

**STATE OF TEXAS
MEDICAID MANAGED CARE
RATE SETTING
STAR KIDS
PHARMACY CARVE-IN
STATE FISCAL YEAR 2017**

Prepared for:
Texas Health and Human Services Commission
STAR Kids: UMCC 529-13-0071

Prepared by:
David G. Wilkes, F.S.A., M.A.A.A.
Rudd and Wisdom, Inc.

September 12, 2016

TABLE OF CONTENTS

I.	Introduction.....	1
II.	Overview of the Rate Setting Methodology	3
III.	Adjustment Factors	5
IV.	Administrative Fees, Taxes and Risk Margin.....	8
V.	Summary	9
VI.	Actuarial Certification	10
VII.	Attachments	11

I. Introduction

Rudd and Wisdom, Inc. has been retained by HHSC to develop the portion of the managed care capitation rates attributable to pharmacy services for the period November 1, 2016 through August 31, 2017 (this rating period will be referred to as fiscal year 2017 (FY2017) in this report) for those managed care organizations (MCOs) participating in the new Texas Medicaid STAR Kids program. This report presents the rating methodology and assumptions used in developing the pharmacy capitation rates.

Rudd and Wisdom, Inc. has provided actuarial services to the Texas Medicaid program for over 30 years. We have participated in the state's managed care rating process since its inception in 1993. This year, as in previous years, we have worked closely with HHSC in developing the capitation rates documented in this report.

STAR Kids is a new Texas Medicaid managed care program for disabled children that will become effective November 1, 2016. Participation in the STAR Kids program is mandatory for those Medicaid clients under age 21 who meet at least one of the following:

- Receive Social Security Income (SSI) and SSI-related Medicaid.
- Receive SSI and Medicare.
- Receive Medically Dependent Children Program (MDCP) waiver services.
- Receive Youth Empowerment Services (YES) waiver services.
- Receive Intellectual and Developmental Disabilities (IDD) waiver services (e.g., Community Living Assistance and Support Services (CLASS), Deaf Blind with Multiple Disabilities (DBMD), Home and Community-based Services (HCS), and Texas Home Living (TXHmL)).
- Reside in a community-based intermediate care facility for individuals with intellectual disabilities (ICF-IID).

Clients excluded from STAR Kids include:

- Clients age 21 or older.
- Clients enrolled in the STAR Health program or those receiving adoption assistance or adoption services.
- Clients under age 21 residing in the Truman Smith Children's Care Center, a state veteran's home or a state supported living center.

Rudd and Wisdom, Inc. has relied on the following data sources as provided by HHSC, the Texas Department of Aging and Disability Services (DADS), the Texas Department of State Health Services (DSHS), HHSC subcontractors, participating MCOs and their Pharmacy Benefit Managers (PBMs):

- Monthly detailed enrollment files for the period September 2012 through December 2015. These files (developed by HHSC, DADS and DSHS) include all Medicaid clients who would have satisfied the STAR Kids eligibility criteria during the experience period. For each client, the file included Medicaid ID number, eligibility month, county of residence, date of birth, Waiver code (MDCP, IDD or YES), plan code, risk group and Medicare eligibility code.

- Projected monthly STAR Kids enrollment by service area and risk group for FY2017. These projections were prepared by HHSC System Forecasting staff.
- Financial Statistical Reports (FSR) for each program for each participating MCO for fiscal years ending August 31, 2013, August 31, 2014 and August 31, 2015 and the 6-month period ending February 29, 2016. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the MCO. This information was used to review the PBM administrative fee assumption.
- Monthly Fee-for Service (FFS) pharmacy claim files for the period September 2012 through March 2016 provided by HHSC and its subcontractor. These files included detailed FFS claims information on all Medicaid pharmacy claims paid during the applicable month.
- Monthly managed care pharmacy claim files for the period September 2012 through March 2016 provided by HHSC. These files included detailed managed care claims information on all Medicaid pharmacy claims paid during the applicable month.
- Summary pharmacy utilization data reports provided by HHSC. These reports were used to confirm that all pharmacy claims were included in our analysis.
- Information from HHSC regarding recent changes in covered prescription drug services and pharmacy reimbursement under the Vendor Drug Program (VDP).
- Information provided by VDP regarding changes in reimbursement for drugs purchased under the 340B Drug Pricing Program.
- Information provided by HHSC regarding claim payments for the drug 17P made under the medical program.
- Information from MCOs regarding administrative cost, pharmacy reimbursement and other provisions included in their PBM contracts.

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 amounts in the encounter data files and (ii) the claims utilization reports prepared by HHSC and provided to the MCOs. There was satisfactory consistency between the two claims data sources. 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 FY2017 STAR Kids pharmacy capitation rates relies primarily on FFS and managed care enrollment and claims experience. A detailed enrollment file was developed which included information on all Medicaid clients who would have satisfied the STAR Kids eligibility criteria during the period September 2012 through December 2015. The resulting file included Medicaid ID number, eligibility month, county of residence, date of birth, Waiver code (MDCP, IDD or YES), plan code, risk group and Medicare eligibility code. The enrollment file was used to select the pharmacy claims to be included in the rating analysis and to determine the number of historically eligible clients by month, service area, risk group and plan type (FFS or managed care).

Using the enrollment file described above, the pharmacy encounter claims database was queried to obtain all claims (FFS and managed care) incurred during the period in which a client would have been eligible for STAR Kids. For each claim, the query included Medicaid ID number, date of service, drug type (brand generic, specialty), number of days supply and payment amount. The enrollment file was then used to add the client's service area (based on county) and risk group to each claim.

The enrollment and claims data was then compiled to produce monthly enrollment, claim counts, days supply and incurred claim amounts by service area, risk group and plan type. The historical claims experience was then analyzed and incurred estimates for the base period (January 1, 2015 through December 31, 2015) were developed. These estimates were then projected forward to the rating period using assumed trend rates. Additional adjustments were made to the historical experience to reflect any programmatic changes in covered services, member cost sharing or pharmacy reimbursement. Administrative expenses, risk margin and premium tax were added to the claims component in order to project the total rating period cost under managed care. These projected total cost rates were then used to produce a set of community rates for each program and service area.

The STAR Kids service areas included in the analysis were as follows:

- Bexar County Service Area
- Dallas County Service Area
- El Paso County Service Area
- Harris County Service Area
- Hidalgo County Service Area
- Jefferson County Service Area
- Lubbock County Service Area
- Nueces County Service Area
- Tarrant County Service Area
- Travis County Service Area
- MRSA Central Service Area
- MRSA Northeast Service Area
- MRSA West Service Area

The risk groups included in the STAR Kids rating analysis are as follows:

- Medically Dependent Children Program (MDCP) waiver
- Intellectual and Developmental Disabilities (IDD) waiver
- Youth Empowerment Services (YES) waiver
- Children Under Age One Year
- Children Ages 1 to 5 Years
- Children Ages 6 to 14 Years
- Children Ages 15 to 20 Years

The pharmacy capitation rates include provision for all prescription drugs purchased through pharmacy providers by managed care clients. Anti-viral agents used for the treatment of Hepatitis C virus and the drug Orkambi are not included in the capitation rates. These drugs are carved out of the capitated arrangement and the cost is reimbursed to the MCOs through a FFS arrangement.

We projected the rating period cost for each service area and risk group by estimating their base period average per-capita claims cost and then applying trend and other adjustment factors (described in Section III below). We added a reasonable provision for administrative expenses, risk margin and premium tax.

Since STAR Kids will be a new program with no historical experience on which to develop HHSC acuity risk adjustment factors, FY2017 will utilize a community rating methodology in setting the pharmacy capitation rates. The community rates vary by service area and risk group but are the same for each MCO in a service area. Attachment 2 presents the summary community rating exhibit for each service area and risk group along with a description of the analysis.

III. Adjustment Factors

This section contains a description of the adjustment factors used in the FY2017 STAR Kids pharmacy capitation rate setting process.

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period (January 1, 2015 through December 31, 2015) claims cost to the rating period (November 1, 2016 through August 31, 2017, or FY2017). The trend rate assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience for those Medicaid clients who would have satisfied the STAR Kids eligibility criteria, along with the actuary's professional judgment regarding anticipated future cost changes. The trend rate assumption varies by risk group but is the same for all service areas.

The trend analysis included a review of utilization and cost experience data paid through March 31, 2016 for those Medicaid clients that would have satisfied the STAR Kids eligibility criteria. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by program, risk group and drug type (brand, generic and specialty) through December 2015. From this experience, the average annual utilization and cost per service were determined for each of the three 12-month periods ending December 2015.

Only those drugs covered under the capitated arrangement are included in the trend analysis. Anti-viral agents used for the treatment of Hepatitis C virus and the drug Orkambi are not included in the analysis as those drugs are carved out of the managed care contract. In addition, due to the significant variation in the intensity of flu season in recent years, the drug Tamiflu was removed from our trend analysis.

The STAR Kids pharmacy trend assumptions for the remainder of FY2016 and all of FY2017 were developed using the following formula. For each risk group/drug type combination, the utilization and cost per service trend assumptions were set equal to one-third of the experience trend rate for the 12-month period ending December 2014 plus two-thirds of the experience trend rate for the 12-month period ending December 2015. The final cost trend assumption for each risk group was then determined by applying the assumed utilization and cost per service trends by drug type to actual experience for the 12-month period ending December 2015 and combining the results into a single trend assumption.

Attachment 3 is a summary of the pharmacy trend analysis. Please note that the MCOs were provided a detailed trend analysis file which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the pharmacy trend assumptions.

340B Program

Effective February 1, 2015, HHSC instituted a new reimbursement methodology for Health Resources and Services Administration (HRSA) 340B Drug Pricing Program drugs (340B drugs) in FFS which significantly reduced pharmacy reimbursement for those

drugs. The MCOs designed their own 340B drug reimbursement revisions in order to achieve comparable savings. The majority of MCOs use the FFS reimbursement methodology. These MCO reimbursement adjustments were implemented on December 1, 2014. Effective June 1, 2016, in response to pharmacy concerns regarding the new low level of reimbursement, HHSC increased pharmacy reimbursement for 340B drugs (from Wholesale Acquisition Cost (WAC) less 60% to WAC less 57%). Attachment 4 presents an analysis of the anticipated impact of these reimbursement changes on STAR Kids pharmacy cost.

Makena

Makena is a prescription drug prescribed to lower the risk of preterm birth. MCOs have commonly used a much less expensive, compounded version of the drug (17P) for years. Recently, the FDA expanded the patent for Makena to effectively prevent the use of 17P. As a result, the utilization of Makena will increase in the Texas Medicaid and CHIP programs. Based on our analysis of the historical claims experience for STAR Kids eligible clients, this change will have no cost impact on STAR Kids.

Unlimited Prescriptions

All Medicaid clients under age 21, including both FFS and managed care, have unlimited monthly prescriptions. As a result, no unlimited prescription adjustment is required for STAR Kids.

Seasonality

The base period used in developing the STAR Kids FY2017 pharmacy capitation rates is a 12-month period (CY2015) while the rating period is a 10-month period (November 1, 2016 through August 31, 2017). Since the months used in the base period may be inherently more or less costly than those of the rating period, it is necessary to include a seasonality factor in the rating analysis. Attachment 5 presents a summary of our seasonality analysis. We selected a single adjustment factor to apply to all service areas and risk groups.

Managed Care Savings

In developing the FY2017 projected pharmacy claims, we have assumed that the base period per-capita pharmacy claims cost for FFS clients will be reduced 5% under managed care. The 5% assumption was developed assuming that overall pharmacy reimbursement under managed care would be 4% lower than that under FFS and that the MCOs will have a positive impact on utilization representing 1% of prescription drug cost. Please note that the managed care savings assumption (5%) applies to base period FFS claims experience only.

Attachment 6, Exhibit A contains a summary of our pharmacy reimbursement analysis. In this analysis, we re-priced a full year (CY2015) of FFS claims for those Medicaid clients who would have satisfied the STAR Kids eligibility criteria. The analysis assumes managed care pharmacy reimbursement provisions (ingredient cost and dispensing fee reimbursement). Our assumed managed care pharmacy reimbursement provisions were

determined based on actual MCO reimbursement rates. Based on this analysis, we concluded that pharmacy reimbursement under managed care is 4% less than that under FFS. These results are similar to those from previous studies of this issue.

