STATE OF TEXAS
MEDICAID MANAGED CARE
STAR HEALTH PROGRAM RATE SETTING
STATE FISCAL YEAR 2023

Prepared for:
Texas Health and Human Services Commission
STAR Health 529-15-0001 V2.17

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

July 8, 2022

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I. Introduction

Rudd and Wisdom, Inc. has been retained by the Texas Health and Human Services Commission (HHSC) to develop a fiscal year 2023 (FY2023, September 2022 through August 2023) premium rate for the STAR Health program. STAR Health is a managed health care program for Foster Care clients in Texas implemented on April 1, 2008. A single managed care organization, Superior Health Plan (Superior), covers this population in all 254 counties (statewide). This report presents the rating methodology and assumptions used in developing the FY2023 premium rate.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 35 years. We have participated in the state's managed care rating process since its inception in 1993. We have worked closely with HHSC staff in developing the FY2023 STAR Health premium rate.

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

- Monthly STAR Health enrollment for the period September 2012 through March 2022 with a projection through August 2023. These enrollment figures were provided by HHS Forecasting staff.

- Detailed MCO encounter data for FY2019, FY2020 and FY2021. The encounter data is a dataset that includes detail claim information for every claim incurred during FY2019 and paid through November 30, 2019, incurred during FY2020 and paid through November 30, 2020 and incurred during FY2021 and paid through November 30, 2021. The dataset includes but is not limited to (1) individual member information – date of birth, risk group, health plan; (2) provider information – type of provider, NPI, bill type, taxonomy code; (3) procedure information – diagnosis, procedure code, claim modifier; and (4) payment information – paid amount, billed amount. This information is used to identify the providers and services which will receive or have received reimbursement changes in order to determine the cost impact of such changes.

- Claim lag reports provided by Superior for the period September 2018 through February 2022. These reports include monthly paid claim amounts by month of service.

- Information provided by Superior on high volume claimants during the experience period.

- Financial Statistical Reports (FSR) from the health plan for FY2018, FY2019, FY2020, FY2021 and the first six months of FY2022. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the HMO. These reports are prepared by the health plan and are audited by an external audit organization. A health plan that participates in multiple programs and/or service areas submits a separate FSR for each individual area and program combination.

- Reports from the EQRO summarizing their analysis of the health plan's encounter claims data.

- Information from Superior regarding current and projected reinsurance premium rates.

- Information from Superior regarding current and projected payment rates for certain capitated services, such as dental and radiology.

  - Subcapitated services make up approximately 4.3% of total medical plan cost and are primarily dental services. Information about these arrangements was provided by Superior and verified with the audited FSRs. These items were reviewed for reasonableness by comparing the reported expense amounts to those expenses in other programs along with the historical dental expenditures within the STAR Health program.

- Information from both HHSC and Superior regarding recent changes in covered services and provider reimbursement under the Medicaid program.

- Information provided by HHSC regarding the expected impact of FY2020, FY2021, FY2022 and FY2023 Medicaid provider reimbursement rate changes.

- Information provided by HHSC regarding FY2019 and FY2020 health plan claims cost by type of service for certain services. This information was obtained from the encounter database.

- Current (FY2022) STAR Health premium rate.

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

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

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

The EQRO considers the required data elements for all MCO-SA combinations in all programs to be accurate and complete, meeting the following components of Texas Government Code § 533.0131 for data certification purposes:

1. *The encounter data for the most recent measurement year are complete, accurate, and reliable.*
2. *No statistically significant variability in the encounter data is attributable to incompleteness, inaccuracy, or other deficiency as compared to equivalent data for similar populations and when evaluated against professionally accepted standards.*

Based on the review of the data by the EQRO, HHSC and Rudd and Wisdom, we have concluded that all data sources are consistent, complete and accurate. It is our opinion that the data collected for the rate development is high quality and we have no concerns over the availability or applicability to the FY2023 rate development. The accumulation of data sources noted above has been assigned full credibility. Given the history of managed care data available for the STAR Health program the rate development is based exclusively on managed care data.

II. Overview of the Rate Setting Methodology

This report details the development of the medical, prescription drug and non-emergency medical transportation (NEMT) components of the STAR Health premium rate. The three components are developed separately but follow similar methodologies in their calculations.

The actuarial model used to derive the FY2023 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. Due to the significant impact of COVID-19 and the public health emergency (PHE) we have made adjustments to the standard base periods typically used in prior rate settings. Beginning March 2020, all Medicaid programs experienced significant declines in the average cost due to large scale shutdowns and deferral of services. As a result, we have determined that the March 2020 through August 2021 data is not indicative of future cost patterns. The base period for all rating components has been defined as March 2019 through February 2020 which is the most recent twelve-month period which includes claims not impacted by COVID-19 and the subsequent PHE. Estimates of the base period included an evaluation of incurred but unpaid claims (IBNR). Given the extensive runout beyond the base period, the IBNR estimates are immaterial. The IBNR estimate is based on claims paid through February 2022 and represents the following percentage of claims by type of service:

- Medical - 0.0%
- Prescription Drug – 0.0%
- NEMT – 0.0%

These estimates were then projected forward to FY2023 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2023 cost under the plan.

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

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

- Emergency Room Services
- Ambulance Services
- Dental and Orthodontia Services
- Prescription Drugs
- Non-Emergency Medical Transportation Services

Examples of services specifically excluded from the analysis include:

- Texas Health Steps environmental lead investigation (ELI)
- ECI Case Management
- ECI Specialized Skills Training
- Texas School Health and Related Services (SHARS)
- HHSC Blind Children's Vocational Discovery and Development Program
- Tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation)
- Certain high cost carve-out prescription drugs
- Testing and treatments for COVID-19

All expenses related to these, any other non-capitated services and any value-added services have been excluded from the FY2023 rating analysis.

