130515	70186	4511	5739	
Aug-04												32812	371147	109441	16108	13920	
Sep-04													25816	349579	151926	17202	
Oct-04														24512	321901	144744	
Nov-04															16740	324358	
Dec-04																42789	

Sample Health Plan  
Estimated Claims Experience

Month	Ages 6 to 14						Ages 15 to 18					
	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor	Members	Inc & Pd Claims	Compl Factor	Est. Inc. Claims	Est. Inc. pmpm	Trend Factor
Sep-03	15,901	558,351	1.000	558,351	35.11		5,132	221,638	1.000	221,638	43.19	
Oct-03	15,278	654,945	1.000	654,945	42.87		4,918	282,733	1.000	282,733	57.49	
Nov-03	14,441	512,126	1.000	512,126	35.46		4,721	301,538	1.000	301,538	63.87	
Dec-03	13,842	481,758	1.000	481,758	34.80		4,541	355,375	1.000	355,375	78.26	
Jan-04	13,248	524,336	1.000	524,336	39.58		4,363	306,109	1.000	306,109	70.16	
Feb-04	12,940	488,266	1.000	488,266	37.73		4,286	223,081	1.000	223,081	52.05	
Mar-04	12,610	530,040	1.000	530,040	42.03		4,236	287,651	1.000	287,651	67.91	
Apr-04	12,326	517,116	1.000	517,116	41.95		4,107	203,065	1.000	203,065	49.44	
May-04	12,063	546,601	1.000	546,601	45.31		4,013	176,744	1.000	176,744	44.04	
Jun-04	11,940	626,076	1.000	626,076	52.44		3,987	182,984	1.000	182,984	45.90	
Jul-04	11,968	543,697	1.000	543,697	45.43		4,010	191,812	1.000	191,812	47.83	
Aug-04	11,957	545,204	1.000	545,204	45.60		4,033	183,062	1.000	183,062	45.39	
Sep-04	11,979	556,484	1.000	556,484	46.45	1.323	4,045	174,415	1.000	174,415	43.12	0.998
Oct-04	11,888	540,074	1.000	540,074	45.43	1.060	3,989	167,043	1.000	167,043	41.88	0.728
Nov-04	11,636	433,466	1.000	433,466	37.25	1.050	3,994	153,198	1.000	153,198	38.36	0.601
Dec-04	11,658	430,253	1.000	430,253	36.91	1.060	3,966	162,773	1.000	162,773	41.04	0.524
Jan-05	11,618	573,405	1.000	573,405	49.35	1.247	3,986	174,538	1.000	174,538	43.79	0.624
Feb-05	11,562	568,312	1.000	568,312	49.15	1.303	3,948	187,997	1.000	187,997	47.62	0.915
Mar-05	11,497	546,630	1.000	546,630	47.55	1.131	3,941	179,931	1.000	179,931	45.66	0.672
Apr-05	11,557	565,414	1.000	565,414	48.93	1.166	3,950	284,591	1.000	284,591	72.04	1.457
May-05	11,645	709,192	1.000	709,192	60.90	1.344	3,985	139,739	1.000	139,739	35.06	0.796
Jun-05	11,747	540,623	1.000	540,623	46.02	0.878	4,021	174,654	1.000	174,654	43.44	0.946
Jul-05	11,862	499,543	1.000	499,543	42.11	0.927	4,058	158,198	1.000	158,198	38.98	0.815
Aug-05	11,992	523,074	1.000	523,074	43.62	0.957	4,103	200,524	0.998	200,926	48.96	1.079
Sep-05	11,971	560,150	1.000	560,150	46.79	1.007	4,090	210,416	0.996	211,261	51.65	1.198
Oct-05	11,950	518,147	0.999	518,666	43.40	0.955	4,077	196,899	0.992	198,487	48.68	1.162
Nov-05	11,929	487,076	0.998	488,052	40.91	1.098	4,064	181,773	0.988	183,981	45.27	1.180
Dec-05	11,908	556,824	0.992	561,315	47.14	1.277	4,051	175,493	0.980	179,074	44.20	1.077
Jan-06	11,887	680,401	0.956	711,717	59.87	1.213	4,038	181,391	0.930	195,044	48.30	1.103
FY2004	158,514			6,528,516	41.19		52,347			2,915,792	55.70	
FY2005	140,641			6,486,470	46.12	1.120	47,987			2,158,003	44.97	0.807
9/04-1/05	58,779			2,533,682	43.11		19,980			831,967	41.64	
9/05-1/06	59,645			2,839,899	47.61	1.105	20,322			967,847	47.62	1.144



Sample Health Plan  
 Experienced Based Renewal Rating  
 Projection Period: 9/1/2006 - 8/31/2007  
 Experience Period: 5/1/2000 - 12/31/2005