Because HHSC determines the formulary and preferred drug list and specifies the prior authorization requirements, the utilization mix between brand and generic is assumed to be the same for FFS and managed care. The utilization mix of chain and independent pharmacies is also assumed to be the same between FFS and managed care.

The assumption that pharmacy utilization would be 1% lower under managed care as compared to FFS is based on an analysis of utilization experience post-pharmacy carve-in as compared to pre-pharmacy carve-in. Exhibit B of Attachment 6 compares pharmacy utilization (days supply per capita) for STAR clients for the period March 1, 2012 through February 2013 (managed care) to that for the period March 1, 2011 through February 2012 (fee-for-service). The analysis shows that the overall average utilization under managed care was approximately 1% lower than that under FFS.

Small Sample Size Adjustments

Enrollment counts by region for both the YES waiver and Under Age One risk groups is too small to be used in establishing rates on an individual service area basis. For these two risk groups we have developed a statewide capitation rate which applies to all MCOs in all service areas.

Risk Adjustment

Capitation rates are established separately by service area and risk group in order to recognize the inherent geographical and demographical variation in the cost of delivering care. The STAR Kids rates have no acuity risk adjustment applied because it is a new program with no historical experience on which to develop acuity risk adjustment factors. The FY2017 STAR Kids rates are community rates which vary by service area and risk group but are the same for each MCO in a service area.

Rebates

The prescription drug cost analysis presented in this report includes the gross pharmacy cost, i.e., it has not been reduced to reflect formulary rebates. HHSC retains the rebate management function for both federal and supplemental rebates.

IV. Administrative Fees, Taxes and Risk Margin

The pharmacy rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$1.80 per member per month. This amount is intended to provide for all administrative services performed by the MCO's PBM. This administrative expense assumption is based on reviews of MCO-reported pharmacy administrative costs and MCO contracts with their PBMs.

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

The capitation rates included in this document do not include provision for the Affordable Care Act (ACA) Health Insurance Providers Fee. HHSC has developed a procedure for reimbursing the MCOs for (i) the ACA Health Insurance Providers Fee, (ii) any applicable federal income tax impact resulting from payment of the ACA Health Insurance Providers Fee and (iii) any applicable state premium tax impact resulting from payment of the ACA Health Insurance Providers Fee. Such reimbursement will be provided separately based on a CMS-approved methodology.

V. Summary

Attachment 1 presents the results of the FY2017 pharmacy rating analysis for the STAR Kids program.

VI. Actuarial Certification of FY2017 STAR Kids Pharmacy Capitation Rates

I, David G. Wilkes, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom, Inc.). 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.

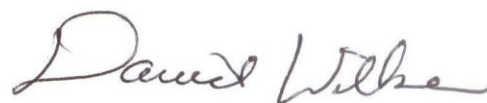
Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their STAR Kids pharmacy rate-setting methodology, assumptions and resulting capitation rates and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c) (Section 438.4 in the recently approved regulation). The capitation rates for the STAR Kids pharmacy program are effective for the period November 1, 2016 through August 31, 2017.

I certify that the pharmacy capitation rates developed by HHSC and Rudd and Wisdom, Inc. satisfy the following:

- (a) The capitation rates have been developed in accordance with generally accepted actuarial principles and practices;
- (b) The capitation rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The capitation 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, Inc. 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.



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

VII. Attachments

Attachment 1

Summary of STAR Kids Pharmacy Rating Analysis

The attached exhibit presents the resulting FY2017 STAR Kids pharmacy capitation rates. The exhibit includes monthly capitation rates by service area and risk group.

STAR Kids
FY2017 Pharmacy Rate Setting
Monthly per-Capita Premium Rates

Service Area	MDCP	IDD	YES	Children <1	Children 1-5	Children 6-14	Children 15-20
Bexar	\$ 1,301.46	\$ 559.80	\$ 569.99	\$ 480.79	\$ 327.07	\$ 276.83	\$ 226.52
Dallas	1,567.39	572.92	569.99	480.79	311.58	289.90	272.75
El Paso	1,267.85	610.41	569.99	480.79	305.50	272.84	427.29
Harris	809.05	633.61	569.99	480.79	231.44	252.99	226.67
Hidalgo	1,585.54	661.57	569.99	480.79	300.52	270.43	247.35
Jefferson	1,077.02	548.19	569.99	480.79	585.76	287.62	260.29
Lubbock	1,075.16	600.46	569.99	480.79	338.63	266.93	246.16
Nueces	1,349.72	436.45	569.99	480.79	281.88	306.29	232.18
Tarrant	1,095.69	440.79	569.99	480.79	278.42	325.29	225.33
Travis	1,884.10	509.76	569.99	480.79	377.52	249.68	265.13
MRSA Central	1,368.69	738.81	569.99	480.79	208.96	256.45	173.23
MRSA Northeast	3,012.83	859.78	569.99	480.79	311.87	272.61	188.25
MRSA West	1,272.54	560.22	569.99	480.79	229.00	268.00	379.98

Attachment 2

Community Rating Analysis

The following exhibits present a summary of the pharmacy rating analysis performed for each service area and risk group under the new Medicaid STAR Kids program. HHSC utilizes a community rating methodology in setting the pharmacy capitation rates. The community rates vary by risk group and service area but are the same for each MCO in a service area.

Below is a brief description of this attachment. The following exhibits present the derivation of the FY2017 STAR Kids pharmacy community capitation rates for each service area and risk group.

Exhibit A - Bexar County Service Area
Exhibit B - Dallas County Service Area
Exhibit C - El Paso County Service Area
Exhibit D - Harris County Service Area
Exhibit E - Hidalgo County Service Area
Exhibit F - Jefferson County Service Area
Exhibit G - Lubbock County Service Area
Exhibit H - Nueces County Service Area
Exhibit I - Tarrant County Service Area
Exhibit J - Travis County Service Area
Exhibit K - MRSA Central Service Area
Exhibit L - MRSA Northeast Service Area
Exhibit M - MRSA West Service Area
Exhibit N - Statewide

The actuarial model used to derive the FY2017 STAR Kids pharmacy capitation rates relies primarily on FFS and managed care enrollment and claims experience. A detailed enrollment file was developed which included information on all Medicaid clients who would have satisfied the STAR Kids eligibility criteria during the period September 2012 through December 2015. The resulting file included Medicaid ID number, eligibility month, county of residence, date of birth, Waiver code (MDCP, IDD or YES), plan code, risk group and Medicare eligibility code. The enrollment file was used to select the pharmacy claims to be included in the rating analysis and to determine the number of historically eligible clients by month, service area, risk group and plan type (FFS or managed care).

Using the enrollment file described above, the pharmacy encounter claims database was queried to obtain all claims (FFS and managed care) incurred during the period in which a client would have been eligible for STAR Kids. For each claim, the query included Medicaid ID number, date of service, drug type (brand generic, specialty), number of days supply and payment amount. The enrollment file was then used to add the client's service area (based on county) and risk group to each claim.

The enrollment and claims data was then compiled to produce monthly enrollment, claim counts, days supply and incurred claim amounts by service area, risk group and plan type. The historical claims experience was then analyzed and incurred estimates for the base period (January 1, 2015 through December 31, 2015) were developed. These estimates were then projected forward to

the rating period using assumed trend rates. Additional adjustments were made to the historical experience to reflect any programmatic changes in covered services, member cost sharing or pharmacy reimbursement. Administrative expenses, risk margin and premium tax were added to the claims component in order to project the total rating period cost under managed care. These projected total cost rates were then used to produce a set of community rates for each program and service area.

