STATE OF TEXAS
MEDICAID MANAGED CARE
STAR+PLUS INPATIENT CARVE-IN
MARCH 1, 2012

Prepared for:
Texas Health and Human Services Commission

Prepared by:
Evan L. Dial, F.S.A., M.A.A.A
Rudd and Wisdom, Inc.

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I. Introduction

Effective March 1, 2012, the Texas Health and Human Services Commission (HHSC) is implementing inpatient carve-in for the STAR+PLUS managed care program. Heretofore, the Managed Care Organizations (MCOs) were not financially responsible for the provision of inpatient services under the program. Although managed by the MCOs, those services have been carved out and remained the financial responsibility of HHSC directly, and paid for on a fee-for-service basis. Effective with this change, the premium amount paid to the MCOs will include provision for inpatient services and the MCO will be financially responsible for those services.

Rudd and Wisdom, Inc. has been retained by HHSC to develop the inpatient carve-in premium rates for the period March 1, 2012 through August 31, 2012 for HMOs participating in the Texas Medicaid STAR+PLUS program in all service delivery areas (SDAs). 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 25 years. We have participated in the state's managed care rating process since its inception in 1993. This year, as in previous years, we have worked closely with HHSC in developing the HMO premium rates.

Rudd and Wisdom has relied on the following data sources as provided by HHSC:

- Monthly enrollment by risk group for the fee-for-service program, primary care case management program and the STAR+PLUS program. This includes historical enrollment since September 2007 and a projection of future enrollment through August 2012. These projections were prepared by HHSC System Forecasting staff.
- Inpatient fee-for-service claims data. Data was collected for the period September 2007 through August 2011. These reports (ST750 and ST650) include paid claim amounts by month of service.
- Inpatient claims data for disabled and blind members enrolled in the primary care case management program or voluntarily enrolled in STAR managed care plans. Data was collected for the period September 2007 through August 2011. These reports (ST750 and ST650) include paid claim amounts by month of service split between individuals over and under age 21.
- Inpatient claims data provided by TMHP for current STAR+PLUS members. Data was collected for the period September 2007 through August 2011.
- Information provided by HHSC regarding DRG rebasing.
- Information provided by HHSC regarding the restoration of the 8% reimbursement reduction for STAR+PLUS Medicaid-Only members in the Bexar, Dallas, El Paso, Harris, Lubbock, Nueces, Tarrant and Travis service areas.

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 March 1, 2012 through August 31, 2012 STAR+PLUS inpatient carve-in HMO premium rates varies between those areas participating in the STAR+PLUS program during FY2010 and those which were expanded to the STAR+PLUS program after the end of FY2010. For those areas participating in STAR+PLUS during FY2010, the rating methodology relies entirely on inpatient claims incurred by STAR+PLUS members and paid for on a fee-for-service basis. For those areas to which STAR+PLUS was expanded after FY2010 (Dallas, El Paso, Hidalgo, Jefferson, Lubbock and Tarrant), the rating methodology relies primarily on fee-for-service, voluntary STAR and primary care case management program financial experience. The historical claims experience for each area was analyzed and estimates for the base period (FY2010) were developed. These estimates were then projected forward to March 1, 2012 through August 31, 2012 using actual and assumed trend rates. Other plan expenditures such as administrative expenses were added to the claims component in order to project the total March 1, 2012 through August 31, 2012 cost under the STAR+PLUS program. These projected total cost rates were determined separately for each risk group to develop a set of community rates for each service area.

The risk groups (or rating populations) used in the analysis are as follows:

- Medicaid Only – Other Community Care (OCC)
- Medicaid Only – Community Based Alternative (CBA)
- Dual Eligible - OCC
- Dual Eligible - CBA

The services used in the analysis were limited to inpatient facility services.

The analysis of base period claims experience for each service area 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.

HHSC utilizes a community rating methodology in setting the STAR+PLUS base premium rates. The base rates vary by service area and risk group but are the same for each HMO in a service area. Attachment 1 presents the summary community rating exhibit for each service area along with a description of the analysis.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the STAR+PLUS inpatient carve-in March 1, 2012 through August 31, 2012 rate setting process.

Trend Factors

The rating methodology uses actual and 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 STAR+PLUS program along with the Medicaid Fee-for-Service (FFS) and Primary Care Case Management (PCCM) programs.

The inpatient carve-in rating analysis uses actual FY2011 trend experience by area during the period September 2010 through June 2011. The FY2012 trend assumptions were determined based on the average inpatient trend during FY2009, FY2010 and FY2011 in the FFS and managed care programs. The chart below presents the assumed annual trend rates for FY2011 and FY2012 by area.