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience 9/1/2004 - 8/31/2005										
Member Months	547		35,920		140,641		47,987		225,095	
Premium Revenue	221,003	404.22	2,845,570	79.22	7,200,838	51.20	5,057,817	105.40	15,325,228	68.08
Adjusted Premium	191,359	350.00	2,873,587	80.00	9,141,689	65.00	4,078,885	85.00	16,285,520	72.35
Delivery Payments	0	0.00	0	0.00	0	0.00	6,000	0.13	6,000	0.03
Total Adjusted Premium	191,359	350.00	2,873,587	80.00	9,141,689	65.00	4,084,885	85.13	16,291,520	72.38
Estimated Incurred Claims	48,128	88.03	2,171,099	60.44	6,486,470	46.12	2,158,003	44.97	10,863,700	48.26
Projected FY2007 Member Months	314		26,924		118,924		43,318		189,480	
Projected FY2007 Premium										
Current Rates	109,900	350.00	2,153,920	80.00	7,730,060	65.00	3,682,030	85.00	13,675,910	72.18
Current DSP Rate	0	3,000.00	0	3,000.00	0	3,000.00	5,440	3,000.00	5,440	0.03
Annual Trend Assumptions										
FY2005	10.6 %		10.6 %		10.6 %		10.6 %		10.6 %	
FY2006	10.0 %		10.0 %		10.0 %		10.0 %		10.0 %	
Provider Fee Reduction	0.0 %		0.0 %		0.0 %		0.0 %		0.0 %	
Out-of-Network Adjustment	100.0 %		100.0 %		100.0 %		100.0 %		100.0 %	
Third Party Reimbursement Adjust.	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	33,626	107.09	1,979,722	73.53	6,672,826	56.11	2,369,928	54.71	11,056,101	58.35
Other Benefit Changes	339	1.08	-46,309	-1.72	-223,577	-1.88	-81,871	-1.89	-351,418	-1.85
Cost Sharing Changes	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Capitation Expenses										
PCP		0.00		0.00		0.00		0.00		0.00
Behavioral Health		0.00		2.50		2.50		2.50		2.50
Vision		0.00		1.75		1.75		1.75		1.75
Total	0	0.00	114,427	4.25	505,427	4.25	184,102	4.25	803,956	4.24

Sample Health Plan  
 Experienced Based Renewal Rating  
 Projection Period: 9/1/2006 - 8/31/2007  
 Experience Period: 5/1/2000 - 12/31/2005

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Reinsurance Expenses										
Gross Premium		1.50		1.50		1.50		1.50		1.50
Projected Reinsurance Recoveries		0.50		0.50		0.50		0.50		0.50
Net Reinsurance Cost	314	1.00	26,924	1.00	118,924	1.00	43,318	1.00	189,480	1.00
Administrative Expenses										
Fixed Amount	3,397	10.82	291,318	10.82	1,286,758	10.82	468,701	10.82	2,050,174	10.82
Percentage of Premium	5.75 %	7.61	5.75 %	5.58	5.75 %	4.46	5.75 %	4.37	5.75 %	4.61
Risk Margin	2.00 %	2.65	2.00 %	1.94	2.00 %	1.55	2.00 %	1.52	2.00 %	1.60
Premium Tax	1.75 %	2.32	1.75 %	1.70	1.75 %	1.36	1.75 %	1.33	1.75 %	1.40
Maintenance Tax	40	0.1275	3,433	0.1275	15,163	0.1275	5,523	0.1275	24,159	0.1275
Investment Income Adjustment		0.9975		0.9975		0.9975		0.9975		0.9975
Projected Total Cost										
with deliveries	41,572	132.39	2,611,702	97.00	9,231,581	77.63	3,295,277	76.07	15,180,132	80.11
without deliveries	41,572	132.39	2,611,702	97.00	9,231,581	77.63	3,289,837	75.95	15,174,692	80.09
Experience Rate Increase										
with deliveries		-62.2 %		21.3 %		19.4 %		-10.5 %		11.0 %
without deliveries		-62.2 %		21.3 %		19.4 %		-10.7 %		11.0 %

### *Attachment 3*

#### Community Experience Analysis

The following exhibits present a summary of the experience analysis performed for each service area. HHSC utilizes an adjusted community rating methodology in setting the CHIP premium rates. The base community rates by age group vary by service area but are the same for each health plan in a service area. The community rates are developed by a weighted average of the projected FY2007 cost for each health plan in the service area. The weights used in this formula are the projected number of FY2007 members enrolled in each health plan.

The exhibits contained in this attachment present the FY2007 CHIP premium rates for the following service areas:

- Exhibit A – Austin Area
- Exhibit B – Corpus Christi Area
- Exhibit C – Dallas Area
- Exhibit D – El Paso Area
- Exhibit E – Exclusive Provider Organization (EPO) Area
- Exhibit F – Fort Worth Area
- Exhibit G – Houston Area
- Exhibit H – Laredo Area
- Exhibit I – Lubbock Area
- Exhibit J - San Antonio Area

These exhibits show projected FY2007 enrollment by age group, current premium rates, FY2007 premium rates and the resulting percentage rate change. In those areas with more than one participating health plan, the exhibits also contain projected FY2007 costs by health plan (based on individual plan experience rating), community rates, acuity risk adjustment factors for each plan and the resulting risk-adjusted community rates.

The FY2007 CHIP premium rates were defined as the following: the minimum of (a) 110% of the rate developed using the individual experience of the plan and (b) the community rate with risk adjustment.