STAR Kids
FY2017 Pharmacy Rating
Bexar SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	7,127		7,436		588		2,051		18,573	
Managed Care	13		570		124		94		1,637	
Total	7,140		8,006		712		2,145		20,210	
Estimated Incurred Claims										
Fee-for Service	6,965,509	977.34	3,196,546	429.87	261,439	444.62	706,695	344.56	5,332,371	287.10
Managed Care	3,013	231.79	280,765	492.57	91,267	736.02	48,443	515.35	383,764	234.43
Total	6,968,522	975.98	3,477,311	434.34	352,706	495.37	755,138	352.05	5,716,135	282.84
Projected FY2017 Member Months	6,100		6,370		520		1,760		16,750	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0000		1.0000		1.0000		1.0000		1.0001	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	7,630,203	1,250.85	3,420,742	537.01	318,560	612.62	660,439	375.25	5,242,791	313.00
Administrative Expenses	10,980	1.80	11,466	1.80	936	1.80	3,168	1.80	30,150	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	7,938,891	1,301.46	3,565,930	559.80	331,944	638.35	689,462	391.74	5,478,381	327.07
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STAR Kids
FY2017 Pharmacy Rating
Bexar SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	88,158		53,425		177,358	
Managed Care	13,715		9,496		25,649	
Total	101,873		62,921		203,007	
Estimated Incurred Claims						
Fee-for Service	20,855,107	236.57	10,515,637	196.83	47,833,303	269.70
Managed Care	3,079,928	224.57	1,638,390	172.53	5,525,571	215.43
Total	23,935,035	234.95	12,154,027	193.16	53,358,874	262.84
Projected FY2017 Member Months	84,470		51,860		167,830	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0002		1.0000			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	22,354,769	264.65	11,213,360	216.22	50,840,864	302.93
Administrative Expenses	152,046	1.80	93,348	1.80	302,094	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	23,383,704	276.83	11,747,229	226.52	53,135,540	316.60
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STAR Kids
FY2017 Pharmacy Rating
Dallas SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	9,842		11,183		12		3,458		29,271	
Managed Care	26		416		7		101		1,042	
Total	9,868		11,599		19		3,559		30,313	
Estimated Incurred Claims										
Fee-for Service	11,579,187	1,176.51	5,052,889	451.84	4,756	396.32	1,675,453	484.52	8,025,291	274.17
Managed Care	6,278	241.47	112,733	270.99	3,221	460.18	11,978	118.59	105,575	101.32
Total	11,585,466	1,174.04	5,165,622	445.35	7,977	419.85	1,687,431	474.13	8,130,866	268.23
Projected FY2017 Member Months	8,330		9,030		70		2,790		24,870	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0014		1.0013		1.0000		1.0063		1.0072	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	12,551,719	1,506.81	4,963,223	549.64	36,619	523.13	1,414,652	507.04	7,413,655	298.10
Administrative Expenses	14,994	1.80	16,254	1.80	126	1.80	5,022	1.80	44,766	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	13,056,325	1,567.39	5,173,482	572.92	38,176	545.38	1,474,986	528.67	7,749,009	311.58
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STAR Kids
FY2017 Pharmacy Rating
Dallas SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	140,093		74,982		268,841	
Managed Care	8,131		4,928		14,651	
Total	148,224		79,910		283,492	
Estimated Incurred Claims						
Fee-for Service	35,506,780	253.45	18,219,966	242.99	80,064,323	297.81
Managed Care	1,111,627	136.71	473,261	96.04	1,824,673	124.54
Total	36,618,408	247.05	18,693,227	233.93	81,888,996	288.86
Projected FY2017 Member Months	122,210		67,120		234,420	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0016		1.0014			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	33,880,500	277.23	17,499,647	260.72	77,760,014	331.71
Administrative Expenses	219,978	1.80	120,816	1.80	421,956	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	35,429,068	289.90	18,306,974	272.75	81,228,021	346.51
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STAR Kids
FY2017 Pharmacy Rating
El Paso SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	1,677		1,205		12		492		7,153	
Managed Care	2		63		0		23		316	
Total	1,679		1,268		12		515		7,469	
Estimated Incurred Claims										
Fee-for Service	1,596,063	951.74	578,761	480.30	3,502	291.83	280,856	570.85	1,960,860	274.13
Managed Care	255	127.65	23,268	369.33	0	0.00	19,991	869.19	17,609	55.72
Total	1,596,319	950.76	602,029	474.79	3,502	291.83	300,848	584.17	1,978,469	264.89
Projected FY2017 Member Months	1,490		1,010		50		510		6,250	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0000		1.0000		1.0000		1.0000		1.0001	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	1,815,569	1,218.50	591,580	585.72	17,802	356.05	317,602	622.75	1,826,543	292.25
Administrative Expenses	2,682	1.80	1,818	1.80	90	1.80	918	1.80	11,250	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	1,889,092	1,267.85	616,517	610.41	18,589	371.79	330,930	648.88	1,909,395	305.50
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STAR Kids
FY2017 Pharmacy Rating
El Paso SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	31,536		18,010		60,085	
Managed Care	1,903		1,759		4,066	
Total	33,439		19,769		64,151	
Estimated Incurred Claims						
Fee-for Service	7,477,801	237.12	7,025,240	390.07	18,923,084	314.94
Managed Care	301,164	158.26	243,858	138.63	606,146	149.08
Total	7,778,965	232.63	7,269,097	367.70	19,529,229	304.43
Projected FY2017 Member Months	27,030		16,550		52,890	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0002		1.0001			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	7,049,527	260.80	6,776,597	409.46	18,395,220	347.80
Administrative Expenses	48,654	1.80	29,790	1.80	95,202	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	7,374,734	272.84	7,071,570	427.29	19,210,828	363.22
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STAR Kids
FY2017 Pharmacy Rating
Harris SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	15,899		17,725		1,033		4,449		45,548	
Managed Care	40		1,320		379		228		4,251	
Total	15,939		19,045		1,412		4,677		49,799	
Estimated Incurred Claims										
Fee-for Service	9,612,284	604.58	8,932,148	503.93	551,538	533.92	1,662,041	373.58	9,252,396	203.14
Managed Care	45,584	1,139.59	449,392	340.45	161,927	427.25	114,381	501.67	678,214	159.54
Total	9,657,868	605.93	9,381,540	492.60	713,465	505.29	1,776,422	379.82	9,930,611	199.41
Projected FY2017 Member Months	13,480		14,930		1,320		3,870		41,470	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0002		1.0001		1.0000		1.0011		1.0013	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	10,472,700	776.91	9,078,229	608.05	823,473	623.84	1,568,535	405.31	9,163,221	220.96
Administrative Expenses	24,264	1.80	26,874	1.80	2,376	1.80	6,966	1.80	74,646	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	10,905,937	809.05	9,459,847	633.61	858,025	650.02	1,636,884	422.97	9,597,784	231.44
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STAR Kids
FY2017 Pharmacy Rating
Harris SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	203,109		110,488		398,251	
Managed Care	33,593		28,243		68,054	
Total	236,702		138,731		466,305	
Estimated Incurred Claims						
Fee-for Service	44,751,580	220.33	20,974,606	189.84	95,736,594	240.39
Managed Care	6,059,131	180.37	5,722,031	202.60	13,230,660	194.41
Total	50,810,711	214.66	26,696,637	192.43	108,967,254	233.68
Projected FY2017 Member Months	195,530		116,110		386,710	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0003		1.0003			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	47,259,459	241.70	25,122,507	216.37	103,488,123	267.61
Administrative Expenses	351,954	1.80	208,998	1.80	696,078	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	49,466,403	252.99	26,318,447	226.67	108,243,326	279.91
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STAR Kids
FY2017 Pharmacy Rating
Hidalgo SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	3,332		4,860		489		1,331		25,231	
Managed Care	8		397		186		55		1,871	
Total	3,340		5,257		675		1,386		27,102	
Estimated Incurred Claims										
Fee-for Service	3,969,612	1,191.36	2,608,527	536.73	218,084	445.98	706,678	530.94	6,819,515	270.28
Managed Care	2,681	335.10	97,609	245.87	82,514	443.62	17,442	317.13	232,702	124.37
Total	3,972,293	1,189.31	2,706,136	514.77	300,598	445.33	724,120	522.45	7,052,217	260.21
Projected FY2017 Member Months	3,030		4,150		1,020		1,090		22,780	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0000		1.0000		1.0000		1.0001		1.0001	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	4,618,561	1,524.28	2,635,085	634.96	562,201	551.18	605,794	555.77	6,548,040	287.45
Administrative Expenses	5,454	1.80	7,470	1.80	1,836	1.80	1,962	1.80	41,004	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	4,804,172	1,585.54	2,745,512	661.57	586,012	574.52	631,435	579.30	6,845,760	300.52
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STAR Kids
FY2017 Pharmacy Rating
Hidalgo SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	137,217		61,876		234,336	
Managed Care	30,882		18,614		52,013	
Total	168,099		80,490		286,349	
Estimated Incurred Claims						
Fee-for Service	33,215,455	242.07	13,819,288	223.34	61,357,159	261.83
Managed Care	5,347,405	173.16	3,125,956	167.94	8,906,309	171.23
Total	38,562,860	229.41	16,945,244	210.53	70,263,468	245.38
Projected FY2017 Member Months	138,890		66,930		237,890	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0000		1.0000			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	35,901,093	258.49	15,813,620	236.27	66,684,395	280.32
Administrative Expenses	250,002	1.80	120,474	1.80	428,202	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	37,559,579	270.43	16,554,903	247.35	69,727,373	293.11
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STAR Kids
FY2017 Pharmacy Rating
Jefferson SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	1,915		1,509		23		441		5,624	
Managed Care	7		74		30		17		495	
Total	1,922		1,583		53		458		6,119	
Estimated Incurred Claims										
Fee-for Service	1,549,585	809.18	631,793	418.68	4,846	210.68	189,748	430.27	3,057,660	543.68
Managed Care	1,482	211.69	42,101	568.93	13,100	436.67	227	13.38	53,545	108.17
Total	1,551,067	807.01	673,894	425.71	17,946	338.60	189,975	414.79	3,111,205	508.45
Projected FY2017 Member Months	1,710		1,220		160		320		4,990	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0005		1.0000		1.0000		1.0001		1.0015	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	1,769,563	1,034.83	641,516	525.83	68,637	428.98	141,029	440.72	2,804,330	561.99
Administrative Expenses	3,078	1.80	2,196	1.80	288	1.80	576	1.80	8,982	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	1,841,705	1,077.02	668,791	548.19	71,610	447.56	147,123	459.76	2,922,922	585.76
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STAR Kids
FY2017 Pharmacy Rating
Jefferson SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	29,159		19,348		58,019	
Managed Care	4,457		2,795		7,875	
Total	33,616		22,143		65,894	
Estimated Incurred Claims						
Fee-for Service	7,348,112	252.00	4,446,110	229.80	17,227,854	296.93
Managed Care	870,629	195.34	482,577	172.66	1,463,661	185.86
Total	8,218,741	244.49	4,928,687	222.58	18,691,515	283.66
Projected FY2017 Member Months	27,240		18,390		54,030	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0001		1.0002			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	7,492,020	275.04	4,574,082	248.73	17,491,177	323.73
Administrative Expenses	49,032	1.80	33,102	1.80	97,254	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	7,834,859	287.62	4,786,685	260.29	18,273,695	338.21
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STAR Kids
FY2017 Pharmacy Rating
Lubbock SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	2,194		1,863		5		348		4,229	
Managed Care	12		180		7		10		458	
Total	2,206		2,043		12		358		4,687	
Estimated Incurred Claims										
Fee-for Service	1,776,942	809.91	890,413	477.95	733	146.60	252,149	724.57	1,199,068	283.53
Managed Care	978	81.49	62,277	345.98	1,433	204.72	3,863	386.33	169,240	369.52
Total	1,777,920	805.95	952,690	466.32	2,166	180.51	256,012	715.12	1,368,308	291.94
Projected FY2017 Member Months	1,810		1,500		50		280		3,520	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0001		1.0001		1.0000		1.0011		1.0004	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	1,869,800	1,033.04	864,213	576.14	11,395	227.90	213,116	761.13	1,140,932	324.13
Administrative Expenses	3,258	1.80	2,700	1.80	90	1.80	504	1.80	6,336	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	1,946,034	1,075.16	900,688	600.46	11,932	238.65	221,942	792.65	1,191,966	338.63
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STAR Kids
FY2017 Pharmacy Rating
Lubbock SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	20,221		10,360		39,220	
Managed Care	2,428		1,422		4,517	
Total	22,649		11,782		43,737	
Estimated Incurred Claims						
Fee-for Service	4,546,084	224.82	2,179,881	210.41	10,845,269	276.52
Managed Care	588,031	242.19	296,636	208.60	1,122,458	248.50
Total	5,134,114	226.68	2,476,517	210.19	11,967,727	273.63
Projected FY2017 Member Months	18,060		9,840		35,060	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0001		1.0001			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	4,607,467	255.12	2,313,654	235.13	11,020,576	314.33
Administrative Expenses	32,508	1.80	17,712	1.80	63,108	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	4,820,754	266.93	2,422,199	246.16	11,515,516	328.45
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STAR Kids
FY2017 Pharmacy Rating
Nueces SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	1,174		1,929		108		573		6,178	
Managed Care	3		85		185		26		561	
Total	1,177		2,014		293		599		6,739	
Estimated Incurred Claims										
Fee-for Service	1,191,168	1,014.62	665,267	344.88	72,814	674.20	227,691	397.37	1,554,019	251.54
Managed Care	243	81.13	18,046	212.31	43,101	232.98	3,106	119.47	88,497	157.75
Total	1,191,411	1,012.24	683,314	339.28	115,915	395.61	230,797	385.30	1,642,516	243.73
Projected FY2017 Member Months	930		1,570		300		610		5,350	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0000		1.0000		1.0000		1.0012		1.0000	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	1,206,498	1,297.31	656,712	418.29	147,635	492.12	250,161	410.10	1,441,897	269.51
Administrative Expenses	1,674	1.80	2,826	1.80	540	1.80	1,098	1.80	9,630	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	1,255,244	1,349.72	685,234	436.45	153,948	513.16	261,048	427.95	1,508,079	281.88
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STAR Kids
FY2017 Pharmacy Rating
Nueces SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	37,970		21,549		69,481	
Managed Care	3,769		2,467		7,096	
Total	41,739		24,016		76,577	
Estimated Incurred Claims						
Fee-for Service	9,359,607	246.50	4,243,128	196.91	17,313,693	249.19
Managed Care	1,494,674	396.57	519,264	210.48	2,166,932	305.37
Total	10,854,281	260.05	4,762,392	198.30	19,480,625	254.39
Projected FY2017 Member Months	33,760		19,530		62,050	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0000		1.0000			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	9,891,728	293.00	4,329,324	221.68	17,923,954	288.86
Administrative Expenses	60,768	1.80	35,154	1.80	111,690	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	10,340,256	306.29	4,534,523	232.18	18,738,331	301.99
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STAR Kids
FY2017 Pharmacy Rating
Tarrant SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	9,698		9,779		649		1,900		17,923	
Managed Care	18		752		585		136		1,450	
Total	9,716		10,531		1,234		2,036		19,373	
Estimated Incurred Claims										
Fee-for Service	7,968,069	821.62	3,495,671	357.47	224,037	345.20	1,031,265	542.77	4,334,070	241.82
Managed Care	5,129	284.96	111,373	148.10	257,349	439.91	82,978	610.13	314,381	216.81
Total	7,973,198	820.63	3,607,044	342.52	481,385	390.10	1,114,243	547.27	4,648,451	239.94
Projected FY2017 Member Months	8,330		8,210		1,160		1,500		16,140	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0010		1.0002		1.0000		1.0010		1.0025	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	8,769,861	1,052.80	3,468,392	422.46	567,632	489.34	876,363	584.24	4,296,143	266.18
Administrative Expenses	14,994	1.80	14,778	1.80	2,088	1.80	2,700	1.80	29,052	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	9,127,122	1,095.69	3,618,878	440.79	591,916	510.27	913,312	608.87	4,493,709	278.42
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STAR Kids
FY2017 Pharmacy Rating
Tarrant SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	78,755		42,948		161,652	
Managed Care	9,286		5,027		17,254	
Total	88,041		47,975		178,906	
Estimated Incurred Claims						
Fee-for Service	22,516,600	285.91	8,396,855	195.51	47,966,567	296.73
Managed Care	1,865,983	200.95	831,455	165.40	3,468,649	201.03
Total	24,382,584	276.95	9,228,311	192.36	51,435,215	287.50
Projected FY2017 Member Months	73,190		41,010		149,540	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0008		1.0012			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	22,783,165	311.29	8,820,246	215.08	49,581,802	331.56
Administrative Expenses	131,742	1.80	73,818	1.80	269,172	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	23,807,696	325.29	9,240,585	225.33	51,793,219	346.35
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FY2017 Pharmacy Rating
Travis SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	3,884		6,248		729		1,627		10,313	
Managed Care	12		460		36		57		568	
Total	3,896		6,708		765		1,684		10,881	
Estimated Incurred Claims										
Fee-for Service	5,500,153	1,416.11	2,476,123	396.31	252,467	346.32	606,014	372.47	3,520,339	341.35
Managed Care	6,782	565.20	177,478	385.82	15,546	431.85	100,258	1,758.92	45,177	79.54
Total	5,506,936	1,413.48	2,653,601	395.59	268,013	350.34	706,272	419.40	3,565,516	327.68
Projected FY2017 Member Months	3,370		5,320		760		1,240		9,100	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0000		1.0002		1.0000		1.0003		1.0000	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	6,105,243	1,811.64	2,600,628	488.84	325,846	428.74	556,765	449.00	3,290,188	361.56
Administrative Expenses	6,066	1.80	9,576	1.80	1,368	1.80	2,232	1.80	16,380	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	6,349,412	1,884.10	2,711,901	509.76	339,963	447.32	580,776	468.37	3,435,396	377.52
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FY2017 Pharmacy Rating
Travis SDA