SDA	FY2011	FY2012
Bexar	5.6%	1.2%
Dallas	-7.6%	1.2%
El Paso	-9.1%	1.2%
Harris	11.8%	1.2%
Hidalgo	1.4%	1.2%
Jefferson	7.7%	1.2%
Lubbock	-5.8%	1.2%
Nueces	1.8%	1.2%
Tarrant	1.9%	1.2%
Travis	14.7%	1.2%

Attachment 2 presents additional information regarding the assumed trend factors.

DRG Rebasing Adjustments

Effective September 1, 2011, HHSC rebased the DRG reimbursement system. This rebasing effort was intended to update the Standard Dollar Amounts and Relative Weights used in the Medicaid DRG payment system. HHSC staff has utilized the FY2010 encounter data to determine the cost impact from DRG Rebasing on each service area and risk group. Attachment 3 presents additional information regarding the derivation of the DRG rebasing adjustment factors.

8% SSI Restoration

A component of the initial STAR+PLUS expansion on February 1, 2007 was an 8% reduction in Medicaid reimbursement for inpatient facility services for SSI clients in service areas with managed care – Bexar, Dallas, El Paso, Harris, Nueces, Lubbock,

Tarrant and Travis. Effective March 1, 2012 this provision will be removed and the 8% reimbursement reduction will be restored. The FY2010 base claims data was increased by 8% in these service areas to recognize the impact of this change. Attachment 3 provides further information regarding this adjustment.

Managed Care Efficiency

Our rating analysis includes an explicit assumption regarding the anticipated reduction in inpatient claims cost resulting from the carve-in. In deriving the managed care efficiency factor, we relied upon experience from previous STAR+PLUS expansions. The savings factors vary by service area depending on the presence of the STAR+PLUS program during FY2010. Service areas participating in the STAR+PLUS program during FY2010 have already achieved mandated inpatient savings of over 22%. For these areas a modest 5.75% additional savings factor has been applied offsetting the additional administrative component included in the inpatient carve-in premium rates. The basic premise for these areas is that the gross cost under carve-in will be equal to the gross cost prior to carve-in. For areas that expanded into STAR+PLUS after the end of FY2010 a 22% savings factor has been applied. The following table includes the managed care savings assumptions by service area:

Bexar	5.75%
Dallas	22%
El Paso	22%
Harris	5.75%
Hidalgo	22%
Jefferson	22%
Lubbock	22%
Nueces	5.75%
Tarrant	22%
Travis	5.75%

For clients volunteering into the STAR program during FY2010 in the Dallas, El Paso, Lubbock and Tarrant service areas no further managed care efficiency was assumed for their inpatient care moving to the STAR+PLUS model. It is assumed that inpatient services are already managed under the STAR program and no further efficiencies will be gained through the STAR+PLUS expansion and subsequent carve-in of inpatient services.

OCC/CBA Adjustment

The base period experience data for the Dallas, El Paso, Hidalgo, Jefferson, Lubbock and Tarrant service areas is categorized by dual eligible (eligible for both Medicare and Medicaid) and Medicaid-only status but does not further stratify the data between the OCC and CBA risk groups. In order to develop capitation rates for the appropriate risk groups, an estimated CBA to OCC ratio has been calculated. This ratio is based on the relationship between the OCC and CBA capitation rates in the current STAR+PLUS areas (Bexar, Harris, Nueces and Travis). Attachment 4 presents the derivation of this adjustment and its application.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is 5.75% of gross premium. This amount is intended to provide for all additional administrative-related services performed by the HMO related to the inpatient carve-in.

The premium rates also include an amount for premium tax (1.75% of premium) and a risk margin (2.0% of premium).

V. Summary

The chart below presents the results of the March 1, 2012 through August 31, 2012 STAR+PLUS inpatient rating analysis.

Service Delivery Area	Medicaid Only OCC	Medicaid Only CBA	Dual Eligible OCC	Dual Eligible CBA
Monthly Premium Rates				
Bexar	$145.88	$397.20	$0.00	$0.00
Dallas	203.95	603.69	0.00	0.00
El Paso	152.39	451.08	0.00	0.00
Harris	199.49	641.36	0.00	0.00
Hidalgo	117.02	346.37	0.00	0.00
Jefferson	150.26	444.77	0.00	0.00
Lubbock	222.35	658.14	0.00	0.00
Nueces	145.51	415.37	0.00	0.00
Tarrant	238.98	707.37	0.00	0.00
Travis	178.13	483.61	0.00	0.00

VI. Actuarial Certification of March 1, 2012 through August 31, 2012 STAR+PLUS Inpatient Carve-In HMO Premium Rates

I, Evan L. Dial, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their March 1, 2012 through August 31, 2012 managed care rate-setting methodology, assumptions and resulting premium rates for the STAR+PLUS inpatient carve-in and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the March 1, 2012 through August 31, 2012 HMO inpatient carve-in premium rates developed by HHSC and Rudd and Wisdom for the STAR+PLUS program satisfy the following:

(a) The premium rates have been developed in accordance with generally accepted actuarial principals and practices;

(b) The premium rates are appropriate for the populations and services covered under the managed care contract; and

(c) The premium rates are actuarially sound as defined in the regulations.