FY2007 CHIP Rating Summary  
Austin Area

Health Plan	Age Group				Total
	<1	1-5	6-14	15-18	
Projected FY2007 Member Months Seton	660	32,472	112,644	37,212	182,988
Current (FY2006) Premium Rates pmpm Seton	440.35	91.72	60.94	117.89	79.352
FY2007 Premium Rates pmpm Seton	63.15	90.64	83.08	124.32	92.736
FY2007 Premium Rate Change Seton	-85.7 %	-1.2 %	36.3 %	5.5 %	16.9 %

FY2007 CHIP Rating Summary  
 Corpus Christi Area

Attachment 3 - Exhibit B

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months Driscoll	84	17,244	73,476	29,748	120,552
Current (FY2006) Premium Rates pmpm Driscoll	166.06	92.88	74.07	81.55	78.671
FY2007 Premium Rates pmpm Driscoll	89.40	93.77	78.78	97.60	85.576
FY2007 Premium Rate Change Driscoll	-46.2 %	1.0 %	6.4 %	19.7 %	8.8 %

FY2007 CHIP Rating Summary  
Dallas Area

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months					
Americaid	885	44,841	157,069	52,398	255,193
Parkland	960	45,900	146,664	42,300	235,824
Total	1,845	90,741	303,733	94,698	491,017
Current (FY2006) Premium Rates pmpm					
Americaid	378.14	78.52	52.11	101.71	68.065
Parkland	127.28	93.67	64.77	119.94	80.545
FY2007 Premium Rates pmpm (Individual Experience Rating)					
Americaid	65.93	99.55	62.32	94.93	75.570
Parkland	235.20	131.26	86.00	83.20	94.914
FY2007 Community Rates pmpm					
Americaid	160.01	116.97	74.64	89.02	85.557
Parkland					85.327
					85.806
FY2007 Risk Adjustment Factors					
Americaid	0.941	0.961	0.964	1.016	
Parkland	1.053	1.034	1.032	0.986	
FY2007 Risk Adjusted Premium Rates pmpm					
Americaid	150.57	112.41	71.95	90.44	83.129
Parkland	168.49	120.95	77.03	87.77	87.877
<b>FY2007 Premium Rates pmpm</b>					
Americaid	150.57	112.41	71.95	90.44	83.129
Parkland	168.49	120.95	77.03	87.77	87.877
DSP					3,000
FY2007 Premium Rate Change					
Americaid	-60.2 %	43.2 %	38.1 %	-11.1 %	22.1 %
Parkland	32.4 %	29.1 %	18.9 %	-26.8 %	9.1 %

FY2007 CHIP Rating Summary  
El Paso Area

Attachment 3 - Exhibit D

Health Plan	Age Group				Total
	<1	1-5	6-14	15-18	
Projected FY2007 Member Months					
El Paso First	132	11,400	66,588	29,004	107,124
Superior	150	7,584	26,565	8,862	43,161
Total	282	18,984	93,153	37,866	150,285
Current (FY2006) Premium Rates pmpm					
El Paso First	361.17	74.96	49.67	96.06	65.305
Superior	338.76	70.74	46.98	90.46	61.094
FY2007 Premium Rates pmpm (Individual Experience Rating)					
El Paso First	79.30	79.40	68.32	81.11	72.976
Superior	35.01	65.35	52.48	61.77	56.588
FY2007 Community Rates pmpm					
El Paso First	69.86	74.84	64.23	76.74	68.735
Superior					68.756
					68.685
FY2007 Risk Adjustment Factors					
El Paso First	1.000	0.961	0.995	0.997	
Superior	1.000	1.124	1.014	1.009	
FY2007 Risk Adjusted Premium Rates pmpm					
El Paso First	69.86	71.92	63.91	76.51	68.181
Superior	69.86	84.12	65.13	77.43	71.009
<b>FY2007 Premium Rates pmpm</b>					
El Paso First	69.86	71.92	63.91	76.51	68.181
Superior	61.24	73.74	57.09	67.88	62.246
DSP					3,000
FY2007 Premium Rate Change					
El Paso First	-80.7 %	-4.1 %	28.7 %	-20.4 %	4.4 %
Superior	-81.9 %	4.2 %	21.5 %	-25.0 %	1.9 %

FY2007 CHIP Rating Summary  
EPO Plan

Attachment 3 - Exhibit E

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months EPO	1,968	138,468	568,920	214,356	923,712
Current (FY2006) Premium Rates pmpm EPO	435.31	88.68	57.96	114.77	76.552
FY2007 Premium Rates pmpm EPO	124.90	90.14	70.85	93.69	79.157
FY2007 Premium Rate Change EPO	-71.3 %	1.6 %	22.2 %	-18.4 %	3.4 %



FY2007 CHIP Rating Summary  
Fort Worth Area

Attachment 3 - Exhibit F

Health Plan	Age Group				Total
	<1	1-5	6-14	15-18	
Projected FY2007 Member Months Cook	1,464	58,176	196,296	63,024	318,960
Current (FY2006) Premium Rates pmpm Cook	135.76	90.07	76.57	98.27	83.592
FY2007 Premium Rates pmpm Cook	36.69	95.11	87.26	123.95	95.709
FY2007 Premium Rate Change Cook	-73.0 %	5.6 %	14.0 %	26.1 %	14.5 %