	<u>Ages 6 - 14</u>		<u>Ages 15 - 20</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated Experience CY2015						
Member Months						
Fee-for Service	41,525		25,609		89,935	
Managed Care	4,295		2,412		7,840	
Total	45,820		28,021		97,775	
Estimated Incurred Claims						
Fee-for Service	8,488,763	204.43	6,091,518	237.87	26,935,377	299.50
Managed Care	1,217,325	283.43	280,375	116.24	1,842,942	235.07
Total	9,706,088	211.83	6,371,894	227.40	28,778,319	294.33
Projected FY2017 Member Months	37,850		23,260		80,900	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0000		1.0002			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	9,027,903	238.52	5,893,786	253.39	27,800,360	343.64
Administrative Expenses	68,130	1.80	41,868	1.80	145,620	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	9,450,423	249.68	6,166,913	265.13	29,034,784	358.90
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STAR Kids
FY2017 Pharmacy Rating
MRSA Central SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	2,662		2,784		126		961		10,043	
Managed Care	22		185		115		47		651	
Total	2,684		2,969		241		1,008		10,694	
Estimated Incurred Claims										
Fee-for Service	2,739,490	1,029.11	1,602,894	575.75	91,144	723.36	423,209	440.38	1,806,331	179.86
Managed Care	8,587	390.32	101,124	546.61	40,708	353.98	35,270	750.43	112,600	172.96
Total	2,748,077	1,023.87	1,704,018	573.94	131,852	547.10	458,479	454.84	1,918,931	179.44
Projected FY2017 Member Months	2,270		2,280		480		770		9,320	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0024		1.0007		1.0000		1.0016		1.0043	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	2,986,335	1,315.57	1,617,216	709.31	325,605	678.34	374,159	485.92	1,857,693	199.32
Administrative Expenses	4,086	1.80	4,104	1.80	864	1.80	1,386	1.80	16,776	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	3,106,931	1,368.69	1,684,489	738.81	339,189	706.64	390,177	506.72	1,947,500	208.96
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STAR Kids
FY2017 Pharmacy Rating
MRSA Central SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	56,308		32,636		105,520	
Managed Care	3,143		1,724		5,887	
Total	59,451		34,360		111,407	
Estimated Incurred Claims						
Fee-for Service	12,278,344	218.06	4,697,493	143.94	23,638,904	224.02
Managed Care	691,483	220.01	374,812	217.41	1,364,584	231.80
Total	12,969,827	218.16	5,072,305	147.62	25,003,488	224.43
Projected FY2017 Member Months	48,990		28,930		93,040	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0013		1.0013			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	12,004,335	245.04	4,771,544	164.93	23,936,888	257.28
Administrative Expenses	88,182	1.80	52,074	1.80	167,472	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	12,563,654	256.45	5,011,551	173.23	25,043,491	269.17
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STAR Kids
FY2017 Pharmacy Rating
MRSA Northeast SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	5,113		4,316		196		1,124		12,224	
Managed Care	27		297		515		29		294	
Total	5,140		4,613		711		1,153		12,518	
Estimated Incurred Claims										
Fee-for Service	11,571,925	2,263.24	3,046,450	705.85	119,766	611.05	651,937	580.02	3,362,039	275.04
Managed Care	38,525	1,426.85	42,203	142.10	177,737	345.12	12	0.41	17,940	61.02
Total	11,610,450	2,258.84	3,088,652	669.55	297,504	418.43	651,949	565.44	3,379,979	270.01
Projected FY2017 Member Months	4,360		3,650		800		820		10,240	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0009		1.0010		1.0000		1.0012		1.0019	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	12,635,512	2,898.05	3,013,949	825.74	421,248	526.56	493,148	601.40	3,055,351	298.37
Administrative Expenses	7,848	1.80	6,570	1.80	1,440	1.80	1,476	1.80	18,432	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	13,135,958	3,012.83	3,138,202	859.78	439,157	548.95	513,895	626.70	3,193,540	311.87
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STAR Kids
FY2017 Pharmacy Rating
MRSA Northeast SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	71,028		44,649		138,650	
Managed Care	2,516		2,090		5,768	
Total	73,544		46,739		144,418	
Estimated Incurred Claims						
Fee-for Service	16,618,127	233.97	7,219,422	161.69	42,589,667	307.17
Managed Care	480,618	191.02	303,374	145.15	1,060,409	183.84
Total	17,098,746	232.50	7,522,795	160.95	43,650,076	302.25
Projected FY2017 Member Months	60,150		38,850		118,870	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0005		1.0006			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	15,674,231	260.59	6,969,160	179.39	42,262,598	355.54
Administrative Expenses	108,270	1.80	69,930	1.80	213,966	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	16,397,404	272.61	7,313,341	188.25	44,131,496	371.26
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STAR Kids
FY2017 Pharmacy Rating
MRSA West SDA

	MDCP		IDD		YES		Newborns		Ages 1 - 5	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015										
Member Months										
Fee-for Service	3,121		3,226		150		1,436		8,044	
Managed Care	14		246		343		27		602	
Total	3,135		3,472		493		1,463		8,646	
Estimated Incurred Claims										
Fee-for Service	2,982,790	955.72	1,394,986	432.42	104,586	697.24	305,818	212.97	1,539,297	191.36
Managed Care	7,617	544.09	114,128	463.94	128,348	374.19	4,023	149.00	165,283	274.56
Total	2,990,407	953.88	1,509,115	434.65	232,934	472.48	309,841	211.78	1,704,580	197.15
Projected FY2017 Member Months	2,580		2,730		680		1,270		7,290	
Annual Trend Assumption	19.0 %		16.3 %		15.7 %		6.9 %		9.2 %	
Adjustment Factors										
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
340B Pricing	1.0003		1.0003		1.0000		1.0011		1.0005	
Makena Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950		0.9950		0.9950		0.9950	
Managed Care Savings										
Fee-for Service	0.950		0.950		0.950		0.950		0.950	
Managed Care	1.000		1.000		1.000		1.000		1.000	
Projected Incurred Claims	3,155,403	1,223.02	1,467,141	537.41	403,358	593.17	286,240	225.39	1,593,654	218.61
Administrative Expenses	4,644	1.80	4,914	1.80	1,224	1.80	2,286	1.80	13,122	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	

Projected Total Cost	3,283,166	1,272.54	1,529,408	560.22	420,345	618.15	299,767	236.04	1,669,377	229.00
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STAR Kids
FY2017 Pharmacy Rating
MRSA West SDA

	Ages 6 - 14		Ages 15 - 20		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015						
Member Months						
Fee-for Service	45,958		28,759		90,694	
Managed Care	2,346		1,322		4,900	
Total	48,304		30,081		95,594	
Estimated Incurred Claims						
Fee-for Service	10,319,069	224.53	9,482,068	329.71	26,128,614	288.10
Managed Care	703,886	300.04	348,875	263.90	1,472,161	300.44
Total	11,022,955	228.20	9,830,943	326.82	27,600,775	288.73
Projected FY2017 Member Months	38,940		25,160		78,650	
Annual Trend Assumption	10.1 %		9.7 %			
Adjustment Factors						
Unlimited Scripts Adjustment	1.0000		1.0000			
340B Pricing	1.0001		1.0000			
Makena Adjustment	1.0000		1.0000			
Seasonality Adjustment	0.9950		0.9950			
Managed Care Savings						
Fee-for Service	0.950		0.950			
Managed Care	1.000		1.000			
Projected Incurred Claims	9,974,381	256.15	9,156,558	363.93	26,036,734	331.05
Administrative Expenses	70,092	1.80	45,288	1.80	141,570	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			

Projected Total Cost	10,435,816	268.00	9,560,359	379.98	27,198,238	345.81
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STAR Kids
FY2017 Pharmacy Rating
All SDAs Combined

	YES		Newborns	
	Amount	pmpm	Amount	pmpm
Estimated Experience CY2015				
Member Months				
Fee-for Service	4,120		20,191	
Managed Care	2,512		850	
Total	6,632		21,041	
Estimated Incurred Claims				
Fee-for Service	1,909,712	463.52	8,719,553	431.85
Managed Care	1,016,251	404.56	441,972	519.97
Total	2,925,963	441.19	9,161,526	435.41
Projected FY2017 Member Months	7,370		16,830	
Annual Trend Assumption	15.7 %		6.9 %	
Adjustment Factors				
Unlimited Scripts Adjustment	1.0000		1.0000	
340B Pricing				
Makena Adjustment	1.0000		1.0000	
Seasonality Adjustment	0.9950		0.9950	
Managed Care Savings				
Fee-for Service	0.950		0.950	
Managed Care	1.000		1.000	
Projected Incurred Claims	4,030,011	546.81	7,758,003	460.96
Administrative Expenses	13,266	1.80	30,294	1.80
Risk Margin	2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %	

Projected Total Cost	4,200,807	569.99	8,091,737	480.79
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Attachment 3

Trend Analysis

The pharmacy rating methodology uses assumed trend factors to adjust the base period (January 1, 2015 through December 31, 2015) claims cost to the rating period (November 1, 2016 through August 31, 2017, or FY2017). The trend rate assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience for those Medicaid clients who would have satisfied the STAR Kids eligibility criteria, along with the actuary's professional judgment regarding anticipated future cost changes. The trend rate assumption varies by risk group but is the same for all service areas.

The trend analysis included a review of utilization and cost experience data paid through March 31, 2016 for those Medicaid clients that would have satisfied the STAR Kids eligibility criteria. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by program, risk group and drug type (brand, generic and specialty) through December 2015. From this experience, the average annual utilization and cost per service were determined for each of the three 12-month periods ending December 2015.

Only those drugs covered under the capitated arrangement are included in the trend analysis. Anti-viral agents used for the treatment of Hepatitis C virus and the drug Orkambi are not included in the analysis as those drugs are carved out of the managed care contract. In addition, due to the significant variation in the intensity of flu season in recent years, the drug Tamiflu was removed from our trend analysis.

The STAR Kids pharmacy trend assumptions for the remainder of FY2016 and all of FY2017 were developed using the following formula. For each risk group/drug type combination, the utilization and cost per service trend assumptions were set equal to one-third of the experience trend rate for the 12-month period ending December 2014 plus two-thirds the experience trend rate for the 12-month period ending December 2015. The final cost trend assumption for each risk group was then determined by applying the assumed utilization and cost per service trends by drug type to actual experience for the 12-month period ending December 2015 and combining the results into a single trend assumption.

The following exhibit presents a summary of the pharmacy trend analysis. Please note that the MCOs were provided a detailed trend analysis workbook which included the historical utilization and cost experience as well as all of the formulas and assumptions used in developing the pharmacy trend assumptions.

Below are the selected annual STAR Kids pharmacy cost trend assumptions for each risk group.