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

Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). 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.

VII. Attachments

Attachment 1

Community Experience Analysis

The following exhibits present a summary of the experience analysis performed for each managed care service area. HHSC utilizes a community rating methodology in setting the STAR+PLUS premium rates. The base community rates by risk group vary by service area but are the same for each HMO in a service area. The rating methodology varies slightly among the service areas based on the presence of the existing STAR+PLUS program.

Below is a brief description of the exhibits contained in this attachment. The exhibits present the derivation of the March 1, 2012 through August 31, 2012 STAR+PLUS HMO community rates for the following service areas:

Existing STAR+PLUS Service Areas
Exhibit A – Bexar Service Area
Exhibit B – Harris Service Area
Exhibit C – Nueces Service Area
Exhibit D – Travis Service Area

Expansion STAR+PLUS Service Areas
Exhibit E – Dallas Service Area
Exhibit F – El Paso Service Area
Exhibit G – Hidalgo Service Area
Exhibit H – Jefferson Service Area
Exhibit I – Lubbock Service Area
Exhibit J – Tarrant Service Area

A. Existing STAR+PLUS Service Areas

These exhibits show projected March 1, 2012 through August 31, 2012 experience for each of the service areas. The top portion of the exhibit shows summary base period (FY2010) experience and projected March 1, 2012 through August 31, 2012 enrollment.

Projected March 1, 2012 through August 31, 2012 incurred claims are developed based on the adjustment factors discussed throughout the report. Managed care efficiency factors are intended to reflect the anticipated cost difference due to the carve-in of inpatient services.

A provision for administrative expenses is included in the amount of 5.75% of gross premium. Additional provisions are also included for premium tax (1.75% of premium) and risk margin (2.0% of premium).

The bottom of the exhibit shows a summary of the projected March 1, 2012 through August 31, 2012 cost based on these assumptions.

B. Expansion STAR+PLUS Service Areas

These exhibits show projected March 1, 2012 through August 31, 2012 experience for each of the service areas for all dual eligible and Medicaid only clients combined. The experience for

Medicaid only clients is categorized according to client age – over and under age 21. The experience has been split by age due to an anticipated difference in the distribution of Medicaid only clients once the STAR+PLUS program begins from what is included in the base period experience. Data is not separately available based on OCC and CBA classification. A separate adjustment as discussed in Attachment 4 is included to develop rates separately for the OCC and CBA risk groups.

The top portion of the exhibit shows summary base period (FY2010) experience separately for members in the fee-for-service (FFS) program and disabled clients voluntarily enrolled in a STAR health plan or enrolled in the primary care case management (PCCM) program.

The next section shows projected March 1, 2012 through August 31, 2012 enrollment based on the program and age (FFS or managed care; over 21 and under 21) from which the STAR+PLUS enrollment will be formed. For example, all dual eligible clients moving into STAR+PLUS will be former FFS clients while the majority of Medicaid only clients moving into STAR+PLUS will be former voluntary managed care clients over age 21 who were previously enrolled in a STAR health plan. Medicaid only clients in the Hidalgo and Jefferson service areas were previously enrolled in the PCCM program. In addition, it has been assumed that the STAR+PLUS enrollment will be more heavily concentrated with adults and fewer children will voluntarily enroll. This assumption is based on past experience in the other STAR+PLUS areas.

Projected March 1, 2012 through August 31, 2012 incurred claims are developed based on the adjustment factors discussed throughout the report. Managed care efficiency factors are intended to reflect the anticipated cost difference of transitioning to the STAR+PLUS program and the carve-in of inpatient services.

A provision for administrative expenses is included in the amount of 5.75% of gross premium. Additional provisions are also included for premium tax (1.75% of premium) and risk margin (2.0% of premium).

The bottom of the exhibit shows a summary of the projected March 1, 2012 through August 31, 2012 cost based on these assumptions. The Medicaid only cost projection is calculated as the weighted average of the under age 21 and over age 21 cost projection with projected March 1, 2012 through August 31, 2012 enrollment used as the weights.