FY2007 CHIP Rating Summary  
Houston Area

Attachment 3 - Exhibit G

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
<b>Projected FY2007 Member Months</b>					
Americaid	742	37,589	131,665	43,924	213,919
TCHP	1,944	104,436	343,572	108,348	558,300
UTMB	528	36,564	156,228	63,672	256,992
Total	3,214	178,589	631,465	215,944	1,029,211
<b>Current (FY2006) Premium Rates pmpm</b>					
Americaid	308.48	64.04	42.51	83.64	55.661
TCHP	502.71	95.83	75.84	127.78	91.146
UTMB	503.45	105.21	70.13	137.16	92.619
<b>FY2007 Premium Rates pmpm (Individual Experience Rating)</b>					
Americaid	88.69	74.63	62.91	61.32	64.732
TCHP	320.01	121.52	97.42	137.35	110.452
UTMB	85.77	97.41	82.37	127.43	95.681
<b>FY2007 Community Rates pmpm</b>					
Americaid	237.92	108.40	87.15	120.20	98.246
TCHP					98.197
UTMB					98.068
					98.675
<b>FY2007 Risk Adjustment Factors</b>					
Americaid	0.800	0.903	0.902	0.904	
TCHP	1.006	1.017	1.016	1.019	
UTMB	1.117	1.027	1.030	1.024	
<b>FY2007 Risk Adjusted Premium Rates pmpm</b>					
Americaid	190.34	97.89	78.61	108.66	88.555
TCHP	239.35	110.24	88.54	122.48	99.711
UTMB	265.76	111.33	89.76	123.08	101.446
<b>FY2007 Premium Rates pmpm</b>					
Americaid	153.05	78.71	63.21	87.37	71.206
TCHP	239.35	110.24	88.54	122.48	99.711
UTMB	265.76	111.33	89.76	123.08	101.446
DSP					3,000
<b>FY2007 Premium Rate Change</b>					
Americaid	-50.4 %	22.9 %	48.7 %	4.5 %	27.9 %
TCHP	-52.4 %	15.0 %	16.7 %	-4.1 %	9.4 %
UTMB	-47.2 %	5.8 %	28.0 %	-10.3 %	9.5 %

FY2007 CHIP Rating Summary  
Laredo Area

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months Mercy	156	9,960	40,884	14,220	65,220
Current (FY2006) Premium Rates pmpm Mercy	443.48	79.40	57.29	60.84	62.364
FY2007 Premium Rates pmpm Mercy	69.95	96.18	65.33	100.15	77.644
FY2007 Premium Rate Change Mercy	-84.2 %	21.1 %	14.0 %	64.6 %	24.5 %

FY2007 CHIP Rating Summary  
Lubbock Area

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months					
Firstcare	24	4,488	19,308	7,632	31,452
Superior	195	9,860	34,536	11,521	56,111
Total	219	14,348	53,844	19,153	87,563
Current (FY2006) Premium Rates pmpm					
Firstcare	352.31	73.60	49.00	94.53	63.790
Superior	347.27	72.54	48.21	93.22	62.764
FY2007 Premium Rates pmpm (Individual Experience Rating)					
Firstcare	45.25	68.05	79.25	118.73	87.206
Superior	57.30	82.67	59.97	79.77	68.015
FY2007 Community Rates pmpm					
Firstcare	54.82	76.64	68.11	95.90	75.552
Superior					76.059
					75.267
FY2007 Risk Adjustment Factors					
Firstcare	0.923	0.958	0.962	0.993	
Superior	1.055	1.030	1.027	1.005	
FY2007 Risk Adjusted Premium Rates pmpm					
Firstcare	50.60	73.42	65.52	95.23	73.85
Superior	57.84	78.94	69.95	96.38	76.914
<b>FY2007 Premium Rates pmpm</b>					
Firstcare	50.60	73.42	65.52	95.23	73.845
Superior	56.26	76.79	68.04	93.75	74.816
DSP					3,000
FY2007 Premium Rate Change					
Firstcare	-85.6 %	-0.2 %	33.7 %	0.7 %	15.8 %
Superior	-83.8 %	5.9 %	41.1 %	0.6 %	19.2 %

FY2007 CHIP Rating Summary  
San Antonio Area

Attachment 3 - Exhibit J

Health Plan	<1	1-5	Age Group 6-14	15-18	Total
Projected FY2007 Member Months					
CFHP	324	27,024	119,952	43,440	190,740
Superior	337	17,075	59,810	19,953	97,175
Total	661	44,099	179,762	63,393	287,915
Current (FY2006) Premium Rates pmpm					
CFHP	410.81	83.67	54.76	107.78	71.536
Superior	326.76	68.38	45.17	87.15	58.844
FY2007 Premium Rates pmpm (Individual Experience Rating)					
CFHP	143.33	102.13	79.39	111.32	89.992
Superior	88.53	70.00	58.78	68.59	62.869
FY2007 Community Rates pmpm					
CFHP	122.00	92.28	73.30	98.42	81.851
Superior					81.794
					81.963
FY2007 Risk Adjustment Factors					
CFHP	1.018	1.004	1.014	1.001	
Superior	0.957	0.990	0.967	0.999	
FY2007 Risk Adjusted Premium Rates pmpm					
CFHP	124.20	92.65	74.33	98.52	82.519
Superior	116.75	91.36	70.88	98.32	80.272
<b>FY2007 Premium Rates pmpm</b>					
CFHP	124.20	92.65	74.33	98.52	82.519
Superior	100.58	78.71	61.06	84.70	69.152
DSP					3,000
FY2007 Premium Rate Change					
CFHP	-69.8 %	10.7 %	35.7 %	-8.6 %	15.4 %
Superior	-69.2 %	15.1 %	35.2 %	-2.8 %	17.5 %