We projected the FY2023 cost by estimating base period average claims cost and then applying trend and other adjustment factors. These adjustment factors are described in Section III of this report. We added capitation expenses for services capitated by Superior (such as radiology and dental services), a net cost of reinsurance, a reasonable provision for administrative expenses, taxes and risk margin.

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

Attachment 1 to this report provides a description of the calculation of the FY2023 STAR Health premium rate. Attachment 2 contains a summary of recent program incurred claims experience. Attachment 3 summarizes the development of the trend assumptions. Attachment 4 details the calculation of the rate adjustment factors for provider rate changes. Attachment 5 details the calculation of the anticipated impact of the PHE on FY2023 program costs. Attachment 6 details the calculation of the Community First Choice (CFC) component of the premium which is eligible for an enhanced federal match rate. Attachment 7 provides the required index summarizing the applicable sections from the 2022-2023 Medicaid Managed Care Rate Development Guide.

III. Adjustment Factors

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

Trend Factors - Medical

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

The trend assumption was calculated as the average trend during FY2017, FY2018, FY2019 and the first six months of FY2020 and equals 4.7%. STAR Health trends after February 2020 were not considered due to the significant impact the COVID-19 pandemic had on average expenditures and enrollment. During the PHE, the STAR Health program has experienced significant membership growth and abnormally low trends that are not indicative of future cost growth.

Trend Factors – Rx

The rating methodology uses assumed pharmacy trend factors to adjust the base period claims cost to the rating period. The trend assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience for STAR Health clients and the actuary's professional judgment regarding anticipated future cost changes.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 31, 2022. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by drug type (brand, generic and specialty) through February 2022. From this experience, the average annual utilization and cost per service were determined for each of the six 12-month periods ending February 2022.

Due to the impact on healthcare utilization and cost from the COVID-19 pandemic and the PHE, experience after February 2020 was deemed unusable for purposes of developing trend projections. As a result, we have used the four 12-month periods ending February 2020 in our trend analysis in order to exclude pandemic-related experience.

Certain drugs and drug categories are excluded from the pharmacy trend analysis. Direct-acting antivirals (DAA) used for the treatment of the Hepatitis C virus and the drug Orkambi were carved into the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on recent trends. Please note that effective March 1, 2021, Hepatitis C DAAs have been carved out of the managed care arrangement due to significant changes to the prior authorization criteria for these medications. In addition to these drugs, experience for the anti-viral and progestational agent drug classes was removed from our trend analysis. Anti-viral was removed due to the significant variation in the intensity of flu season from year to year. Progestational agent was removed due to its one-time distortion of pharmacy trends for pregnant women. Hemostatic agents are also excluded from the pharmacy trend analysis. Effective September 1, 2020, hemophilia medications were carved out of the managed care arrangement. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates. Factors were later applied to adjust for the carve-out of Hepatitis C DAAs and hemostatics.

The STAR Health pharmacy trend assumptions for the period March 2020 through FY2023 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-sixth of the experience trend rate for the 12-month period ending February 2018 plus two-sixths of the experience trend rate for the 12-month period ending February 2019 plus three-sixths of the experience trend rate for the 12-month period ending February 2020. The final cost trend assumptions were then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2020 and combining the results into a single trend assumption. Attachment 3 – Exhibit B presents a summary of the historical pharmacy trend analysis.

The preferred drug list (PDL) changes implemented in recent years have had a material impact on pharmacy cost and trends. As a result, recent pharmacy experience trends will tend to understate the expected underlying trend. In order to correct for this understatement, we developed adjustment factors to restate pharmacy experience for the three most recent 12-month periods assuming that the PDL changes had not been implemented. The PDL trend adjustment factors were developed by comparing i) the actual cost after PDL change and ii) the expected cost had the PDL change not been implemented.

Attachment 3 – Exhibit C presents these adjustment factors and the resulting pharmacy trend assumptions used for the STAR Health program. We selected a prospective pharmacy trend assumption of 1.5% per annum.

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

Trend Factors – NEMT

The rating methodology uses assumed trend factors to adjust the base period claims cost to the

rating period. The NEMT trend factors used in this analysis are a combination of utilization and inflation components. The NEMT trend factors were developed using a combination of i) actual statewide NEMT trend experience for all Medicaid managed care programs and ii) the industry trend from the Consumer Price Index published by the Bureau of Labor Statistics for transportation services. The annual trend assumption of 3.30% was used in the rating analysis to project historical experience forward to the rating period. Attachment 3 – Exhibit C presents a summary of the NEMT trend analysis.

Provider Reimbursement Adjustments

Medicaid provider reimbursement changes were recognized for the following: inpatient hospital, potentially preventable readmissions (PPR), potentially preventable complications (PPC), therapy services, rural hospital outpatient, private duty nursing, ambulatory surgical center, non-rural clinical lab, outpatient behavioral health, evaluation and management services, vaccine administration and radiology.

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

DRG Grouper Revision

Retroactive to October 1, 2019, the DRG Grouper used to reimburse inpatient claims was revised from Version 37 to Version 36. A portion of the base period, October 2019 through February 2020, was reimbursed under Version 37 and must be adjusted. Attachment 4 presents a summary of the derivation of this adjustment factor.

Potentially Preventable Readmission Quality Improvement

Effective September 1, 2019, HHSC began utilizing an adjustment to the base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2023. Attachment 4 presents a summary of the derivation of the adjustment factor.

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

Removal of Invalid Clinician Administered Drugs (CADs)

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

Federally Qualified Health Center (FQHC) Wrap Payment Removal

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

Preferred Drug List Changes

HHSC has implemented significant changes to the Preferred Drug List (PDL) over the past several years. These changes include some of the program's highest expenditure drugs and have had a significant impact on managed care pharmacy cost. Effective July 1, 2019 brand name Nexium capsules changed to non-preferred status. Effective July 1, 2021 brand name Stimulants and Related Agent drugs such as Focalin XR, Adderall XR and Concerta ER changed to preferred status. We developed adjustment factors to reflect the anticipated cost impact of these PDL changes. Attachment 4 includes additional information regarding the application of the PDL changes adjustment factors.