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2010 Experience Period										
Member Months	237,166		13,103		248,997		37,508		536,773	
Estimated Incurred Claims	33,020,371	139.23	4,967,249	379.11	0	0.00	0	0.00	37,987,620	70.77
Projected 3/1/12-8/31/12 Member Months	126,074		7,826		131,588		21,812		287,299	
Annual Cost Trend Assumptions										
FY2011	5.6 %		5.6 %		5.6 %		5.6 %			
FY2012	1.2 %		1.2 %		1.2 %		1.2 %			
Reimbursement Adjustment	0.9386		0.9386		1.0000		1.0000			
Managed Care Savings Factor	5.75%		5.75%		5.75%		5.75%			
Projected Incurred Claims	16,643,924	132.02	2,813,111	359.47	0	0.00	0	0.00	19,457,035	67.72
Administrative Expenses										
Fixed Amount	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Percentage of Premium	1,057,487	5.75%	178,734	5.75%	0	5.75%	0	5.75%	1,236,220	5.75%
Total	1,057,487	8.39	178,734	22.84	0	0.00	0	0.00	1,236,220	4.30
Risk Margin	367,822	2.00%	62,168	2.00%	0	2.00%	0	2.00%	429,990	2.00%
Premium Tax	321,844	1.75%	54,397	1.75%	0	1.75%	0	1.75%	376,241	1.75%
Projected Total Cost	18,391,076	145.88	3,108,410	397.20	0	0.00	0	0.00	21,499,486	74.83

March 1, 2012 - August 31, 2012 STAR+PLUS Inpatient Carve-in Rating
Harris SDA

Attachment 1 - Exhibit B

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2010 Experience Period										
Member Months	504,537		21,503		504,636		47,112		1,077,788	
Estimated Incurred Claims	79,555,675	157.68	10,901,037	506.95	0	0.00	0	0.00	90,456,713	83.93
Projected 3/1/12-8/31/12 Member Months	272,184		14,124		274,629		27,195		588,132	
Annual Cost Trend Assumptions										
FY2011	11.8 %		11.8 %		11.8 %		11.8 %			
FY2012	1.2 %		1.2 %		1.2 %		1.2 %			
Reimbursement Adjustment	1.0705		1.0705		1.0000		1.0000			
Managed Care Savings Factor	5.75%		5.75%		5.75%		5.75%			
Projected Incurred Claims	49,139,022	180.54	8,197,769	580.43	0	0.00	0	0.00	57,336,792	97.49
Administrative Expenses										
Fixed Amount	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Percentage of Premium	3,122,093	5.75%	520,853	5.75%	0	5.75%	0	5.75%	3,642,945	5.75%
Total	3,122,093	11.47	520,853	36.88	0	0.00	0	0.00	3,642,945	6.19
Risk Margin	1,085,945	2.00%	181,166	2.00%	0	2.00%	0	2.00%	1,267,111	2.00%
Premium Tax	950,202	1.75%	158,520	1.75%	0	1.75%	0	1.75%	1,108,722	1.75%
Projected Total Cost	54,297,262	199.49	9,058,309	641.36	0	0.00	0	0.00	63,355,571	107.72

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2010 Experience Period										
Member Months	90,506		6,212		108,102		28,578		233,398	
Estimated Incurred Claims	10,823,085	119.58	2,120,510	341.37	0	0.00	0	0.00	12,943,594	55.46
Projected 3/1/12-8/31/12 Member Months	51,283		4,629		54,576		15,682		126,171	
Annual Cost Trend Assumptions										
FY2011	1.8 %		1.8 %		1.8 %		1.8 %			
FY2012	1.2 %		1.2 %		1.2 %		1.2 %			
Reimbursement Adjustment	1.1307		1.1307		1.0000		1.0000			
Managed Care Savings Factor	5.75%		5.75%		5.75%		5.75%			
Projected Incurred Claims	6,753,115	131.68	1,740,251	375.91	0	0.00	0	0.00	8,493,367	67.32
Administrative Expenses										
Fixed Amount	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Percentage of Premium	429,065	5.75%	110,568	5.75%	0	5.75%	0	5.75%	539,634	5.75%
Total	429,065	8.37	110,568	23.88	0	0.00	0	0.00	539,634	4.28
Risk Margin	149,240	2.00%	38,459	2.00%	0	2.00%	0	2.00%	187,699	2.00%
Premium Tax	130,585	1.75%	33,651	1.75%	0	1.75%	0	1.75%	164,236	1.75%
Projected Total Cost	7,462,006	145.51	1,922,930	415.37	0	0.00	0	0.00	9,384,936	74.38