MDCP Waiver	19.0 %
IDD Waiver	16.3 %
YES Waiver	15.7 %
Children Under Age One Year	6.9 %
Children Ages 1 to 5 Years	9.2 %
Children Ages 6 to 14 Years	10.1 %
Children Ages 15 to 20 Years	9.7 %

STAR Kids
FY2017 Prescription Drug Rating Analysis
Pharmacy Trends

	<u>MDCP</u>	<u>IDD</u>	<u>YES</u>	<u>Children <1</u>	<u>Children 1-5</u>	<u>Children 6-14</u>	<u>Children 15-20</u>	<u>Total</u>	<u>Case-Mix Adjusted</u>
Annual Trend in Number of Scripts per Member per Month									
Brand Drugs									
1/2014-12/2014	-4.0 %	-9.2 %	2.7 %	-4.4 %	-12.1 %	-8.3 %	-9.6 %	-8.9 %	-8.6 %
1/2015-12/2015	-3.7 %	-6.1 %	4.2 %	-2.3 %	-4.7 %	-7.5 %	-6.6 %	-6.5 %	-6.6 %
Use	-3.8 %	-7.1 %	3.7 %	-3.0 %	-7.2 %	-7.8 %	-7.6 %	-7.2 %	-7.2 %
Generic Drugs									
1/2014-12/2014	6.0 %	3.4 %	0.3 %	4.9 %	2.8 %	3.0 %	-0.5 %	1.6 %	2.5 %
1/2015-12/2015	2.2 %	3.8 %	6.9 %	4.6 %	1.0 %	0.6 %	-1.3 %	0.6 %	0.7 %
Use	3.5 %	3.7 %	4.7 %	4.7 %	1.6 %	1.4 %	-1.1 %	1.3 %	1.3 %
Specialty Drugs									
1/2014-12/2014	8.7 %	6.6 %	0.0 %	-11.8 %	1.7 %	4.9 %	-2.4 %	-0.8 %	1.8 %
1/2015-12/2015	-1.4 %	29.5 %	0.0 %	6.1 %	-1.7 %	7.6 %	-0.6 %	2.6 %	3.2 %
Use	1.9 %	21.8 %	0.0 %	0.2 %	-0.6 %	6.7 %	-1.2 %	3.1 %	3.1 %
All Drugs									
1/2014-12/2014	3.4 %	0.1 %	1.0 %	1.2 %	-0.7 %	-1.0 %	-3.1 %	-1.7 %	-0.9 %
1/2015-12/2015	0.6 %	1.6 %	6.1 %	3.7 %	-0.2 %	-2.0 %	-2.7 %	-1.4 %	-1.4 %
Use	1.8 %	1.6 %	4.4 %	3.0 %	-0.1 %	-1.4 %	-2.7 %	-0.9 %	-0.9 %
Annual Trend in Days Supply per Member per Month									
Brand Drugs									
1/2014-12/2014	-3.0 %	-8.8 %	0.9 %	5.6 %	-9.8 %	-7.8 %	-9.4 %	-8.1 %	-7.9 %
1/2015-12/2015	-3.7 %	-5.8 %	2.4 %	1.3 %	-3.0 %	-7.5 %	-6.4 %	-6.3 %	-6.4 %
Use	-3.5 %	-6.8 %	1.9 %	2.7 %	-5.3 %	-7.6 %	-7.4 %	-6.8 %	-6.8 %
Generic Drugs									
1/2014-12/2014	6.6 %	4.1 %	-2.9 %	3.2 %	4.7 %	3.6 %	1.1 %	2.7 %	3.4 %
1/2015-12/2015	3.0 %	4.2 %	4.5 %	9.1 %	3.1 %	2.8 %	1.0 %	2.7 %	2.6 %
Use	4.2 %	4.2 %	2.0 %	7.1 %	3.6 %	3.0 %	1.0 %	2.9 %	2.9 %
Specialty Drugs									
1/2014-12/2014	9.7 %	6.9 %	0.0 %	-12.6 %	0.2 %	5.7 %	-3.0 %	-0.7 %	1.8 %
1/2015-12/2015	-0.7 %	27.4 %	0.0 %	7.5 %	0.9 %	9.3 %	-0.6 %	3.9 %	4.5 %
Use	2.8 %	20.5 %	0.0 %	0.8 %	0.7 %	8.1 %	-1.4 %	4.1 %	4.1 %
All Drugs									
1/2014-12/2014	4.0 %	0.7 %	-1.7 %	1.1 %	0.8 %	-0.9 %	-2.3 %	-1.1 %	-0.4 %
1/2015-12/2015	1.2 %	1.9 %	3.9 %	7.5 %	1.6 %	-1.0 %	-1.3 %	-0.2 %	-0.2 %
Use	2.3 %	1.9 %	2.0 %	5.5 %	1.6 %	-0.5 %	-1.4 %	0.1 %	0.1 %
Annual Trend in Incurred Claims per Days Supply									
Brand Drugs									
1/2014-12/2014	18.1 %	17.8 %	28.8 %	-2.8 %	5.9 %	10.5 %	17.5 %	13.1 %	13.2 %
1/2015-12/2015	26.5 %	16.9 %	7.5 %	23.4 %	23.7 %	16.0 %	16.5 %	18.1 %	17.7 %
Use	23.7 %	17.2 %	14.6 %	14.7 %	17.8 %	14.2 %	16.8 %	11.9 %	16.4 %

STAR Kids
FY2017 Prescription Drug Rating Analysis
Pharmacy Trends

	MDCP	IDD	YES	Children <1	Children 1-5	Children 6-14	Children 15-20	Total	Case-Mix Adjusted
Generic Drugs									
1/2014-12/2014	11.6 %	7.8 %	2.3 %	-0.9 %	5.6 %	3.9 %	2.5 %	5.0 %	4.5 %
1/2015-12/2015	17.4 %	15.5 %	13.6 %	6.1 %	7.2 %	13.7 %	15.8 %	14.0 %	14.1 %
Use	15.5 %	13.0 %	9.8 %	3.8 %	6.7 %	10.4 %	11.4 %	11.9 %	11.0 %
Specialty Drugs									
1/2014-12/2014	7.2 %	15.6 %	0.0 %	-1.9 %	5.6 %	10.2 %	7.9 %	8.7 %	9.5 %
1/2015-12/2015	18.3 %	13.3 %	0.0 %	6.7 %	5.4 %	12.4 %	17.4 %	13.2 %	14.4 %
Use	14.6 %	14.1 %	0.0 %	3.8 %	5.5 %	11.7 %	14.2 %	11.9 %	12.1 %
All Drugs									
1/2014-12/2014	11.8 %	9.8 %	25.5 %	-12.6 %	1.1 %	6.2 %	8.2 %	6.6 %	6.8 %
1/2015-12/2015	18.7 %	14.9 %	9.0 %	8.0 %	10.8 %	12.8 %	13.0 %	13.4 %	13.3 %
Use	16.3 %	14.1 %	13.4 %	1.3 %	7.5 %	10.7 %	11.2 %	11.3 %	11.3 %

Annual Trend in Incurred Claims per Member per Month

Brand Drugs									
1/2014-12/2014	14.6 %	7.5 %	30.0 %	2.7 %	-4.5 %	1.9 %	6.5 %	3.9 %	4.2 %
1/2015-12/2015	21.8 %	10.1 %	10.1 %	25.0 %	19.9 %	7.3 %	9.1 %	10.6 %	10.2 %
Use	19.4 %	9.2 %	16.8 %	17.8 %	11.6 %	5.5 %	8.2 %	8.5 %	8.5 %
Generic Drugs									
1/2014-12/2014	19.0 %	12.3 %	-0.6 %	2.3 %	10.5 %	7.6 %	3.6 %	7.8 %	8.4 %
1/2015-12/2015	20.9 %	20.4 %	18.7 %	15.8 %	10.5 %	16.8 %	16.9 %	17.0 %	17.0 %
Use	20.4 %	17.7 %	12.0 %	11.2 %	10.5 %	13.7 %	12.5 %	14.3 %	14.3 %
Specialty Drugs									
1/2014-12/2014	17.6 %	23.5 %	0.0 %	-14.3 %	5.7 %	16.5 %	4.6 %	7.9 %	10.4 %
1/2015-12/2015	17.5 %	44.4 %	0.0 %	14.8 %	6.4 %	22.8 %	16.7 %	17.7 %	18.2 %
Use	17.8 %	37.5 %	0.0 %	4.6 %	6.2 %	20.7 %	12.6 %	16.5 %	16.5 %
All Drugs									
1/2014-12/2014	16.2 %	10.5 %	23.3 %	-11.6 %	1.9 %	5.2 %	5.7 %	5.4 %	6.2 %
1/2015-12/2015	20.2 %	17.1 %	13.2 %	16.2 %	12.6 %	11.7 %	11.5 %	13.3 %	13.1 %
Use	19.0 %	16.3 %	15.7 %	6.9 %	9.2 %	10.1 %	9.7 %	11.4 %	11.4 %

Generic Dispensing Rate (Days Supply)

1/2014-12/2014	71.6 %	75.0 %	69.6 %	69.1 %	74.2 %	61.8 %	68.9 %	66.8 %	66.9 %
1/2015-12/2015	72.9 %	76.7 %	70.0 %	70.1 %	75.3 %	64.2 %	70.5 %	68.7 %	68.7 %
FY2017	75.2 %	79.6 %	70.0 %	71.9 %	77.8 %	68.0 %	73.3 %	72.0 %	71.9 %

Attachment 4

340B Pricing

Effective February 1, 2015, HHSC instituted a new reimbursement methodology for Health Resources and Services Administration (HRSA) 340B Drug Pricing Program drugs (340B drugs) in FFS which significantly reduced pharmacy reimbursement for those drugs. The MCOs designed their own 340B drug reimbursement revisions in order to achieve comparable savings. The majority of MCOs use the FFS reimbursement methodology. These MCO reimbursement adjustments were implemented on December 1, 2014. Effective June 1, 2016, in response to pharmacy concerns regarding the new low level of reimbursement, HHSC increased pharmacy reimbursement for 340B drugs (from Wholesale Acquisition Cost (WAC) less 60% to WAC less 57%). The following exhibit presents an analysis of the anticipated impact of these reimbursement changes on STAR Kids pharmacy cost.

STAR Kids
FY2017 Prescription Drug Rating Analysis
340B Pricing Adjustment Factors

Service Area	MDCP	IDD	YES	Newborn	Ages 1-5	Ages 6-14	Ages 15-20	Total
Total Claims Paid CY2015 (1)								
Bexar	7,027,346	3,620,036	352,706	755,138	5,717,971	23,934,304	12,153,945	53,561,447
Dallas	11,650,350	5,250,235	7,977	1,687,431	8,133,331	36,618,357	18,693,217	82,040,898
El Paso	1,596,301	622,797	3,502	300,848	1,978,287	7,778,812	7,267,418	19,547,966
Harris	9,804,430	9,856,803	713,465	1,776,422	9,929,598	50,816,964	26,692,547	109,590,229
Hidalgo	3,982,297	2,723,267	300,598	724,120	7,052,532	38,559,688	16,943,558	70,286,061
Jefferson	1,588,820	688,921	17,946	189,975	3,111,175	8,217,842	4,928,387	18,743,066
Lubbock	1,780,782	976,232	2,166	256,012	1,368,166	5,133,222	2,476,517	11,993,098
Nueces	1,191,411	764,947	117,169	230,797	1,642,407	10,854,281	4,762,392	19,563,403
Tarrant	8,006,042	3,754,547	495,033	1,116,878	4,648,179	24,374,389	9,226,277	51,621,345
Travis	5,506,936	2,775,647	268,013	706,272	3,565,501	9,708,279	6,371,894	28,902,541
MRSA Central	3,004,410	1,835,752	131,852	458,479	1,918,931	12,969,820	5,070,595	25,389,838
MRSA Northeast	11,771,952	3,174,677	308,034	651,949	3,379,962	17,103,656	7,522,378	43,912,610
MRSA West	3,138,561	1,591,374	238,699	309,893	1,706,193	11,025,582	9,830,808	27,841,109
Total	70,049,638	37,635,236	2,957,161	9,164,213	54,152,233	257,095,196	131,939,932	562,993,608

Impact of 340b Reimbursement Change (2)