Hemostatic Drug Carve-Out

Effective September 1, 2020, HHSC carved out all hemostatic drugs from the managed care capitated arrangement. These drugs continue to be covered services under the program but are funded through a non-risk arrangement. Hemostatic drugs are rare and extremely high cost. In one example, the cost of a single hemophilia drug for a single plan participant is over $10 million per year. The purpose of this carve-out is to improve the balance of risk between various MCOs. The hemostatic carve out adjustment factors are based on actual experience of the program and are determined by comparing the hemostatic drug experience to the base period claims cost by service area and risk group. There was no utilization for Hemostatic drugs in the base period for the STAR Health program and therefore no such adjustment is needed for FY2023.

Hepatitis C Drug Carve-Out

Effective March 1, 2021, HHSC changed the prior authorization requirements for Hepatitis C Direct Acting Antiviral (DAA) drugs. As a result, HHSC carved out all Hepatitis C DAA drugs from the managed care capitated arrangement. These drugs continue to be covered services under the program but are funded through a non-risk arrangement. There was no utilization of Hepatitis C drugs in the base period for the STAR Health program and therefore no such adjustment is needed for FY2023.

NEMT Adjustments

Effective July 1, 2022, reimbursement for Individual Transportation Participant (ITP) service increased to $0.625 per mile. The base period claims cost for ITP service has been adjusted to reflect this change. Attachment 4 includes additional information regarding the application of the ITP adjustment factors.

H.B. 1576 allows Transportation Network Companies (TNC) such as Uber and Lyft to participate in the Medicaid program. An adjustment was applied to reflect i) the cost difference between TNC and traditional demand response providers and ii) expected impact on overall NEMT utilization. We assumed the TNC cost per trip would be 15% less than traditional demand response providers for trips under 15 miles. In addition, we assumed 10% of current utilization would shift to TNCs and utilization would increase by 2.5% for demand response service trips under 15 miles. Attachment 4 includes additional information regarding the TNC adjustment factors.

Public Health Emergency (PHE) Related Cost Adjustment

Beginning in March 2020 and continuing into 2022, the PHE has had a significant impact on average STAR Health expenditures. Enrollment has grown by over 40% and average costs for all services has dropped significantly. A rating adjustment was calculated in order to estimate the continued impact of the PHE on average program cost in FY2023 as enrollment continues to increase and we have yet to see an abatement in the reduced program costs. Attachment 5 presents a summary of the derivation of this adjustment factor.

Community First Choice Initiative

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

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

The CFC services include:

- Help with activities of daily living and health-related tasks through hands-on assistance, supervision or cueing.

- Services to help the individual learn how to care for themselves.
- Backup systems or ways to ensure continuity of services and supports.
- Training on how to select, manage and dismiss attendants.

As a result of CFC, Texas is eligible for an enhanced federal match rate on all CFC eligible services. The calculation of the CFC portion of the rate is detailed in Attachment 6.

COVID-19

In addition to the PHE-related cost adjustment discussed above, the most significant impact that COVID-19 and the resulting PHE had on the FY2023 rate development was the significant reduction in claims during FY2020 and FY2021. As a result, the base period was altered such that all data beyond February 2020 was deemed to have no credibility and was excluded from the base period and all trend and adjustment factor calculations. The impact of the cost reduction and expectations for FY2023 vary significantly by program. For the STAR Health population, the increased enrollment and large reductions in average cost experienced during the period March 2020 through August 2020 have continued into FY2021 and FY2022 and are expected to continue until the termination of the PHE. During the last half of FY2021 and the first quarter of FY2022 the average cost per member per month and average trends by quarter continue to be lower than the historical, "normal" levels and it is expected that the impact of the pandemic and the PHE on the STAR Health program will continue into FY2023.

In addition to adjusting the base period used in the FY2023 rate development, we have also applied a PHE-related cost adjustment as discussed in Attachment 5. As implemented in FY2021 and FY2022, to mitigate the risk to both HHSC and the MCOs resulting from COVID-19, the following actions will be continued for FY2023:

- COVID-19 related expenditures such as testing and treatment will be excluded from the capitation rates and paid via non-risk arrangements.
- HHSC is continuing the revisions to the experience rebate tiers made for FY2022 for one additional year for FY2023. The revised structure will limit the opportunity for excessive profitability should the reduction in cost associated with the PHE extend longer than anticipated. The table below presents the revised experience rebate structure.

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

IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses in the medical premium rate is $30.00 pmpm plus 5.25% of gross premium. The amount allocated for administrative expenses in the prescription drug premium rate is $1.60 pmpm. The amount allocated for administrative expenses in the NEMT premium rate is $0.175 pmpm plus 22% of gross premium. These amounts are intended to provide for all administrative-related services performed by the health plan.

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

FY18	$84.19
FY19	$78.19
FY20	$86.40
FY21	$84.61
FY22	$76.11
5 Year Average	$81.90
FY2018-FY2021 Average	$83.35

Based on the administrative fee formula included in the rate development, the average administrative expense included in the capitation rate (medical and pharmacy components combined) is $83.66 which is in line with the range of historical average cost. The FY2022 average administrative cost appears to be an outlier and is attributable to the significant enrollment growth of the STAR Health program. As the PHE ends, and enrollment declines to pre-PHE levels, it is expected that average administrative cost will increase from the FY2022 amount. Further concerns, regarding inflation, staffing shortages and increased service coordination requirements lead us to believe that the FY2022 average is not indicative of future average administrative costs.