	Medicaid Only - OCC		Medicaid Only - CBA		Dual Eligible - OCC		Dual Eligible - CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
FY2010 Experience Period										
Member Months	90,493		3,120		98,174		13,179		204,967	
Estimated Incurred Claims	12,258,056	135.46	1,147,372	367.75	0	0.00	0	0.00	13,405,428	65.40
Projected 3/1/12-8/31/12 Member Months	50,599		2,243		53,658		7,046		113,546	
Annual Cost Trend Assumptions										
FY2011	14.7 %		14.7 %		14.7 %		14.7 %			
FY2012	1.2 %		1.2 %		1.2 %		1.2 %			
Reimbursement Adjustment	1.0846		1.0846		1.0000		1.0000			
Managed Care Savings Factor	5.75%		5.75%		5.75%		5.75%			
Projected Incurred Claims	8,157,098	161.21	981,691	437.67	0	0.00	0	0.00	9,138,789	80.49
Administrative Expenses										
Fixed Amount	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Percentage of Premium	518,269	5.75%	62,373	5.75%	0	5.75%	0	5.75%	580,641	5.75%
Total	518,269	10.24	62,373	27.81	0	0.00	0	0.00	580,641	5.11
Risk Margin	180,267	2.00%	21,695	2.00%	0	2.00%	0	2.00%	201,962	2.00%
Premium Tax	157,734	1.75%	18,983	1.75%	0	1.75%	0	1.75%	176,717	1.75%
Projected Total Cost	9,013,368	178.13	1,084,741	483.61	0	0.00	0	0.00	10,098,110	88.93

March 1, 2012 - August 31, 2012 STAR+PLUS Inpatient Carve-in Rating
Dallas SDA

Attachment 1 - Exhibit E

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	428,520	182,984	123,322	306,306	734,826
Managed Care	0	40,509	212,288	252,797	252,797
Total	428,520	223,493	335,610	559,103	987,623
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	52,782,085	35,572,467	88,354,551	88,354,551
pmpm	0.00	288.45	288.45	288.45	120.24
Managed Care	0	12,346,749	34,820,553	47,167,302	47,167,302
pmpm	0.00	304.79	164.03	186.58	186.58
Total	0	65,128,834	70,393,019	135,521,853	135,521,853
pmpm	0.00	291.41	209.75	242.39	137.22
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	164,233	0	49,634	49,634	213,867
Managed Care	0	9,579	114,670	124,249	124,249
Total	164,233	9,579	164,304	173,883	338,116
Acute Care Trend					
FY2011	-7.6%	-7.6%	-7.6%	-7.6%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	1.0843	1.0843	1.0843	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	293.40	293.40	293.40	68.09
Managed Care	0.00	310.02	166.84	177.88	177.88
Total	0.00	310.02	205.07	210.85	108.43
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	0.0%	0.0%	0.0%	0.0%	
Projected STAR+PLUS Incurred Claims	0.00	310.02	185.57	192.43	98.96
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	342.56	205.05	212.63	109.35

March 1, 2012 - August 31, 2012 STAR+PLUS Inpatient Carve-in Rating
El Paso SDA

Attachment 1 - Exhibit E

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	233,474	19,466	62,385	81,851	315,325
Managed Care	0	33,929	33,138	67,067	67,067
Total	233,474	53,395	95,523	148,918	382,392
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	4,357,781	13,965,898	18,323,679	18,323,679
pmpm	0.00	223.87	223.87	223.87	58.11
Managed Care	0	5,324,751	5,947,826	11,272,578	11,272,578
pmpm	0.00	156.94	179.49	168.08	168.08
Total	0	9,682,532	19,913,724	29,596,256	29,596,256
pmpm	0.00	181.34	208.47	198.74	77.40
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	89,847	0	22,752	22,752	112,600
Managed Care	0	2,392	18,284	20,677	20,677
Total	89,847	2,392	41,036	43,429	133,276
Acute Care Trend					
FY2011	-9.1%	-9.1%	-9.1%	-9.1%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	0.9374	0.9374	0.9374	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	193.68	193.68	193.68	39.14
Managed Care	0.00	135.78	155.29	153.03	153.03
Total	0.00	135.78	176.58	174.33	56.81
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	0.0%	0.0%	0.0%	0.0%	
Projected STAR+PLUS Incurred Claims	0.00	135.78	152.95	152.01	49.53
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	150.03	169.01	167.96	54.73

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	655,511	96,645	123,159	219,804	875,315
Managed Care	0	118,750	112,301	231,051	231,051
Total	655,511	215,395	235,460	450,855	1,106,366
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	19,950,771	25,424,151	45,374,922	45,374,922
pmpm	0.00	206.43	206.43	206.43	51.84
Managed Care	0	13,137,920	14,105,170	27,243,091	27,243,091
pmpm	0.00	110.64	125.60	117.91	117.91
Total	0	33,088,692	39,529,321	72,618,012	72,618,012
pmpm	0.00	153.62	167.88	161.07	65.64
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	252,452	0	66,012	66,012	318,463
Managed Care	0	7,439	61,585	69,024	69,024
Total	252,452	7,439	127,597	135,036	387,488
Acute Care Trend					
FY2011	1.4%	1.4%	1.4%	1.4%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	0.9090	0.9090	0.9090	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	193.04	193.04	193.04	40.01
Managed Care	0.00	103.46	117.45	115.94	115.94
Total	0.00	103.46	156.56	153.63	53.54
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	22.0%	22.0%	22.0%	22.0%	
Projected STAR+PLUS Incurred Claims	0.00	80.70	122.11	119.83	41.76
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	89.17	134.93	132.41	46.14