#### *Attachment 4*

##### Investment Income Adjustment

An investment income credit was included in the rating process to account for the income expected to be generated between the time the health plan receives the premium from HHSC and the time they pay claims. This revision is new for FY2007. We have assumed that the value of this timing (or cash flow) difference is 0.25% of premium. The attached exhibit presents our analysis and estimate of the value of this revision.

FY2007 Rating  
Investment Income Assumption

<u>Program</u>	<u>Average Claims Lag (1)</u>	<u>FFS Claims/ Total (2)</u>	<u>Interest Rate (3)</u>	<u>Investment Income Factor (4)</u>
STAR	1.54	0.820	3.5 %	0.37 %
STAR+PLUS	1.52	0.852	3.5 %	0.38 %
CHIP	1.20	0.714	3.5 %	0.25 %

Footnotes:

- (1) The average time (in months) between the beginning of the month of claim incurral and payment date for all plans combined.
- (2) Equals the ratio of projected FY2007 FFS claims to FY2007 premium for all plans combined.
- (3) Assumed annual interest rate earned by the plan.
- (4) Equals Average Claims Lag divided by 12 times FFS Claims/Total times Interest Rate.

## *Attachment 5*

### Acuity Risk Adjustment

The rate setting methodology incorporates a risk adjustment technique that is designed to adjust the base community rate in each service area to reflect the health status, or acuity, of the population enrolled in each health plan. The purpose of acuity risk adjustment is to recognize the anticipated cost differential between multiple health plans in a service area by analyzing the health status of their respective members. The risk analysis was performed by the University of Florida's Institute for Child Health Policy (ICHP). The methodology used to incorporate the risk adjustment is the Chronic Illness and Disability Payment System (CDPS). The attached exhibits (provided by ICHP) present a summary of the risk adjustment analysis. There is a separate exhibit for each age group.

The column titled Case Mix on the chart is the acuity risk adjustment factor. It is the ratio of the predicted average cost of the individual health plan's membership divided by the predicted average cost of the entire service area's membership. The risk adjustment factor is applied to the community rate for each health plan and age group.



**TEXAS CHIP CDPS CSA/Health Plan Risk**  
**Reporting Period: September 1, 2004 to August 31, 2005**

CHIP						
CSA/Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio	
<b>CDPS</b>						
<b>TEXAS CHIP (Less than 1 Year of Age)</b>	100.00	119.35	119.35	1.000	1.000	1.000
<b>CSA 1</b>	1.29	36.97	95.73	1.000	0.386	0.384
First Care	33.33	33.51	87.20	0.911	0.384	
Superior	66.67	38.57	99.68	1.041	0.387	
<b>CSA 2</b>	30.14	71.19	111.50	1.000	0.638	0.643
Cook Children's	45.97	78.30	121.86	1.093	0.643	
Parkland	30.33	60.02	107.79	0.967	0.557	
Amerigroup	23.70	71.52	96.33	0.864	0.742	
<b>CSA 5</b>	5.43	61.26	186.68	1.000	0.328	0.328
Seton	100.00	61.26	186.68	1.000	0.328	
<b>CSA 6</b>	36.71	207.32	119.60	1.000	1.733	1.733
Texas Children's	62.65	240.09	121.68	1.017	1.973	
UTMB	18.68	218.90	135.01	1.129	1.621	
Amerigroup	18.68	81.32	96.70	0.809	0.841	
<b>CSA 7</b>	5.71	63.17	98.98	1.000	0.638	0.638
Community First	72.50	79.65	100.67	1.017	0.791	
Superior	27.50	20.56	94.60	0.956	0.217	
<b>CSA 8</b>	1.86	56.87	93.97	1.000	0.605	0.605
Driscoll	100.00	56.87	93.97	1.000	0.605	
<b>CSA 10</b>	1.57	25.62	97.67	1.000	0.262	0.262
Mercy	100.00	25.62	97.67	1.000	0.262	
<b>CSA 11</b>	1.57	28.37	87.20	1.000	0.325	0.325
El Paso First	100.00	28.37	87.20	1.000	0.325	
Superior	NA	NA	NA	NA	NA	
<b>Other Area</b>	15.71	84.28	127.32	1.000	0.602	0.602
Clarendon	100.00	60.38	75.01	0.589	0.805	

Note: CDPS results are based on information in enrollment and encounter datasets from September 1, 2004 to August 31, 2005. CDPS results were obtained for those enrollees who had been in the program for at least 3 months (age<1) and for those who had been in the program for at least 6 months (age>1) (permitting one month lapse in enrollment within the 6 months period).