The fixed and variable components of the administrative cost assumption are not intended to account for different administrative cost categories. The combined administrative assumption is intended to be a reasonable amount to cover all administrative costs. This formula is reviewed annually to ensure consistency with the reported administrative costs. For informational purposes the $30 fixed component of the medical administrative expense formula breaks down into two categories:

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

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

The premium rate also includes provisions for premium tax (1.75% of premium), maintenance tax ($0.0725 pmpm) and a risk margin (1.5% of premium). The premium tax and maintenance tax are based on Texas Department of Insurance requirements.

V. Summary

The FY2023 total premium rate for the STAR Health program is $1,093.23 per member per month. The total premium rate is made up of the total medical component of $991.71, the prescription drug component of $99.63 and the NEMT component of $1.89. This rate will be effective for the period September 1, 2022 through August 31, 2023. Attachment 1 shows the derivation of the premium rate for each component.

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

As noted in Section III, Texas is eligible for an enhanced match rate for CFC services. CFC services of $2.93 pmpm are a component of the total rate. Further information regarding the calculation of this amount can be found in Attachment 6.

VI. Actuarial Certification of FY2023 STAR Health Premium Rate

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

Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of the STAR Health premium rate for the period September 1, 2022 through August 31, 2023 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

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

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

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

The assumptions, methodologies and factors used in developing the certified capitation rates are based on valid rate development standards and represent actual cost differences in providing covered services to the covered populations, and these differences do not vary with the rate of FFP associated with the covered populations. All rates have been developed based on the actual managed care experience of the covered populations. Any services subject to varying FFP have been separately identified and documented throughout this report.

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

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

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

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

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

VII. Attachments

Attachment 1

Summary of FY2023 STAR Health Rating Analysis

Exhibit A presents summary information regarding the FY2023 STAR Health medical rate development. Included on the exhibit are base period (March 2019 through February 2020) experience, projected FY2023 enrollment, trend and provider reimbursement adjustment factors, assumed capitation rates, reinsurance and administrative costs.

The actuarial model used to derive the FY2023 STAR Health premium rate relies primarily on historical health plan experience. The historical claims experience for the program was analyzed and estimates for the base period were developed. These estimates were then projected forward to FY2023 using assumed trend rates. Other plan expenditures such as capitated amounts, reinsurance costs and administrative expenses were added to the claims component in order to project the total FY2023 cost under the plan.

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

Exhibit B presents summary information regarding the FY2023 STAR Health prescription drug rate development. Included on the exhibit are base period (March 2019 through February 2020) experience, projected FY2023 enrollment, trend and provider reimbursement adjustment factors and administrative costs.

Exhibit C presents summary information regarding the FY2023 STAR Health NEMT rate development. Included on the exhibit are base period (March 2019 through February 2020) experience, projected FY2023 enrollment, trend and provider reimbursement adjustment factors and administrative costs.

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

Exhibit D presents a comparison of the projected expenditures under the current (March 1, 2022 through August 31, 2022) premium rates and the FY2023 premium rates. The projection is split by medical, pharmacy and NEMT.

The primary cost driver behind the rate reduction is the continued impact of the PHE on enrollment and average cost. The PHE has resulted in significant enrollment growth and large reductions in the average cost for all services and this is expected to continue into the first quarter of FY2023. While the PHE is currently expected to end October 13, 2022 and it is expected that the cost impact of the PHE will eventually fade, it is expected to take several months for the eligibility associated with the PHE to return to normal.

FY2023 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Medical

	Rating Period FY2023	
	Total	PMPM
Base Period Used in Rating	3/2019-2/2020	
Base Period Experience		
Member Months	389,987	
Estimated Incurred Claims	292,681,092	750.49
Projected FY2023 Rating Period Experience		
Member Months	425,131	
Assumed Annual Trend Rate		4.7 %
Provider Reimbursement Adjustment		1.31 %
Hospital Reimbursement Adjustment		-0.56 %
PHE Related Cost Adjustment		-6.59 %
Projected Incurred Claims	352,604,189	829.40
Capitation Expenses		
Dental Services	17,430,370	41.00
Radiology	514,408	1.21
Settlements and Miscellaneous Expenses	2,436,000	5.73
Total	20,380,779	47.94
Reinsurance Expenses		
Gross Premium	0	0.00
Projected Reinsurance Recoveries	0	0.00
Net Reinsurance Cost	0	0.00
Administrative Expenses		
Fixed Amount	12,753,929	30.00
Percentage of Premium	22,134,348	5.25 %
Total	34,888,277	82.06
Premium Tax	7,378,116	1.75 %
Maintenance Tax pmpm	30,822	0.07
Risk Margin	6,324,099	1.50 %
Projected Premium	421,606,632	$ 991.71

FY2023 STAR Health Rating Analysis
Rate Development for the STAR Health Program - Prescription Drug

	Rating Period FY2023	
	Total	PMPM
Base Period Used in Rating	3/2019-2/2020	
Base Period Experience		
Member Months	389,987	
Estimated Incurred Claims	38,401,732	98.47
Other Costs/Refunds	-776,074	-1.99
Total Cost	37,625,658	96.48
Projected FY2023 Rating Period Experience		
Member Months	425,131	
Assumed Annual Trend Rate		1.50 %
PDL Changes Adjustment		1.50 %
Hemophilia Carve-out Adjustment		0.00 %
Hep-C Carve-out Adjustment		0.00 %
PHE Related Cost Adjustment		-8.12 %
Projected Incurred Claims	40,297,202	94.79
Administrative Expenses	680,210	1.60
Premium Tax	741,226	1.75 %
Risk Margin	635,337	1.50 %
Projected Premium	42,355,798	$ 99.63

FY2023 STAR Health Rating Analysis
Rate Development for the STAR Health Program - NEMT