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	134,583	34,295	25,342	59,637	194,220
Managed Care	0	26,798	88,166	114,964	114,964
Total	134,583	61,093	113,508	174,601	309,184
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	9,234,084	6,823,448	16,057,532	16,057,532
pmpm	0.00	269.25	269.25	269.25	82.68
Managed Care	0	2,376,952	15,227,291	17,604,243	17,604,243
pmpm	0.00	88.70	172.71	153.13	153.13
Total	0	11,611,036	22,050,739	33,661,775	33,661,775
pmpm	0.00	190.06	194.27	192.79	108.87
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	52,026	0	2,105	2,105	54,131
Managed Care	0	2,522	49,359	51,880	51,880
Total	52,026	2,522	51,463	53,985	106,011
Acute Care Trend					
FY2011	7.7%	7.7%	7.7%	7.7%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	0.9900	0.9900	0.9900	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	291.32	291.32	291.32	11.33
Managed Care	0.00	95.97	186.86	182.45	182.45
Total	0.00	95.97	191.14	186.69	95.07
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	22.0%	22.0%	22.0%	22.0%	
Projected STAR+PLUS Incurred Claims	0.00	74.85	149.09	145.62	74.16
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	82.71	164.74	160.90	81.94

March 1, 2012 - August 31, 2012 STAR+PLUS Inpatient Carve-in Rating
Lubbock SDA

Attachment 1 - Exhibit E

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	110,579	20,569	35,322	55,891	166,470
Managed Care	0	18,263	35,701	53,964	53,964
Total	110,579	38,832	71,023	109,855	220,434
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	5,148,074	8,840,501	13,988,576	13,988,576
pmpm	0.00	250.28	250.28	250.28	84.03
Managed Care	0	2,921,960	7,048,595	9,970,555	9,970,555
pmpm	0.00	159.99	197.43	184.76	184.76
Total	0	8,070,034	15,889,096	23,959,130	23,959,130
pmpm	0.00	207.82	223.72	218.10	108.69
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	42,463	0	10,936	10,936	53,399
Managed Care	0	1,803	19,994	21,797	21,797
Total	42,463	1,803	30,930	32,733	75,196
Acute Care Trend					
FY2011	-5.8%	-5.8%	-5.8%	-5.8%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	1.1923	1.1923	1.1923	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	285.19	285.19	285.19	58.41
Managed Care	0.00	182.31	224.97	221.44	221.44
Total	0.00	182.31	246.26	242.74	105.67
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	0.0%	0.0%	0.0%	0.0%	
Projected STAR+PLUS Incurred Claims	0.00	182.31	224.08	221.78	96.54
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	201.45	247.60	245.06	106.67

March 1, 2012 - August 31, 2012 STAR+PLUS Inpatient Carve-in Rating
Tarrant SDA

Attachment 1 - Exhibit E

	Dual Eligible	Medicaid Only			Total
		<21	>21	Total	
Experience Period 9/2009-8/2010					
Member Months					
Fee-For-Service	269,955	110,113	83,340	193,453	463,408
Managed Care	0	17,963	114,045	132,008	132,008
Total	269,955	128,076	197,385	325,461	595,416
Estimated Incurred Claims - Inpatient					
Fee-For-Service	0	30,540,039	23,114,499	53,654,539	53,654,539
pmpm	0.00	277.35	277.35	277.35	115.78
Managed Care	0	4,877,496	21,587,105	26,464,601	26,464,601
pmpm	0.00	271.53	189.29	200.48	200.48
Total	0	35,417,535	44,701,604	80,119,140	80,119,140
pmpm	0.00	276.54	226.47	246.17	134.56
Projected 3/1/12-8/31/12 Member Months in STAR+PLUS					
Fee-for-Service	91,023	0	30,400	30,400	121,423
Managed Care	0	5,302	60,937	66,239	66,239
Total	91,023	5,302	91,337	96,639	187,662
Acute Care Trend					
FY2011	1.9%	1.9%	1.9%	1.9%	
FY2012	1.2%	1.2%	1.2%	1.2%	
Inpatient Reimbursement Adjustment	1.0000	1.0876	1.0876	1.0876	
Projected FY2012 Incurred Claims pmpm - Inpatient					
Fee-for-Service	0.00	312.12	312.12	312.12	78.14
Managed Care	0.00	305.57	213.01	220.42	220.42
Total	0.00	305.57	246.00	249.27	128.36
Managed Care Efficiency Factor - Inpatient					
Fee-for-Service	22.0%	22.0%	22.0%	22.0%	
Managed Care	0.0%	0.0%	0.0%	0.0%	
Projected STAR+PLUS Incurred Claims	0.00	305.57	223.14	227.67	117.24
Administrative Expense					
Fixed Amount (pmpm)	0.00	0.00	0.00		
Percentage of Premium	5.75%	5.75%	5.75%		
Risk Margin	2.00%	2.00%	2.00%		
Premium Tax	1.75%	1.75%	1.75%		
Maintenance Tax	0.00	0.00	0.00		
Projected Total Cost - Inpatient	0.00	337.64	246.57	251.56	129.55