**TEXAS CHIP CDPS CSA/Health Plan Risk**  
**Reporting Period: September 1, 2004 to August 31, 2005**

CHIP						
CSA/Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio	
<b>CDPS</b>						
<b>TEXAS CHIP (Age 1 to 5)</b>	100.00	63.19	63.19	1.000	1.000	1.000
<b>CSA 1</b>	2.07	48.02	63.26	1.000	1.000	0.759
First Care	42.47	44.39	60.64	0.959	0.959	0.732
Superior	57.53	50.76	65.25	1.031	1.031	0.778
<b>CSA 2</b>	23.38	70.99	63.85	1.000	1.000	1.112
Cook Children's	41.13	65.58	62.28	0.975	0.975	1.053
Parkland	33.54	86.23	66.97	1.049	1.049	1.288
Amerigroup	25.33	59.48	62.26	0.975	0.975	0.955
<b>CSA 5</b>	5.60	47.47	63.21	1.000	1.000	0.751
Seton	100.00	47.47	63.21	1.000	1.000	0.751
<b>CSA 6</b>	30.78	72.02	61.13	1.000	1.000	1.178
Texas Children's	61.93	75.80	62.00	1.014	1.014	1.223
UTMB	23.17	77.58	62.61	1.024	1.024	1.239
Amerigroup	14.90	46.82	55.01	0.900	0.900	0.851
<b>CSA 7</b>	6.85	53.07	58.99	1.000	1.000	0.900
Community First	70.85	61.76	59.21	1.004	1.004	1.043
Superior	29.15	31.24	58.42	0.990	0.990	0.535
<b>CSA 8</b>	2.83	62.94	64.72	1.000	1.000	0.972
Driscoll	100.00	62.94	64.72	1.000	1.000	0.972
<b>CSA 10</b>	1.64	62.40	62.17	1.000	1.000	1.004
Mercy	100.00	62.40	62.17	1.000	1.000	1.004
<b>CSA 11</b>	2.93	38.43	58.09	1.000	1.000	0.662
El Paso First	76.69	39.72	55.94	0.963	0.963	0.710
Superior	23.31	34.06	65.39	1.126	1.126	0.521
<b>Other Area</b>	23.93	55.19	66.91	1.000	1.000	0.825
Clarendon	100.00	55.19	66.91	1.000	1.000	0.825

Note: CDPS results are based on information in enrollment and encounter datasets from September 1, 2004 to August 31, 2005. CDPS results were obtained for those enrollees who had been in the program for at least 3 months (age<1) and for those who had been in the program for at least 6 months (age>1) (permitting one month lapse in enrollment within the 6 months period).

**TEXAS CHIP CDPS CSA/Health Plan Risk**  
 Reporting Period: September 1, 2004 to August 31, 2005

CHIP						
CSA/Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio	
<b>CDPS</b>						
<b>TEXAS CHIP (Age 6 to 14)</b>	100.00	44.48	44.48	1.000	1.000	1.000
<b>CSA 1</b>	2.33	31.82	45.20	1.000	1.000	0.704
First Care	43.25	36.21	43.53	0.963	0.832	0.832
Superior	56.75	28.45	46.49	1.029	0.612	0.612
<b>CSA 2</b>	21.07	49.17	43.20	1.000	1.138	1.138
Cook Children's	40.16	54.85	45.02	1.042	1.218	1.218
Parkland	31.47	51.57	43.33	1.003	1.190	1.190
<b>CSA 5</b>	28.37	38.41	40.46	0.937	0.949	0.949
Seton	4.97	38.59	44.09	1.000	0.875	0.875
<b>CSA 6</b>	100.00	38.59	44.09	1.000	0.875	0.875
Texas Children's	28.68	51.91	43.97	1.000	1.181	1.181
UTMB	55.65	59.54	44.61	1.015	1.335	1.335
Amerigroup	27.80	48.13	45.23	1.029	1.064	1.064
<b>CSA 7</b>	16.54	32.51	39.62	0.901	0.821	0.821
Community First	7.98	41.23	43.55	1.000	0.947	0.947
Superior	71.46	47.96	44.12	1.013	1.087	1.087
<b>CSA 8</b>	28.54	24.16	42.09	0.966	0.574	0.574
Driscoll	3.35	44.08	47.23	1.000	0.933	0.933
<b>CSA 10</b>	100.00	44.08	47.23	1.000	0.933	0.933
Mercy	1.70	37.06	47.30	1.000	0.784	0.784
<b>CSA 11</b>	100.00	37.06	47.30	1.000	0.784	0.784
El Paso First	4.34	28.20	41.26	1.000	0.683	0.683
Superior	79.58	30.28	41.11	0.996	0.737	0.737
<b>Other Area</b>	20.42	19.76	41.88	1.015	0.472	0.472
Clarendon	25.58	38.89	46.42	1.000	0.838	0.838
Clarendon	100.00	38.89	46.42	1.000	0.838	0.838

Note: CDPS results are based on information in enrollment and encounter datasets from September 1, 2004 to August 31, 2005. CDPS results were obtained for those enrollees who had been in the program for at least 3 months (age<1) and for those who had been in the program for at least 6 months (age>1) (permitting one month lapse in enrollment within the 6 months period).