	Rating Period FY2023	
	Total	PMPM
Base Period Used in Rating	3/2019-2/2020	
Base Period Experience		
Member Months	389,987	
Estimated Incurred Claims		
Demand Response - Traditional >15 Miles	148,969	0.38
Demand Response - Traditional <= 15 Miles	37,940	0.10
Mileage Reimbursement	211,264	0.54
Meals	21,264	0.05
Lodging	46,986	0.12
Airfare	8,961	0.02
All Others	8,781	0.02
Total	484,165	1.24
Projected FY2023 Rating Period Experience		
Member Months	425,131	
Assumed Annual Trend Rate		3.30 %
Seasonality Adjustment		0.00 %
TNC Adjustment		0.05 %
Mileage Reimbursement Adjustment		3.48 %
PHE Related Cost Adjustment		-14.17 %
Projected Incurred Claims	525,448	1.24
Administrative Expenses		
Fixed Amount	74,398	0.175
Percentage of Premium	176,769	22.00%
Total		
Premium Tax	14,061	1.75 %
Risk Margin	12,052	1.50 %
Projected Premium	803,498	$ 1.89

FY2023 STAR Health Rating Analysis

	Projected PMPM		Projected FY2023 Premium		
	Current Rates	FY2023 Rates	Current Rates	FY2023 Rates	% Rate Change
Medical	987.34	991.71	419,748,810	421,606,632	0.4%
Pharmacy	104.52	99.63	44,434,689	42,355,798	-4.7%
NEMT	1.92	1.89	816,251	803,498	-1.6%
Total	1,093.78	1,093.23	464,999,750	464,765,928	-0.1%

Attachment 2

STAR Health Incurred Claims Experience

The attached exhibits present a summary of STAR Health incurred claims experience by type of service during the base period used in the rate setting analysis. For each month during the experience period the exhibits show enrollment, claims incurred during the month and paid through February 28, 2022 and estimated incurred claims. All information has been provided by type of service.

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Professional				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	7,383,202	1.0000	7,383,202	216.35	
Oct-18	34,296	8,464,362	1.0000	8,464,362	246.80	
Nov-18	34,090	7,610,183	1.0000	7,610,183	223.24	
Dec-18	33,488	6,937,925	1.0000	6,937,925	207.18	
Jan-19	32,988	8,097,933	1.0000	8,097,933	245.48	
Feb-19	33,042	7,608,327	1.0000	7,608,327	230.26	
Mar-19	33,099	7,867,395	1.0000	7,867,395	237.69	
Apr-19	32,934	8,041,550	1.0000	8,041,550	244.17	
May-19	32,888	7,837,660	1.0000	7,837,660	238.31	
Jun-19	32,782	7,111,939	1.0000	7,111,939	216.95	
Jul-19	32,707	7,898,040	1.0000	7,898,040	241.48	
Aug-19	32,715	7,984,990	1.0000	7,984,990	244.08	
Sep-19	32,685	7,739,656	1.0000	7,739,656	236.80	1.094
Oct-19	32,771	8,680,495	1.0000	8,680,495	264.88	1.073
Nov-19	32,439	7,641,791	1.0000	7,641,791	235.57	1.055
Dec-19	31,825	7,367,968	1.0000	7,367,968	231.52	1.117
Jan-20	31,584	8,189,445	1.0000	8,189,445	259.29	1.056
Feb-20	31,558	7,732,195	1.0000	7,732,195	245.02	1.064
Mar-20	31,872	7,280,343	1.0000	7,280,343	228.42	0.961
Apr-20	32,916	6,729,692	1.0000	6,729,692	204.45	0.837
May-20	33,617	7,255,248	1.0000	7,255,248	215.82	0.906
Jun-20	34,349	7,879,421	1.0000	7,879,421	229.39	1.057
Jul-20	35,185	7,968,821	1.0000	7,968,821	226.48	0.938
Aug-20	36,297	7,905,922	1.0000	7,905,922	217.81	0.892
Sep-20	37,527	8,262,794	1.0000	8,262,794	220.18	0.930
Oct-20	38,684	8,400,048	1.0000	8,400,048	217.15	0.820
Nov-20	39,718	7,699,542	0.9990	7,707,249	194.05	0.824
Dec-20	40,633	8,013,213	0.9990	8,021,234	197.41	0.853
Jan-21	41,538	8,055,160	0.9990	8,063,223	194.12	0.749
Feb-21	42,375	7,037,905	1.0000	7,037,905	166.09	0.678
Mar-21	43,222	9,126,616	1.0000	9,126,616	211.16	0.924
Apr-21	43,343	8,801,035	0.9990	8,809,845	203.26	0.994
May-21	43,881	8,349,741	0.9990	8,358,099	190.47	0.883
Jun-21	44,478	8,642,754	1.0000	8,642,754	194.32	0.847
Jul-21	44,902	8,492,090	0.9990	8,500,590	189.31	0.836
Aug-21	45,414	8,546,771	0.9970	8,572,489	188.76	0.867
Sep-21	45,639	8,440,115	0.9960	8,474,011	185.68	0.843
Oct-21	45,599	8,267,029	0.9920	8,333,699	182.76	0.842
Nov-21	45,011	7,598,827	0.9800	7,753,905	172.27	0.888
Dec-21	44,931	7,103,075	0.9380	7,572,574	168.54	0.854
FY2019	399,155			92,843,507	232.60	
FY2020	397,098			92,370,996	232.62	1.000
FY2021	505,715			99,502,845	196.76	0.846
3/2019-2/2020	389,987			94,093,123	241.27	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