Bexar	102	4	0	19	736	4,346	458	5,664
Dallas	16,458	6,696	0	10,707	58,801	57,871	25,552	176,084
El Paso	49	24	0	12	154	1,228	1,057	2,523
Harris	2,398	534	1	1,953	12,498	17,615	8,067	43,065
Hidalgo	0	0	0	51	633	1,632	462	2,779
Jefferson	857	10	0	24	4,575	972	747	7,184
Lubbock	114	91	0	279	535	396	300	1,715
Nueces	0	0	0	288	3	13	2	305
Tarrant	8,058	803	9	1,073	11,543	19,849	11,104	52,440
Travis	0	627	0	187	135	461	1,410	2,820
MRSA Central	7,130	1,225	0	732	8,214	17,259	6,833	41,392
MRSA Northeast	10,532	3,327	0	782	6,534	7,736	4,226	33,136
MRSA West	874	499	0	354	933	611	84	3,355

STAR Kids
FY2017 Prescription Drug Rating Analysis
340B Pricing Adjustment Factors

Service Area	MDCP	IDD	YES	Newborn	Ages 1-5	Ages 6-14	Ages 15-20	Total
Total	46,571	13,839	10	16,461	105,292	129,989	60,301	372,463

FY2017 340B Pricing Adjustment Factors

Bexar	1.0000	1.0000	1.0000	1.0000	1.0001	1.0002	1.0000	1.0001
Dallas	1.0014	1.0013	1.0000	1.0063	1.0072	1.0016	1.0014	1.0021
El Paso	1.0000	1.0000	1.0000	1.0000	1.0001	1.0002	1.0001	1.0001
Harris	1.0002	1.0001	1.0000	1.0011	1.0013	1.0003	1.0003	1.0004
Hidalgo	1.0000	1.0000	1.0000	1.0001	1.0001	1.0000	1.0000	1.0000
Jefferson	1.0005	1.0000	1.0000	1.0001	1.0015	1.0001	1.0002	1.0004
Lubbock	1.0001	1.0001	1.0000	1.0011	1.0004	1.0001	1.0001	1.0001
Nueces	1.0000	1.0000	1.0000	1.0012	1.0000	1.0000	1.0000	1.0000
Tarrant	1.0010	1.0002	1.0000	1.0010	1.0025	1.0008	1.0012	1.0010
Travis	1.0000	1.0002	1.0000	1.0003	1.0000	1.0000	1.0002	1.0001
MRSA Central	1.0024	1.0007	1.0000	1.0016	1.0043	1.0013	1.0013	1.0016
MRSA Northeast	1.0009	1.0010	1.0000	1.0012	1.0019	1.0005	1.0006	1.0008
MRSA West	1.0003	1.0003	1.0000	1.0011	1.0005	1.0001	1.0000	1.0001
Total	1.0007	1.0004	1.0000	1.0018	1.0019	1.0005	1.0005	1.0007

Footnotes:

- (1) Equals total incurred FFS and managed care pharmacy claims during the experience period.
- (2) Equals the estimated cost impact from revised 340B pharmacy reimbursement change.
- (3) Additional cost divided by Incurred Claims.

Attachment 5

Seasonality

The base period used in developing the STAR Kids FY2017 pharmacy capitation rates is a 12-month period (CY2015) while the rating period is a 10-month period (November 1, 2016 through August 31, 2017). Since the months used in the base period may be inherently more or less costly than those of the rating period, it is necessary to include a seasonality factor in the rating analysis.

This attachment presents a summary of our seasonality analysis. The following exhibit shows month enrollment, incurred claims and per-capita incurred claims by risk group. The final page of the exhibit provided the calculation of our selected seasonality adjustment factor. We selected a single adjustment factor to apply to all service areas and risk groups.

STAR Kids
FY2017 Pharmacy Rate Setting
Seasonality Adjustment

Month	MDCP	IDD	YES	Newborns	Ages 1-5	Ages 6-14	Ages 15-20	Total
Number of Members								
201209	5,692	7,682	40	1,901	20,574	89,095	47,981	172,965
201210	5,686	7,647	50	1,982	20,446	89,201	48,060	173,072
201211	5,690	7,566	54	1,994	20,294	89,120	47,983	172,701
201212	5,691	7,528	59	1,979	20,346	89,766	48,276	173,645
201301	5,710	7,444	59	1,916	20,122	89,904	48,492	173,647
201302	5,725	7,398	70	1,924	20,227	90,566	48,554	174,464
201303	5,745	7,343	72	1,919	20,174	90,445	48,682	174,380
201304	5,752	7,310	74	1,993	20,208	91,191	48,936	175,464
201305	5,770	7,253	83	2,009	19,987	90,998	48,862	174,962
201306	5,761	7,234	84	1,952	20,063	91,554	49,146	175,794
201307	5,788	7,187	89	1,961	19,917	91,845	49,152	175,939
201308	5,794	7,115	90	1,947	19,555	91,423	49,234	175,158
201309	5,773	7,086	91	1,983	19,434	92,087	49,812	176,266
201310	5,794	7,017	94	1,961	19,228	91,875	49,871	175,840
201311	5,761	6,959	100	1,960	18,837	91,423	49,786	174,826
201312	5,737	6,930	99	1,970	18,864	91,902	50,016	175,518
201401	5,686	6,903	107	1,886	18,545	91,379	50,241	174,747
201402	5,607	6,868	113	1,813	18,692	91,124	50,143	174,360
201403	5,556	6,842	120	1,784	18,627	90,983	50,029	173,941
201404	5,588	6,880	180	1,857	18,930	92,841	51,319	177,595
201405	5,561	6,830	238	1,862	18,744	92,529	51,068	176,832
201406	5,530	6,846	264	1,889	18,743	92,935	51,277	177,484
201407	5,517	6,841	275	1,850	18,632	92,905	51,266	177,286
201408	5,494	6,813	294	1,814	18,393	92,702	51,179	176,689
201409	5,476	6,810	309	1,810	18,260	92,905	51,363	176,933
201410	5,447	6,784	323	1,786	17,970	92,201	51,275	175,786
201411	5,420	6,788	363	1,751	18,090	92,639	51,501	176,552
201412	5,413	6,764	379	1,769	18,009	92,433	51,478	176,245
201501	5,411	6,727	429	1,709	17,729	91,952	51,613	175,570
201502	5,423	6,752	466	1,690	17,910	92,354	51,963	176,558
201503	5,524	6,747	485	1,750	17,941	92,381	51,930	176,758
201504	5,570	6,735	512	1,791	17,934	92,374	51,932	176,848
201505	5,648	6,731	516	1,782	17,982	92,120	51,925	176,704
201506	5,726	6,709	532	1,789	18,034	92,370	52,250	177,410
201507	5,737	6,629	537	1,780	17,775	91,749	52,253	176,460
201508	5,708	6,597	549	1,780	17,919	91,981	52,821	177,355
FY2013	68,804	88,707	824	23,477	241,913	1,085,108	583,358	2,092,191
FY2014	67,604	82,815	1,975	22,629	225,669	1,104,685	606,007	2,111,384
FY2015	66,503	80,773	5,400	21,187	215,553	1,107,459	622,304	2,119,179
11/12-8/13	57,426	73,378	734	19,594	200,893	906,812	487,317	1,746,154
11/13-8/14	56,037	68,712	1,790	18,685	187,007	920,723	506,324	1,759,278

STAR Kids
FY2017 Pharmacy Rate Setting
Seasonality Adjustment

Month	MDCP	IDD	YES	Newborns	Ages 1-5	Ages 6-14	Ages 15-20	Total
11/14-8/15	55,580	67,179	4,768	17,591	179,323	922,353	519,666	1,766,460
Incurred Claims								
201209	3,843,888	2,551,007	18,200	383,914	3,535,090	16,963,122	8,029,052	35,324,272
201210	4,188,754	2,824,332	24,578	1,279,430	4,951,190	19,111,584	9,334,292	41,714,161
201211	3,731,820	2,536,568	21,262	1,354,130	4,642,635	16,800,212	8,648,501	37,735,129
201212	3,796,930	2,450,524	23,033	1,439,063	4,669,020	16,872,759	8,312,737	37,564,067
201301	4,285,143	2,748,470	20,119	1,750,268	5,520,254	19,042,249	9,052,496	42,418,998
201302	3,945,641	2,515,665	22,315	1,428,069	5,056,713	17,484,280	8,467,498	38,920,180
201303	4,024,905	2,517,870	18,505	975,887	4,580,122	17,896,512	8,474,260	38,488,061
201304	4,340,584	2,591,591	23,711	160,937	4,056,103	18,914,952	8,578,754	38,666,632
201305	4,355,662	2,698,947	29,881	151,679	3,878,663	19,108,881	9,675,562	39,899,275
201306	3,846,870	2,334,610	22,685	192,956	3,726,574	16,256,707	8,559,389	34,939,790
201307	4,360,252	2,599,392	25,260	166,239	3,302,875	17,064,419	8,506,837	36,025,274
201308	4,018,415	2,568,852	31,283	156,901	3,431,249	17,848,621	8,352,406	36,407,728
201309	4,111,054	2,501,043	25,616	150,796	3,539,320	18,337,632	8,694,126	37,359,587
201310	4,488,959	2,589,015	31,819	1,638,853	4,904,274	19,758,633	9,192,039	42,603,591
201311	4,011,420	2,392,185	31,452	1,361,362	4,684,139	17,100,561	9,038,932	38,620,051
201312	4,623,181	2,455,036	37,304	1,791,187	5,246,171	18,273,280	8,516,550	40,942,709
201401	4,476,935	2,639,411	33,270	1,672,160	5,530,569	19,618,796	9,559,648	43,530,789
201402	4,411,545	2,452,634	35,590	1,182,945	4,660,466	18,443,104	8,471,924	39,658,208
201403	4,445,292	2,597,789	40,513	415,518	3,896,193	19,117,436	9,529,495	40,042,236
201404	4,639,434	2,623,693	80,416	128,206	3,619,392	20,224,741	10,235,023	41,550,906
201405	4,531,026	2,603,581	94,407	171,851	3,601,111	19,205,026	10,110,096	40,317,097
201406	4,576,581	2,534,661	100,683	148,593	3,463,740	16,847,313	8,825,682	36,497,253
201407	4,748,540	2,830,264	105,434	124,408	3,789,620	18,420,571	9,690,939	39,709,777
201408	4,447,504	2,671,769	102,677	143,818	3,368,647	19,302,977	9,411,274	39,448,667
201409	4,880,485	2,813,544	117,062	141,101	3,848,626	20,373,814	10,397,085	42,571,717
201410	5,088,591	2,881,109	137,343	1,269,533	4,476,072	21,000,744	9,939,654	44,793,044
201411	4,641,887	2,527,243	137,232	1,205,359	4,145,988	18,177,707	9,023,915	39,859,330
201412	5,362,197	2,883,626	174,607	1,591,419	5,387,490	21,084,422	10,275,427	46,759,187
201501	5,492,743	2,884,258	204,364	1,453,351	4,996,089	21,468,340	10,297,736	46,796,881
201502	4,815,855	2,654,106	180,235	1,299,611	4,839,321	20,025,929	9,126,786	42,941,843
201503	5,425,372	3,026,808	218,360	783,099	4,506,331	21,825,689	10,601,593	46,387,253
201504	5,636,848	3,040,521	237,037	296,595	3,831,952	22,245,776	10,876,649	46,165,379
201505	5,549,846	2,937,022	211,600	199,452	3,777,183	20,509,804	10,280,201	43,465,108
201506	5,787,347	3,269,569	235,808	217,299	4,288,415	20,830,733	11,239,324	45,868,496
201507	6,161,611	3,092,652	224,992	225,144	3,920,575	20,348,365	11,072,815	45,046,153
201508	5,910,795	3,096,006	252,828	233,697	3,782,699	21,453,357	11,649,695	46,379,077
FY2013	48,738,866	30,937,825	280,831	9,439,472	51,350,488	213,364,299	103,991,785	458,103,566
FY2014	53,511,470	30,891,082	719,179	8,929,697	50,303,642	224,650,070	111,275,729	480,280,870
FY2015	64,753,575	35,106,465	2,331,469	8,915,660	51,800,740	249,344,680	124,780,881	537,033,469