Attachment 2

Trend Adjustment Factors

Exhibit A presents the average inpatient trends by service area for FY2009 through FY2011 split between managed care and fee-for-service (FFS). The managed care trends are comprised of inpatient claims data from the STAR+PLUS program, Primary Care Case Management (PCCM) program and members voluntarily enrolled in the STAR program. The FY2011 trend assumptions vary by area and are based on actual inpatient claims trends through June 2011.

Exhibit B presents a summary of the statewide aggregate inpatient trends split between FFS and managed care. The weighted average trend factors for each year are determined using the total inpatient claim payments by program as the weights. The projected FY2012 inpatient trend is calculated as the weighted average of the trends during the period FY2009, FY2010 and FY2011 using 20%, 40% and 40% as the weights respectively. This produces an estimated FY2012 trend of 1.2% which is used for all areas.

	Managed Care (1)			Fee-for-Service (2)			Total		
	FY2009	FY2010	FY2011 (3)	FY2009	FY2010	FY2011 (3)	FY2009	FY2010	FY2011 (3)
Bexar	0.956	0.993	1.056	N/A	N/A	N/A	0.956	0.993	1.056
Dallas	0.999	1.181	0.860	1.112	0.802	0.972	1.045	0.946	0.924
El Paso	0.945	1.206	0.835	1.156	0.985	0.965	1.079	1.056	0.909
Harris	1.047	1.104	1.118	N/A	N/A	N/A	1.047	1.104	1.118
Hidalgo	0.888	0.824	1.010	0.931	0.980	1.046	0.913	0.916	1.014
Jefferson	0.951	1.046	1.224	0.870	1.387	0.949	0.914	1.186	1.077
Lubbock	1.126	1.049	1.071	0.908	1.056	0.843	0.986	1.052	0.942
Nueces	0.989	1.025	1.018	N/A	N/A	N/A	0.989	1.025	1.018
Tarrant	0.987	1.125	0.957	1.089	0.847	1.072	1.022	0.967	1.019
Travis	1.058	0.981	1.147	N/A	N/A	N/A	1.058	0.981	1.147

Footnotes:
(1) STAR+PLUS, PCCM and voluntary STAR combined.
(2) FFS trends for existing STAR+PLUS areas not applicable.
(3) FY2011 trend through June, 2011.

	FFS	Managed Care (1)	Weighted Average (2)
FY2009	1.013	1.002	1.008
FY2010	0.966	1.037	0.997
FY2011	1.032	1.027	1.030
FY2012 (3)	1.002	1.026	1.012

Footnotes:
(1) STAR+PLUS, PCCM and voluntary STAR.
(2) Weighted based on total inpatient claims paid by program.
(3) Weighted average of FY2009-FY2011 as 20% of FY2009, 40% FY2010
and 40% FY2011

Attachment 3

Provider Reimbursement and Benefit Revisions Effective During FY2012

This attachment presents information regarding rating adjustments for the provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting (FY2010) and before the end of FY2012.

Effective September 1, 2011, HHSC rebased the DRG reimbursement system and required rural hospitals to be reimbursed their full cost standard dollar amount. This rebasing effort was intended to update the Standard Dollar Amounts and Relative Weights used in the Medicaid DRG payment system. Included in this rebasing is the legislative mandated 8% reduction to inpatient hospital reimbursement. Exhibit A presents the derivation of the DRG rebasing adjustment factors by area.

Carving inpatient hospital services into the STAR+PLUS program will result in the inpatient facility reimbursement reduction for SSI members that was effective February 1, 2007 to be restored. The restoration will only impact the areas in which managed care existed prior to the March 1, 2012 expansion – Bexar, Dallas, El Paso, Harris, Lubbock, Nueces, Tarrant and Travis. Exhibit B summarizes the 8% restoration factors by area.