Month	Number of Members	Emergency Room Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	636,237	1.0000	636,237	18.64	
Oct-18	34,296	655,359	1.0000	655,359	19.11	
Nov-18	34,090	624,957	1.0000	624,957	18.33	
Dec-18	33,488	671,960	1.0000	671,960	20.07	
Jan-19	32,988	664,487	1.0000	664,487	20.14	
Feb-19	33,042	659,072	1.0000	659,072	19.95	
Mar-19	33,099	644,065	1.0000	644,065	19.46	
Apr-19	32,934	642,443	1.0000	642,443	19.51	
May-19	32,888	565,126	1.0000	565,126	17.18	
Jun-19	32,782	531,508	1.0000	531,508	16.21	
Jul-19	32,707	551,029	1.0000	551,029	16.85	
Aug-19	32,715	588,424	1.0000	588,424	17.99	
Sep-19	32,685	645,828	1.0000	645,828	19.76	1.060
Oct-19	32,771	685,109	1.0000	685,109	20.91	1.094
Nov-19	32,439	724,288	1.0000	724,288	22.33	1.218
Dec-19	31,825	684,285	1.0000	684,285	21.50	1.072
Jan-20	31,584	643,998	1.0000	643,998	20.39	1.012
Feb-20	31,558	646,508	1.0000	646,508	20.49	1.027
Mar-20	31,872	570,618	1.0000	570,618	17.90	0.920
Apr-20	32,916	343,139	1.0000	343,139	10.42	0.534
May-20	33,617	468,040	1.0000	468,040	13.92	0.810
Jun-20	34,349	481,891	1.0000	481,891	14.03	0.865
Jul-20	35,185	539,422	1.0000	539,422	15.33	0.910
Aug-20	36,297	522,348	1.0000	522,348	14.39	0.800
Sep-20	37,527	557,121	1.0000	557,121	14.85	0.751
Oct-20	38,684	646,000	1.0000	646,000	16.70	0.799
Nov-20	39,718	631,537	0.9990	632,170	15.92	0.713
Dec-20	40,633	599,452	0.9990	600,052	14.77	0.687
Jan-21	41,538	616,058	0.9990	616,674	14.85	0.728
Feb-21	42,375	524,989	1.0000	524,989	12.39	0.605
Mar-21	43,222	710,726	1.0000	710,726	16.44	0.918
Apr-21	43,343	827,594	0.9990	828,422	19.11	1.833
May-21	43,881	887,709	0.9990	888,598	20.25	1.454
Jun-21	44,478	815,984	1.0000	815,984	18.35	1.308
Jul-21	44,902	859,263	0.9990	860,123	19.16	1.249
Aug-21	45,414	832,195	0.9970	834,699	18.38	1.277
Sep-21	45,639	925,073	0.9960	928,788	20.35	1.371
Oct-21	45,599	877,908	0.9920	884,988	19.41	1.162
Nov-21	45,011	915,443	0.9800	934,125	20.75	1.304
Dec-21	44,931	836,620	0.9380	891,919	19.85	1.344
FY2019	399,155			7,434,666	18.63	
FY2020	397,098			6,955,474	17.52	0.940
FY2021	505,715			8,515,558	16.84	0.961
3/2019-2/2020	389,987			7,552,612	19.37	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Outpatient				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	883,829	1.0000	883,829	25.90	
Oct-18	34,296	1,121,208	1.0000	1,121,208	32.69	
Nov-18	34,090	983,975	1.0000	983,975	28.86	
Dec-18	33,488	977,899	1.0000	977,899	29.20	
Jan-19	32,988	1,142,640	1.0000	1,142,640	34.64	
Feb-19	33,042	1,062,508	1.0000	1,062,508	32.16	
Mar-19	33,099	1,070,611	1.0000	1,070,611	32.35	
Apr-19	32,934	1,094,492	1.0000	1,094,492	33.23	
May-19	32,888	1,146,607	1.0000	1,146,607	34.86	
Jun-19	32,782	1,035,025	1.0000	1,035,025	31.57	
Jul-19	32,707	1,074,652	1.0000	1,074,652	32.86	
Aug-19	32,715	1,088,388	1.0000	1,088,388	33.27	
Sep-19	32,685	991,594	1.0000	991,594	30.34	1.171
Oct-19	32,771	1,213,082	1.0000	1,213,082	37.02	1.132
Nov-19	32,439	1,086,735	1.0000	1,086,735	33.50	1.161
Dec-19	31,825	1,014,244	1.0000	1,014,244	31.87	1.091
Jan-20	31,584	1,112,411	1.0000	1,112,411	35.22	1.017
Feb-20	31,558	1,013,803	1.0000	1,013,803	32.13	0.999
Mar-20	31,872	860,286	1.0000	860,286	26.99	0.834
Apr-20	32,916	783,758	1.0000	783,758	23.81	0.716
May-20	33,617	1,223,757	1.0000	1,223,757	36.40	1.044
Jun-20	34,349	1,301,176	1.0000	1,301,176	37.88	1.200
Jul-20	35,185	1,290,945	1.0000	1,290,945	36.69	1.117
Aug-20	36,297	1,234,371	1.0000	1,234,371	34.01	1.022
Sep-20	37,527	1,432,528	1.0000	1,432,528	38.17	1.258
Oct-20	38,684	1,459,426	1.0000	1,459,426	37.73	1.019
Nov-20	39,718	1,250,734	0.9990	1,251,986	31.52	0.941
Dec-20	40,633	1,293,289	0.9990	1,294,584	31.86	1.000
Jan-21	41,538	1,429,902	0.9990	1,431,334	34.46	0.978
Feb-21	42,375	1,202,660	1.0000	1,202,660	28.38	0.883
Mar-21	43,222	1,754,204	1.0000	1,754,204	40.59	1.504
Apr-21	43,343	1,671,855	0.9990	1,673,529	38.61	1.622
May-21	43,881	1,517,868	0.9990	1,519,387	34.63	0.951
Jun-21	44,478	1,646,536	1.0000	1,646,536	37.02	0.977
Jul-21	44,902	1,603,078	0.9990	1,604,683	35.74	0.974
Aug-21	45,414	1,528,133	0.9970	1,532,731	33.75	0.992
Sep-21	45,639	1,549,346	0.9960	1,555,569	34.08	0.893
Oct-21	45,599	1,592,635	0.9920	1,605,479	35.21	0.933
Nov-21	45,011	1,436,294	0.9800	1,465,606	32.56	1.033
Dec-21	44,931	1,473,184	0.9380	1,570,559	34.95	1.097
FY2019	399,155			12,681,835	31.77	
FY2020	397,098			13,126,161	33.06	1.040
FY2021	505,715			17,803,587	35.20	1.065
3/2019-2/2020	389,987			12,941,643	33.18	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