**TEXAS CHIP CDPS CSA/Health Plan Risk**  
 Reporting Period: September 1, 2004 to August 31, 2005

CHIP						
CSA/Health Plan	Percent Affected	Actual PMPM Expenditures Based on Paid Amounts	Predicted PMPM Payment	Case Mix	Spend Ratio	
CDPS						
TEXAS CHIP (Age 15 to 18)	100.00	60.43	60.43	1.000	1.000	1.000
CSA 1	2.62	41.18	59.41	1.000	1.000	0.693
First Care	42.09	49.38	58.99	0.993	0.993	0.837
Superior	57.91	35.18	59.71	1.005	1.005	0.589
CSA 2	18.57	62.39	59.85	1.000	1.000	1.042
Cook Children's	41.06	66.32	60.65	1.013	1.013	1.093
Parkland	30.00	53.66	58.40	0.976	0.976	0.919
Amerigroup	28.94	65.96	60.22	1.006	1.006	1.095
CSA 5	4.63	65.36	60.87	1.000	1.000	1.074
Seton	100.00	65.36	60.87	1.000	1.000	1.074
CSA 6	27.07	73.71	60.04	1.000	1.000	1.228
Texas Children's	49.59	86.08	61.11	1.018	1.018	1.409
UTMB	33.01	71.58	61.45	1.023	1.023	1.165
Amerigroup	17.40	42.14	54.24	0.903	0.903	0.777
CSA 7	8.36	54.06	57.48	1.000	1.000	0.941
Community First	69.55	66.08	57.52	1.001	1.001	1.149
Superior	30.45	26.20	57.40	0.999	0.999	0.456
CSA 8	3.90	56.97	60.87	1.000	1.000	0.936
Driscoll	100.00	56.97	60.87	1.000	1.000	0.936
CSA 10	1.86	59.20	60.53	1.000	1.000	0.978
Mercy	100.00	59.20	60.53	1.000	1.000	0.978
CSA 11	5.07	36.64	58.11	1.000	1.000	0.631
El Paso First	80.01	37.97	57.97	0.998	0.998	0.655
Superior	19.99	31.16	58.71	1.010	1.010	0.531
Other Area	27.93	54.04	62.45	1.000	1.000	0.865
Clarendon	100.00	54.04	62.45	1.000	1.000	0.865

Note: CDPS results are based on information in enrollment and encounter datasets from September 1, 2004 to August 31, 2005. CDPS results were obtained for those enrollees who had been in the program for at least 3 months (age<1) and for those who had been in the program for at least 6 months (age>1) (permitting one month lapse in enrollment within the 6 months period).

*Attachment 6*

Delivery Supplemental Payment

The rate setting methodology includes a risk adjustment technique designed to provide uniform treatment of the health plans for costs related to maternity services. In order to recognize the potential inequity that might arise between health plans with respect to the proportion of maternity cases, HHSC reimburses each plan \$3,000 for each birth. Please note that the CHIP program currently experiences relatively few births.

## *Attachment 7*

### CHIP Perinatal Rating

For the new CHIP Perinatal program we have developed premium rates for four categories of clients or risk groups: (1) newborns under 185% of the Federal Poverty Level (FPL); (2) newborns between 185% and 200% FPL; (3) expectant mothers under 185% FPL; and (4) expectant mothers between 185% and 200% FPL.

The basis for CHIP Perinatal newborn rates was STAR newborn rates. We began with fiscal year 2007 (FY2007) STAR newborn rates by SDA. For those CHIP service areas that are not a STAR area (Laredo and the EPO service area) we used the overall average STAR newborn rate. To the STAR rates we made adjustments for: (1) removal of delayed enrollment; (2) benefit differences between STAR and CHIP; (3) an additional 1% risk margin and (4) the impact of carve-out of the initial inpatient facility cost for newborns under 185% FPL. Attached Exhibit A presents a summary of the rate calculation for CHIP Perinatal newborn rates.

The basis for premium rates for expectant mothers was FY2004 and FY2005 fee-for-service (FFS) plan claims experience for selected services for TP 40 clients – pregnant women who are below 185% FPL and eligible only because they are pregnant (provided by HHSC Strategic Decision Support staff). This claims experience was trended forward to fiscal year 2007, assuming a 5% annual trend. Provisions for administrative expenses and risk margin were added to the projected claims, and an investment income credit was taken to produce the fiscal year 2007 premium rates for expectant mothers.

The administrative expense provision for the expectant mother rate was set equal to the average administrative fee included in the STAR rates. This revision to our usual administrative fee formula was necessary because even though benefits are limited for expectant mothers, the health plan is still responsible for administering and managing the total cost. The risk margin is 3% which is 1% higher than that used for the regular CHIP program. The use of a higher risk margin was deemed appropriate given that CHIP Perinatal is a new program with no direct experience data to draw from.

An investment income credit was included in the expectant mother rating process to account for the income expected to be generated between the time the health plan receives the premium from HHSC and the time they pay claims. We have assumed that the value of this timing (or cash flow) difference is 0.25% of premium. Attachment 4 presents our analysis and estimate of the value of this revision.