STAR Kids
FY2017 Pharmacy Rate Setting
Seasonality Adjustment

Month	MDCP	IDD	YES	Newborns	Ages 1-5	Ages 6-14	Ages 15-20	Total
11/12-8/13	40,706,223	25,562,487	238,053	7,776,129	42,864,208	177,289,593	86,628,441	381,065,133
11/13-8/14	44,911,458	25,801,024	661,745	7,140,048	41,860,048	186,553,805	93,389,564	400,317,692
11/14-8/15	54,784,499	29,411,812	2,077,064	7,505,026	43,476,043	207,970,122	104,444,141	449,668,708
Incurred Claims pmpm								
201209	675.31	332.08	454.99	201.95	171.82	190.39	167.34	204.23
201210	736.68	369.34	491.57	645.52	242.16	214.25	194.22	241.02
201211	655.86	335.26	393.75	679.10	228.77	188.51	180.24	218.50
201212	667.18	325.52	390.39	727.17	229.48	187.96	172.19	216.33
201301	750.46	369.22	341.00	913.50	274.34	211.81	186.68	244.28
201302	689.19	340.05	318.78	742.24	250.00	193.06	174.39	223.08
201303	700.59	342.89	257.02	508.54	227.03	197.87	174.07	220.71
201304	754.62	354.53	320.41	80.75	200.72	207.42	175.31	220.37
201305	754.88	372.11	360.01	75.50	194.06	209.99	198.02	228.05
201306	667.74	322.73	270.06	98.85	185.74	177.56	174.16	198.75
201307	753.33	361.68	283.82	84.77	165.83	185.80	173.07	204.76
201308	693.55	361.05	347.59	80.59	175.47	195.23	169.65	207.86
201309	712.12	352.96	281.49	76.04	182.12	199.13	174.54	211.95
201310	774.76	368.96	338.50	835.72	255.06	215.06	184.32	242.29
201311	696.31	343.75	314.52	694.57	248.67	187.05	181.56	220.91
201312	805.85	354.26	376.81	909.23	278.10	198.83	170.28	233.27
201401	787.36	382.36	310.93	886.62	298.22	214.70	190.28	249.11
201402	786.79	357.11	314.96	652.48	249.33	202.40	168.96	227.45
201403	800.09	379.68	337.61	232.91	209.17	210.12	190.48	230.21
201404	830.25	381.35	446.75	69.04	191.20	217.84	199.44	233.96
201405	814.79	381.20	396.67	92.29	192.12	207.56	197.97	228.00
201406	827.59	370.24	381.37	78.66	184.80	181.28	172.12	205.64
201407	860.71	413.72	383.40	67.25	203.39	198.27	189.03	223.99
201408	809.52	392.16	349.24	79.28	183.15	208.23	183.89	223.27
201409	891.25	413.15	378.84	77.96	210.77	219.30	202.42	240.61
201410	934.20	424.69	425.21	710.82	249.09	227.77	193.85	254.82
201411	856.44	372.31	378.05	688.38	229.19	196.22	175.22	225.77
201412	990.61	426.32	460.70	899.62	299.16	228.10	199.61	265.31
201501	1,015.11	428.76	476.37	850.41	281.80	233.47	199.52	266.54
201502	888.04	393.08	386.77	769.00	270.20	216.84	175.64	243.22
201503	982.15	448.62	450.23	447.49	251.18	236.26	204.15	262.43
201504	1,012.00	451.45	462.96	165.60	213.67	240.82	209.44	261.05
201505	982.62	436.34	410.08	111.93	210.05	222.64	197.98	245.98
201506	1,010.71	487.34	443.25	121.46	237.80	225.51	215.11	258.55
201507	1,074.01	466.53	418.98	126.49	220.57	221.78	211.91	255.28
201508	1,035.53	469.31	460.53	131.29	211.10	233.24	220.55	261.50
FY2013	708.37	348.76	340.81	402.07	212.27	196.63	178.26	218.96
FY2014	791.54	373.01	364.14	394.61	222.91	203.36	183.62	227.47

STAR Kids
FY2017 Pharmacy Rate Setting
Seasonality Adjustment

Month	MDCP	IDD	YES	Newborns	Ages 1-5	Ages 6-14	Ages 15-20	Total
FY2015	973.69	434.63	431.75	420.81	240.32	225.15	200.51	253.42
11/12-8/13	708.85	348.37	324.32	396.86	213.37	195.51	177.77	218.23
11/13-8/14	801.46	375.50	369.69	382.13	223.84	202.62	184.45	227.55
11/14-8/15	985.69	437.81	435.63	426.64	242.45	225.48	200.98	254.56

Trend Assumptions

FY2013	13.1 %	7.8 %	14.0 %	-3.7 %	4.9 %	3.6 %	3.8 %
FY2014	13.1 %	7.8 %	14.0 %	-3.7 %	4.9 %	3.6 %	3.8 %
FY2015	23.0 %	16.6 %	17.8 %	11.6 %	8.3 %	11.3 %	9.0 %

Adjusted Incurred Claims pmpm

11/12-8/13	701.63	346.20	320.80	398.12	212.52	194.93	177.22	217.36
11/13-8/14	793.30	373.16	365.68	383.33	222.95	202.01	183.88	226.63
11/14-8/15	968.84	432.25	429.71	422.74	240.84	223.48	199.55	252.13

Seasonality Adjustment Factors

11/12-8/13	0.990	0.993	0.941	0.990	1.001	0.991	0.994	0.993
11/13-8/14	1.002	1.000	1.004	0.971	1.000	0.993	1.001	0.996
11/14-8/15	0.995	0.995	0.995	1.005	1.002	0.993	0.995	0.995
Use	0.996	0.996	0.980	0.989	1.001	0.992	0.997	0.995

Attachment 6

Managed Care Savings

In developing the FY2017 projected pharmacy claims, we have assumed that the base period per-capita pharmacy claims cost for FFS clients will be reduced by 5% under managed care. The 5% assumption was developed assuming that overall pharmacy reimbursement under managed care would be 4% lower than that under FFS and that the MCOs will have a positive impact on utilization representing 1% of prescription drug cost. Please note that the managed care savings assumption (5%) applies to base period FFS claims experience only. No managed care savings factor is applied to managed care base period experience.

Exhibit A of this attachment contains a summary of our pharmacy reimbursement analysis. In this analysis, we re-priced CY2015 FFS claims for those Medicaid clients who would have satisfied the STAR Kids eligibility criteria. Our assumed managed care pharmacy reimbursement provisions were determined based on a review of actual MCO reimbursement rates. Based on this analysis, we concluded that pharmacy reimbursement under managed care is 4% less than that under FFS. These results are similar to those from previous studies of this issue.

Because HHSC determines the formulary and preferred drug list and specifies the prior authorization requirements, the utilization mix between brand and generic is assumed to be the same for FFS and managed care. The utilization mix of chain and independent pharmacies is also assumed to be the same between FFS and managed care.

The assumption that pharmacy utilization would be 1% lower under managed care as compared to FFS is based on an analysis of utilization experience post-pharmacy carve-in as compared to pre-pharmacy carve-in. Exhibit B of this attachment compares pharmacy utilization (days supply per capita) for STAR clients immediately preceding carve-in (March 1, 2011 through February 2012) to that for the period immediately after carve-in (March 1, 2012 through February 2013). The analysis shows that the overall average utilization under managed care was approximately 1% lower than that under FFS.

STAR Kids
FY2017 Pharmacy Rate Setting
Managed Care Discount Factor

Fee-For-Service Experience

Description	Actual			Repriced			Managed Care Discount
	Ingr. Cost	Disp. Fee	Gross Cost	Ingr. Cost	Disp. Fee	Gross Cost	
Repriced Claims	372,985,779	20,551,277	393,537,056	372,164,133	4,624,529	376,788,662	4.3 %
Usual & Customary	17,999,769	447,094	18,446,864	17,999,769	447,094	18,446,864	0.0 %
Compound Drugs	13,231,894	395,695	13,627,588	13,231,894	395,695	13,627,588	0.0 %
Paid, Ingr. Cost, or Units = 0	-192,068	192,726	659	-192,068	192,726	659	0.0 %
No AWP Match	55,807,383	859,479	56,666,863	53,589,296	665,903	54,255,199	4.3 %
Abnormal Discount	30,796,631	1,312,210	32,108,841	30,365,016	377,317	30,742,333	4.3 %
Generic - No MC Claims	19,994	1,052	21,046	19,994	1,052	21,046	0.0 %
Total	490,649,383	23,759,534	514,408,916	487,178,035	6,704,316	493,882,351	4.0 %

Notes:

- (1) Reprice actual CY2015 FFS experience assuming the following
 - (a) Brand Drugs - Ingredient Cost = AWP - 16.0%, Disp. Fee = \$1.50 per script
 - (b) Generic Drugs - Ingredient Cost = same ingredient cost per unit per NDC as experience in Managed Care, Disp. Fee = \$1.50 per script
- (2) These claim amounts were assumed to be the same under managed care and FFS
 - (a) U&C
 - (b) Compounds
 - (c) Paid Amount, Ingredient Cost or Units = 0
 - (d) NDC with no managed care experience
- (3) Claims with no matching AWP or abnormal discounts were assumed to have the same managed care discount as claims that were repriced.

STAR Kids
FY2017 Pharmacy Rate Setting
Managed Care Discount Factor

	Bexar SDA				Dallas SDA				El Paso SDA				Jefferson			
	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend
Children Under Age 1																
3/11-2/12	227,934	1,718,373	7.54		369,895	3,568,964	9.65		111,282	1,115,751	10.03		72,934	880,726	12.08	
3/12-2/13	218,557	1,412,085	6.46	0.857	378,561	3,288,435	8.69	0.900	110,366	1,039,253	9.42	0.939	72,499	795,691	10.98	0.909
Children Ages 1 - 5																
3/11-2/12	769,738	5,774,366	7.50		1,379,455	13,726,215	9.95		394,324	3,383,033	8.58		248,123	2,580,045	10.40	
3/12-2/13	778,697	5,369,693	6.90	0.919	1,420,773	13,826,573	9.73	0.978	394,879	3,312,885	8.39	0.978	247,613	2,603,049	10.51	1.011
Children Ages 6 - 14																
3/11-2/12	905,697	7,956,062	8.78		1,551,245	14,011,882	9.03		530,961	4,522,214	8.52		276,163	3,073,810	11.13	
3/12-2/13	951,278	8,086,910	8.50	0.968	1,699,865	15,584,002	9.17	1.015	548,116	4,490,954	8.19	0.962	289,103	3,249,958	11.24	1.010
Children Ages 15 - 18																
3/11-2/12	259,176	2,459,839	9.49		385,696	3,495,534	9.06		185,615	1,711,613	9.22		82,848	983,961	11.88	
3/12-2/13	262,133	2,347,604	8.96	0.944	426,678	3,617,765	8.48	0.936	185,400	1,640,820	8.85	0.960	80,188	929,392	11.59	0.976
Children Ages 19 - 20																
3/11-2/12	11,401	93,745	8.22		12,106	74,253	6.13		7,348	48,744	6.63		3,845	53,269	13.85	
3/12-2/13	14,652	100,864	6.88	0.837	17,068	101,067	5.92	0.965	8,329	50,780	6.10	0.919	5,008	53,097	10.60	0.765
TANF Adults																
3/11-2/12	88,665	3,575,170	40.32		67,856	2,119,977	31.24		49,038	1,716,829	35.01		40,660	1,428,496	35.13	
3/12-2/13	115,654	4,327,999	37.42	0.928	121,297	3,708,970	30.58	0.979	52,735	1,683,785	31.93	0.912	45,758	1,843,704	40.29	1.147
Pregnant Women																
3/11-2/12	110,698	2,387,678	21.57		145,804	2,837,308	19.46		52,590	954,235	18.14		35,700	716,022	20.06	
3/12-2/13	110,667	2,272,244	20.53	0.952	145,850	2,522,622	17.30	0.889	52,387	913,628	17.44	0.961	38,575	732,614	18.99	0.947
Total																
3/11-2/12	2,373,309	23,965,233	10.10		3,912,057	39,834,133	10.18		1,331,158	13,452,419	10.11		760,273	9,716,329	12.78	
3/12-2/13	2,451,638	23,917,399	9.76	0.966	4,210,092	42,649,434	10.13	0.995	1,352,212	13,132,105	9.71	0.961	778,744	10,207,505	13.11	1.026