Month	Number of Members	Inpatient Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	6,577,981	1.0000	6,577,981	192.76	
Oct-18	34,296	5,635,932	1.0000	5,635,932	164.33	
Nov-18	34,090	5,246,802	1.0000	5,246,802	153.91	
Dec-18	33,488	5,846,638	1.0000	5,846,638	174.59	
Jan-19	32,988	8,960,288	1.0000	8,960,288	271.62	
Feb-19	33,042	4,971,528	1.0000	4,971,528	150.46	
Mar-19	33,099	7,477,784	1.0000	7,477,784	225.92	
Apr-19	32,934	7,618,643	1.0000	7,618,643	231.33	
May-19	32,888	6,289,625	1.0000	6,289,625	191.24	
Jun-19	32,782	5,120,756	1.0000	5,120,756	156.21	
Jul-19	32,707	5,582,488	1.0000	5,582,488	170.68	
Aug-19	32,715	5,106,354	1.0000	5,106,354	156.09	
Sep-19	32,685	7,054,292	1.0000	7,054,292	215.83	1.120
Oct-19	32,771	8,526,267	1.0000	8,526,267	260.18	1.583
Nov-19	32,439	6,071,106	1.0000	6,071,106	187.15	1.216
Dec-19	31,825	6,357,272	1.0000	6,357,272	199.76	1.144
Jan-20	31,584	6,399,742	1.0000	6,399,742	202.63	0.746
Feb-20	31,558	5,963,468	1.0000	5,963,468	188.97	1.256
Mar-20	31,872	5,552,363	1.0000	5,552,363	174.21	0.771
Apr-20	32,916	4,781,496	1.0000	4,781,496	145.26	0.628
May-20	33,617	5,749,477	1.0000	5,749,477	171.03	0.894
Jun-20	34,349	4,882,526	1.0000	4,882,526	142.14	0.910
Jul-20	35,185	6,706,660	1.0000	6,706,660	190.61	1.117
Aug-20	36,297	6,637,968	1.0000	6,637,968	182.88	1.172
Sep-20	37,527	5,076,959	1.0000	5,076,959	135.29	0.627
Oct-20	38,684	5,714,875	1.0000	5,714,875	147.73	0.568
Nov-20	39,718	6,313,064	0.9990	6,319,384	159.11	0.850
Dec-20	40,633	5,581,778	0.9990	5,587,365	137.51	0.688
Jan-21	41,538	5,145,240	0.9990	5,150,390	123.99	0.612
Feb-21	42,375	5,542,838	1.0000	5,542,838	130.80	0.692
Mar-21	43,222	6,088,884	1.0000	6,088,884	140.87	0.809
Apr-21	43,343	5,169,998	0.9990	5,175,173	119.40	0.822
May-21	43,881	6,119,858	0.9990	6,125,984	139.60	0.816
Jun-21	44,478	6,507,900	1.0000	6,507,900	146.32	1.029
Jul-21	44,902	7,038,271	0.9990	7,045,316	156.90	0.823
Aug-21	45,414	6,025,534	0.9970	6,043,665	133.08	0.728
Sep-21	45,639	5,760,832	0.9960	5,783,968	126.73	0.937
Oct-21	45,599	5,430,753	0.9920	5,474,549	120.06	0.813
Nov-21	45,011	4,717,251	0.9800	4,813,521	106.94	0.672
Dec-21	44,931	5,002,385	0.9380	5,333,033	118.69	0.863
FY2019	399,155			74,434,818	186.48	
FY2020	397,098			74,682,636	188.07	1.009
FY2021	505,715			70,378,735	139.17	0.740
3/2019-2/2020	389,987			77,567,796	198.90	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Vision				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	117,079	1.0000	117,079	3.43	
Oct-18	34,296	152,516	1.0000	152,516	4.45	
Nov-18	34,090	122,537	1.0000	122,537	3.59	
Dec-18	33,488	98,094	1.0000	98,094	2.93	
Jan-19	32,988	134,784	1.0000	134,784	4.09	
Feb-19	33,042	126,535	1.0000	126,535	3.83	
Mar-19	33,099	117,927	1.0000	117,927	3.56	
Apr-19	32,934	131,151	1.0000	131,151	3.98	
May-19	32,888	116,651	1.0000	116,651	3.55	
Jun-19	32,782	123,915	1.0000	123,915	3.78	
Jul-19	32,707	147,458	1.0000	147,458	4.51	
Aug-19	32,715	151,600	1.0000	151,600	4.63	
Sep-19	32,685	134,594	1.0000	134,594	4.12	1.200
Oct-19	32,771	132,196	1.0000	132,196	4.03	0.907
Nov-19	32,439	112,750	1.0000	112,750	3.48	0.967
Dec-19	31,825	103,197	1.0000	103,197	3.24	1.107
Jan-20	31,584	92,667	1.0000	92,667	2.93	0.718
Feb-20	31,558	83,538	1.0000	83,538	2.65	0.691
Mar-20	31,872	66,328	1.0000	66,328	2.08	0.584
Apr-20	32,916	20,679	1.0000	20,679	0.63	0.158
May-20	33,617	57,193	1.0000	57,193	1.70	0.480
Jun-20	34,349	85,807	1.0000	85,807	2.50	0.661
Jul-20	35,185	86,368	1.0000	86,368	2.45	0.544
Aug-20	36,297	85,202	1.0000	85,202	2.35	0.507
Sep-20	37,527	102,858	1.0000	102,858	2.74	0.666
Oct-20	38,684	90,604	1.0000	90,604	2.34	0.581
Nov-20	39,718	90,572	0.9990	90,662	2.28	0.657
Dec-20	40,633	76,534	0.9990	76,611	1.89	0.581