In addition to the premium, HHSC pays the health plans a \$3,000 delivery supplemental payment (DSP) per maternity delivery for those CHIP Perinatal clients between 185% and 200% FPL. More information on DSP is included in Attachment 6.

The expectant mother premium rates are the same for all areas and both the under 185% FPL and 185% to 200% FPL categories. Attached Exhibit B presents a summary of the rate calculation for CHIP Perinatal expectant mother rates. Attached Exhibit C is a summary of the CHIP Perinatal rates for all categories.

FY2007 CHIP Perinatal Rating  
Newborn Cost

	Austin	Corpus Christi	Dallas	El Paso	Fort Worth	Houston	Laredo	Lubbock	San Antonio	EPO	Total
Projected FY2007 CHIP Total Member Months	217,275	139,131	543,180	182,096	365,580	1,231,940	72,770	96,087	332,105	1,060,446	4,240,610
Projected FY2007 STAR Newborn Member Months	77,744	77,264	216,034	83,530	157,326	349,386		38,228	180,410		1,179,921
FY2007 STAR Newborn Premium Rate pmpm	\$ 737.13	\$ 670.99	\$ 629.32	\$ 556.63	\$ 559.23	\$ 663.55	\$ 631.13	\$ 416.38	\$ 650.47	\$ 631.13	\$ 631.13
Adjustment Factors											
Delayed Enrollment (1)	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948
Benefit Differences	0.986	0.986	0.986	0.986	0.986	0.986	0.986	0.986	0.986	0.986	0.986
Cost Sharing											
<185% FPL	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
185%+ FPL	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Additional Risk Margin (2)	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010
Hospital Carve-out	0.491	0.491	0.491	0.491	0.491	0.491	0.491	0.491	0.491	0.491	0.491
FY2007 CHIP Perinatal Newborn Premium Rate pmpm	\$ 380.66	\$ 346.50	\$ 324.98	\$ 287.45	\$ 288.79	\$ 342.66	\$ 325.92	\$ 215.02	\$ 335.90	\$ 325.92	\$ 327.56
<185% FPL (3)	\$ 774.58	\$ 705.08	\$ 661.29	\$ 584.91	\$ 587.64	\$ 697.26	\$ 663.20	\$ 437.53	\$ 683.52	\$ 663.20	\$ 666.53
185%+ FPL (4)											

Footnotes:

- (1) From the Nueces SDA STAR rating analysis. Equals the expected average cost for managed care members relative to all members.
- (2) The risk margin for the first year of the new program has been increased to 3%. This is approximately a 1% increase over the STAR rate.
- (3) Equals FY2007 STAR Newborn Premium Rate pmpm divided by Delayed Enrollment factor times Benefit Differences factor times Cost Sharing factor times Additional Risk Margin factor.
- (4) Equals FY2007 STAR Newborn Premium Rate pmpm divided by Delayed Enrollment factor times Benefit Differences factor times Cost Sharing factor times Additional Risk Margin factor times Hospital Carve-out factor.

FY2007 CHIP Perinatal Rating  
Pregnant Women's Cost

	<u>&lt;185% FPL</u>	<u>185%+ FPL</u>
Experience Period Claims Cost pmpm		
Prenatal and Post-natal Services (1)	\$ 87.72	\$ 87.72
Outpatient Observation (2)	8.70	8.70
Ambulance (2)	\$ 1.58	\$ 1.58
Projected FY2007 Claims Cost pmpm (3)		
Prenatal and Post-natal Services	\$ 101.54	\$ 101.54
Outpatient Observation	9.59	9.59
Ambulance	1.74	1.74
Total	\$ 112.88	\$ 112.88
Administrative Expenses pmpm (4)	\$ 32.11	\$ 32.11
Risk Margin	3.00 %	3.00 %
Premium Tax	1.75 %	1.75 %
Maintenance Tax	\$ 0.1275	\$ 0.1275
Investment Income Adjustment	0.9975	0.9975
Monthly Premium Rate	\$ 152.35	\$ 152.35

Footnotes

- (1) Based on FY2004 experience.
- (2) Based on FY2005 experience.
- (3) Assumes 5% annual cost trend.
- (4) Equals the average administrative expense provision included in the STAR Pregnant Women rates.



FY2007 CHIP Perinatal Rating  
Monthly Premium Rate

Service Area	Newborns		Expectant Mother		
	<185%	185-200%	<185%	185-200%	DSP*
	FPL	FPL	FPL	FPL	
Austin	\$ 380.66	\$ 774.58	\$ 152.35	\$ 152.35	\$ 3,000.00
Corpus Christi	346.50	705.08	152.35	152.35	3,000.00
Dallas	324.98	661.29	152.35	152.35	3,000.00
El Paso	287.45	584.91	152.35	152.35	3,000.00
Fort Worth	288.79	587.64	152.35	152.35	3,000.00
Houston	342.66	697.26	152.35	152.35	3,000.00
Laredo	325.92	663.20	152.35	152.35	3,000.00
Lubbock	215.02	437.53	152.35	152.35	3,000.00
San Antonio	335.90	683.52	152.35	152.35	3,000.00
EPO Area	325.92	663.20	152.35	152.35	3,000.00

\* Delivery Supplemental Payment. DSP applies to births from mothers between 185% and 200% of the Federal Poverty Level.