STAR Kids
FY2017 Pharmacy Rate Setting
Managed Care Discount Factor

	Harris SDA				Hidalgo				Lubbock SDA				Nueces SDA		
	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm
Children Under Age 1															
3/11-2/12	628,150	6,314,742	10.05		337,319	7,246,853	21.48		77,845	578,057	7.43		82,432	1,103,567	13.39
3/12-2/13	642,384	6,052,635	9.42	0.937	300,383	6,265,585	20.86	0.971	75,304	522,070	6.93	0.934	78,929	977,284	12.38
Children Ages 1 - 5															
3/11-2/12	2,246,314	20,686,589	9.21		1,232,358	20,725,508	16.82		262,560	1,734,243	6.61		273,363	3,296,241	12.06
3/12-2/13	2,295,576	20,555,966	8.95	0.972	1,176,130	18,867,073	16.04	0.954	253,724	1,595,842	6.29	0.952	269,029	2,966,548	11.03
Children Ages 6 - 14															
3/11-2/12	2,486,073	19,598,405	7.88		1,592,548	20,235,994	12.71		290,992	2,472,816	8.50		329,176	4,006,026	12.17
3/12-2/13	2,648,710	20,902,358	7.89	1.001	1,603,286	19,472,488	12.15	0.956	297,200	2,401,236	8.08	0.951	335,971	4,023,330	11.98
Children Ages 15 - 18															
3/11-2/12	661,318	5,667,988	8.57		485,073	6,401,953	13.20		75,053	734,630	9.79		92,899	1,012,588	10.90
3/12-2/13	703,923	5,605,172	7.96	0.929	475,374	5,802,923	12.21	0.925	77,989	711,808	9.13	0.932	94,033	957,009	10.18
Children Ages 19 - 20															
3/11-2/12	21,025	127,329	6.06		10,335	145,533	14.08		4,559	38,219	8.38		4,374	41,307	9.44
3/12-2/13	28,971	171,986	5.94	0.980	20,136	143,654	7.13	0.507	5,003	31,715	6.34	0.756	4,882	38,909	7.97
TANF Adults															
3/11-2/12	125,677	4,408,403	35.08		114,908	3,476,021	30.25		37,082	1,232,402	33.23		35,745	1,403,916	39.28
3/12-2/13	202,960	7,027,821	34.63	0.987	130,598	4,440,776	34.00	1.124	39,063	1,348,058	34.51	1.038	42,748	1,697,562	39.71
Pregnant Women															
3/11-2/12	243,032	5,148,828	21.19		120,172	2,865,868	23.85		39,919	793,827	19.89		43,791	995,175	22.73
3/12-2/13	250,387	4,932,252	19.70	0.930	125,311	2,792,361	22.28	0.934	40,628	745,860	18.36	0.923	43,067	900,427	20.91
Total															
3/11-2/12	6,411,589	61,952,284	9.66		3,892,713	61,097,730	15.70		788,010	7,584,194	9.62		861,780	11,858,820	13.76
3/12-2/13	6,772,911	65,248,190	9.63	0.997	3,831,218	57,784,860	15.08	0.961	788,911	7,356,589	9.32	0.969	868,659	11,561,069	13.31

STAR Kids
FY2017 Pharmacy Rate Setting
Managed Care Discount Factor

		Tarrant SDA				Travis SDA				MRSA - Central				MRSA - North	
Trend		Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply	Days pmpm	Trend	Member Months	Days Supply
	Children Under Age 1														
0.925	3/11-2/12	250,618	1,832,682	7.31	0.956	145,434	819,945	5.64	0.939	132,357	860,083	6.50	0.926	176,691	1,773,051
	3/12-2/13	253,874	1,774,334	6.99		136,487	722,564	5.29		111,889	673,570	6.02		153,212	1,406,582
	Children Ages 1 - 5														
0.914	3/11-2/12	821,376	5,586,315	6.80	0.982	523,264	2,880,519	5.50	0.964	437,847	2,824,768	6.45	0.959	589,759	5,457,211
	3/12-2/13	860,727	5,745,933	6.68		514,338	2,728,922	5.31		403,797	2,498,395	6.19		546,503	4,574,077
	Children Ages 6 - 14														
0.984	3/11-2/12	912,131	7,053,085	7.73	1.024	556,317	3,621,424	6.51	0.973	476,559	4,068,865	8.54	0.977	650,698	6,326,825
	3/12-2/13	1,010,702	8,003,765	7.92		586,702	3,715,236	6.33		467,944	3,903,083	8.34		642,022	6,006,096
	Children Ages 15 - 18														
0.934	3/11-2/12	223,575	2,047,268	9.16	0.944	135,003	1,116,608	8.27	0.984	130,279	1,342,349	10.30	0.924	176,092	1,923,064
	3/12-2/13	249,231	2,153,746	8.64		132,072	1,074,488	8.14		127,003	1,209,525	9.52		170,555	1,778,272
	Children Ages 19 - 20														
0.844	3/11-2/12	7,077	47,482	6.71	0.999	9,563	76,470	8.00	0.809	6,591	71,141	10.79	0.695	6,564	90,191
	3/12-2/13	11,185	74,939	6.70		9,168	59,296	6.47		7,370	55,310	7.50		8,825	74,385
	TANF Adults														
1.011	3/11-2/12	44,229	1,708,096	38.62	0.936	85,162	2,629,507	30.88	0.984	75,022	1,821,753	24.28	1.315	71,887	2,191,849
	3/12-2/13	91,099	3,292,161	36.14		84,325	2,561,520	30.38		70,406	2,247,707	31.92		78,168	3,256,339
	Pregnant Women														
0.920	3/11-2/12	116,078	2,312,655	19.92	0.934	55,748	1,118,154	20.06	0.953	55,341	944,580	17.07	0.945	76,665	1,464,803
	3/12-2/13	116,236	2,162,421	18.60		57,144	1,092,339	19.12		60,427	974,556	16.13		81,701	1,462,940
	Total														
0.967	3/11-2/12	2,375,084	20,587,583	8.67	1.032	1,510,491	12,262,627	8.12	0.969	1,313,996	11,933,539	9.08	1.019	1,748,356	19,226,994
	3/12-2/13	2,593,054	23,207,299	8.95		1,520,236	11,954,365	7.86		1,248,836	11,562,146	9.26		1,680,986	18,558,691

STAR Kids
FY2017 Pharmacy Rate Setting
Managed Care Discount Factor

Northeast			MRSA - West				All Service Areas				Mix Adjusted	
Days			Member	Days	Days		Member	Days	Days		Days	
pmpm	Trend		Months	Supply	pmpm	Trend	Months	Supply	pmpm	Trend	pmpm	Trend
Children Under Age 1												
10.03			3/11-2/12	175,017	1,361,963	7.78		2,787,908	29,174,757	10.46		10.38
9.18	0.915		3/12-2/13	153,974	1,100,883	7.15	0.919	2,686,419	26,030,971	9.69	0.926	9.69 0.933
Children Ages 1 - 5												
9.25			3/11-2/12	527,653	3,473,653	6.58		9,706,134	92,128,706	9.49		9.47
8.37	0.905		3/12-2/13	464,985	2,979,578	6.41	0.973	9,626,771	87,624,534	9.10	0.959	9.10 0.961
Children Ages 6 - 14												
9.72			3/11-2/12	593,094	5,150,333	8.68		11,151,654	102,097,741	9.16		9.12
9.35	0.962		3/12-2/13	557,140	4,832,435	8.67	0.999	11,638,039	104,671,851	8.99	0.982	8.99 0.986
Children Ages 15 - 18												
10.92			3/11-2/12	163,574	1,567,750	9.58		3,056,201	30,465,145	9.97		9.92
10.43	0.955		3/12-2/13	149,499	1,332,453	8.91	0.930	3,134,078	29,160,977	9.30	0.933	9.30 0.938
Children Ages 19 - 20												
13.74			3/11-2/12	6,204	70,107	11.30		110,992	977,790	8.81		8.99
8.43	0.613		3/12-2/13	7,779	58,518	7.52	0.666	148,376	1,014,520	6.84	0.776	6.84 0.761
TANF Adults												
30.49			3/11-2/12	65,820	1,810,034	27.50		901,751	29,522,453	32.74		33.30
41.66	1.366		3/12-2/13	64,943	2,319,372	35.71	1.299	1,139,754	39,755,774	34.88	1.065	34.88 1.047
Pregnant Women												
19.11			3/11-2/12	83,453	1,404,592	16.83		1,178,991	23,943,725	20.31		20.31
17.91	0.937		3/12-2/13	83,664	1,323,725	15.82	0.940	1,206,044	22,827,989	18.93	0.932	18.93 0.932
Total												
11.00			3/11-2/12	1,614,815	14,838,432	9.19		28,893,631	308,310,317	10.67		10.64
11.04	1.004		3/12-2/13	1,481,984	13,946,964	9.41	1.024	29,579,481	311,086,616	10.52	0.986	10.52 0.989

Attachment 7

Index for State of Texas Medicaid Managed Care Rate Setting STAR Kids Pharmacy Carve-in State Fiscal Year 2017

This index includes the page numbers from the report titled “State of Texas Medicaid Managed Care Rate Setting STAR Kids Pharmacy Carve-in State Fiscal Year 2017” for the applicable sections of the 2016 Medicaid Managed Care Rate Development Guide. The section numbers used below are in reference to the corresponding sections of the 2016 Medicaid Managed Care Rate Development Guide.

1. General Information

- A. Rates are for the period November 1, 2016 through August 31, 2017 (FY2017). The new STAR Kids program is scheduled to be implemented November 1, 2016.
- B. The above referenced report is intended to meet this requirement.
- C. This index is intended to meet this requirement
- D.i. See page 10 of the report.
- D.ii. See Attachment 1 of the report.
- D.iii. Not applicable.
- D.iv(a). See pages 1, 3 and 4 of the report.
- D.iv(b). See page 1 of the report.
- D.iv(c). See page 1 of the report.
- D.iv(d). Not applicable.
- D.iv(e). See page 1 of the report.

2. Data

- A.i(a). See pages 1 and 2 of the report.
- A.i(b). See pages 1 and 2 of the report.
- A.i(c). See pages 1 and 2 of the report.
- A.i(d). Not applicable.
- A.ii(a). See page 2 of the report.

A.ii(b). See page 2 of the report.

A.ii(c). See page 2 of the report.

A.iii. Not applicable.

A.iv. Not applicable.

A.v. The MCOs were provided a trend analysis described on page 5 and Attachment 3 of the report.

B.i. See page 2 of the report.

B.ii. See page 3 of the report.

B.iii. See page 2 of the report.

B.iv. See pages 5 through 7 of the report.

B.v. See page 4 of the report.

3. Projected Benefit Costs and Trends

A.i. See pages 3 and 4 and Attachment 2 of the report.

A.ii. Not applicable.

B.i(a). See page 5 and Attachment 3 of the report.

B.i(b). See page 5 and Attachment 3 of the report.

B.i(c). See page 5 and Attachment 3 of the report.

B.ii(a). See page 5 and Attachment 3 of the report.

B.ii(b). Not applicable.

B.ii(c). See page 5 and Attachment 3 of the report.

B.iii. See page 5 and Attachment 3 of the report.

B.iv. See page 5 and Attachment 3 of the report.

B.v. See page 5 and Attachment 3 of the report.

C. Not applicable.

D. All enrollment and claims experience from retrospective eligibility periods was included in the historical data used to develop the rates. No retrospective eligibility adjustment factor is required because (i) all experience data is included and (ii) the retrospective eligibility requirements have remained the same during the experience period.

E. See Attachment 2 of the report.

F. See pages 5 through 7 and Attachments 3 through 6 of the report.

G. See pages 5 through 7 and Attachments 3 through 6 of the report.

4. Pass-Through Payments

A. Not applicable.

B. Not applicable.

C. Not applicable.

5. Projected Non-Benefit Costs

A. See page 8 of the report.

B.i. See page 8 of the report.

B.ii. Not applicable.

B.iii. See page 8 of the report.

B.iv. See page 8 of the report.

B.v. Not applicable.

C. See page 8 of the report.

D. See page 8 of the report.

6. Rate Range Development

A. Not applicable.

B. Not applicable.

7. Risk Mitigation, Incentives and Related Contractual Provisions

A. Not applicable

B. See page 7 of the report.

C. Not applicable.

D. Not applicable.

E. Not applicable.

F. Not applicable.

G. Not applicable.

8. Other Rate Development Considerations

A. Not applicable.