	Medicaid Only	Dual Eligible	Total
Estimated Rebasing Impact (1)			
Bexar	(4,971,529)	0	(4,971,529)
Dallas (2)	510,692	0	510,692
El Paso (2)	(3,895,678)	0	(3,895,678)
Harris	(797,648)	0	(797,648)
Hidalgo (2)	(6,643,019)	0	(6,643,019)
Jefferson (2)	(352,975)	0	(352,975)
Lubbock (2)	2,495,387	0	2,495,387
Nueces	607,335	0	607,335
Tarrant (2)	600,621	0	600,621
Travis	57,091	0	57,091
Total	(12,389,723)	0	(12,389,723)
FY2010 Inpatient Paid			
Bexar	37,987,620	0	37,987,620
Dallas (2)	135,521,853	0	135,521,853
El Paso (2)	29,596,256	0	29,596,256
Harris	90,456,713	0	90,456,713
Hidalgo (2)	72,618,012	0	72,618,012
Jefferson (2)	33,661,775	0	33,661,775
Lubbock (2)	23,959,130	0	23,959,130
Nueces	12,943,594	0	12,943,594
Tarrant (2)	80,119,140	0	80,119,140
Travis	13,405,428	0	13,405,428
Total	530,269,522	0	530,269,522
Adjustment Factor			
Bexar	-13.1%	0.0%	-13.1%
Dallas (2)	0.4%	0.0%	0.4%
El Paso (2)	-13.2%	0.0%	-13.2%
Harris	-0.9%	0.0%	-0.9%
Hidalgo (2)	-9.1%	0.0%	-9.1%
Jefferson (2)	-1.0%	0.0%	-1.0%
Lubbock (2)	10.4%	0.0%	10.4%
Nueces	4.7%	0.0%	4.7%
Tarrant (2)	0.7%	0.0%	0.7%
Travis	0.4%	0.0%	0.4%
Total			

Footnotes:
(1) Estimated impact on Medicaid reimbursement due to DRG rebasing changes.
(2) FFS and managed care inpatient claims combined.

	Medicaid Only	Dual Eligible
Adjustment Factor		
Bexar	8.0%	N/A
Dallas	8.0%	N/A
El Paso	8.0%	N/A
Harris	8.0%	N/A
Hidalgo (1)	0.0%	N/A
Jefferson (1)	0.0%	N/A
Lubbock	8.0%	N/A
Nueces	8.0%	N/A
Tarrant	8.0%	N/A
Travis	8.0%	N/A

Footnotes:
(1) Restoration is not applicable. 8% reduction did not occur in these areas effective 2/1/2007.

Attachment 4

OCC/CBA Adjustment

The base period experience data for the Dallas, El Paso, Hidalgo, Jefferson, Lubbock and Tarrant service areas is categorized by Dual Eligible (Medicare and Medicaid) and Medicaid Only status but does not further stratify the data between the OCC and CBA risk groups. As detailed in Attachment 1, capitation rates have been developed separately for Medicaid Only and Dual Eligible clients. In order to separate these capitation rates into the appropriate risk groups, an estimated CBA to OCC ratio has been calculated. This ratio is based on the current relationship between the average OCC and CBA inpatient claims cost in the current STAR+PLUS areas (Bexar, Harris, Nueces and Travis).

	MO-OCC	MO-CBA	Ratio (2)
Bexar	139.14	379.00	272%
Harris	158.04	507.59	321%
Nueces	119.38	341.18	286%
Travis	136.55	369.78	271%
All STAR+PLUS Areas	147.36	435.90	296%

Footnotes:

(1) Comparison does not include contiguous county expansion areas. These areas do not have data split by OCC and CBA risk groups.

(2) Ratio of CBA average inpatient claim cost to OCC average inpatient claim cost.

3/1/2012-8/31/2012 STAR+PLUS Inpatient Carve-In Rating
OCC/CBA Ratio - Inpatient (1)

	Medicaid Only		
	OCC	CBA	Total (1)
Projected Caseload			
Dallas	170,110	3,773	173,883
El Paso	41,165	2,264	43,429
Hidalgo	125,972	9,064	135,036
Jefferson	51,404	1,927	53,331
Lubbock	31,027	1,706	32,733
Tarrant	94,042	2,597	96,639
CBA/OCC Ratio (2)		296%	
3/1/2012-8/31/2012 Premium Rate (3)			
Dallas	203.95	603.69	212.63
El Paso	152.39	451.08	167.96
Hidalgo	117.02	346.37	132.41
Jefferson	150.26	444.77	160.90
Lubbock	222.35	658.14	245.06
Tarrant	238.98	707.37	251.56

Footnotes:
(1) From Attachment 1
(2) From Attachment 4 - Exhibit A
(3) Total premium rate distributed between OCC and CBA risk groups based on projected caseload and CBA/OCC Ratio