Jan-21	41,538	86,387	0.9990	86,473	2.08	0.710
Feb-21	42,375	69,932	1.0000	69,932	1.65	0.623
Mar-21	43,222	106,215	1.0000	106,215	2.46	1.181
Apr-21	43,343	80,706	0.9990	80,787	1.86	2.967
May-21	43,881	76,181	0.9990	76,257	1.74	1.021
Jun-21	44,478	80,863	1.0000	80,863	1.82	0.728
Jul-21	44,902	86,706	0.9990	86,792	1.93	0.787
Aug-21	45,414	94,835	0.9970	95,120	2.09	0.892
Sep-21	45,639	81,332	0.9960	81,659	1.79	0.653
Oct-21	45,599	89,163	0.9920	89,883	1.97	0.842
Nov-21	45,011	80,339	0.9800	81,979	1.82	0.798
Dec-21	44,931	67,070	0.9380	71,503	1.59	0.844
FY2019	399,155			1,540,244	3.86	
FY2020	397,098			1,060,519	2.67	0.692
FY2021	505,715			1,043,176	2.06	0.772
3/2019-2/2020	389,987			1,447,642	3.71	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Other - PDN, DME, Therapy				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	7,412,087	1.0000	7,412,087	217.20	
Oct-18	34,296	7,997,787	1.0000	7,997,787	233.20	
Nov-18	34,090	7,634,192	1.0000	7,634,192	223.94	
Dec-18	33,488	7,815,526	1.0000	7,815,526	233.38	
Jan-19	32,988	8,272,559	1.0000	8,272,559	250.77	
Feb-19	33,042	7,433,720	1.0000	7,433,720	224.98	
Mar-19	33,099	8,089,418	1.0000	8,089,418	244.40	
Apr-19	32,934	8,014,330	1.0000	8,014,330	243.35	
May-19	32,888	8,145,305	1.0000	8,145,305	247.67	
Jun-19	32,782	7,639,228	1.0000	7,639,228	233.03	
Jul-19	32,707	8,336,115	1.0000	8,336,115	254.87	
Aug-19	32,715	8,489,866	1.0000	8,489,866	259.51	
Sep-19	32,685	8,464,358	1.0000	8,464,358	258.97	1.192
Oct-19	32,771	8,934,472	1.0000	8,934,472	272.63	1.169
Nov-19	32,439	8,169,710	1.0000	8,169,710	251.85	1.125
Dec-19	31,825	8,091,414	1.0000	8,091,414	254.25	1.089
Jan-20	31,584	8,557,121	1.0000	8,557,121	270.93	1.080
Feb-20	31,558	8,146,941	1.0000	8,146,941	258.16	1.147
Mar-20	31,872	8,484,771	1.0000	8,484,771	266.21	1.089
Apr-20	32,916	8,045,152	1.0000	8,045,152	244.41	1.004
May-20	33,617	8,236,695	1.0000	8,236,695	245.02	0.989
Jun-20	34,349	8,469,927	1.0000	8,469,927	246.58	1.058
Jul-20	35,185	8,727,595	1.0000	8,727,595	248.05	0.973
Aug-20	36,297	8,810,468	1.0000	8,810,468	242.73	0.935
Sep-20	37,527	8,860,692	1.0000	8,860,692	236.12	0.912
Oct-20	38,684	9,357,532	1.0000	9,357,532	241.90	0.887
Nov-20	39,718	8,744,935	0.9990	8,753,689	220.40	0.875
Dec-20	40,633	9,204,080	0.9990	9,213,294	226.74	0.892
Jan-21	41,538	8,921,710	0.9990	8,930,641	215.00	0.794
Feb-21	42,375	7,792,763	1.0000	7,792,763	183.90	0.712
Mar-21	43,222	9,458,077	1.0000	9,458,077	218.83	0.822
Apr-21	43,343	9,062,281	0.9990	9,071,352	209.29	0.856
May-21	43,881	9,058,381	0.9990	9,067,449	206.64	0.843
Jun-21	44,478	9,235,691	1.0000	9,235,691	207.65	0.842
Jul-21	44,902	9,504,475	0.9990	9,513,989	211.88	0.854
Aug-21	45,414	9,119,976	0.9970	9,147,419	201.42	0.830
Sep-21	45,639	8,965,031	0.9960	9,001,036	197.22	0.835
Oct-21	45,599	9,115,308	0.9920	9,188,819	201.51	0.833
Nov-21	45,011	8,766,126	0.9800	8,945,026	198.73	0.902
Dec-21	44,931	8,570,191	0.9380	9,136,664	203.35	0.897
FY2019	399,155			95,280,132	238.70	
FY2020	397,098			101,138,624	254.69	1.067
FY2021	505,715			108,402,588	214.36	0.842
3/2019-2/2020	389,987			99,078,277	254.06	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

		Total - Medical				
Month	Number of Members	Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	23,010,415	1.0000	23,010,415	674.28	
Oct-18	34,296	24,027,163	1.0000	24,027,163	700.58	
Nov-18	34,090	22,222,646	1.0000	22,222,646	651.88	
Dec-18	33,488	22,348,040	1.0000	22,348,040	667.34	
Jan-19	32,988	27,272,692	1.0000	27,272,692	826.75	
Feb-19	33,042	21,861,690	1.0000	21,861,690	661.63	
Mar-19	33,099	25,267,199	1.0000	25,267,199	763.38	
Apr-19	32,934	25,542,609	1.0000	25,542,609	775.57	
May-19	32,888	24,100,974	1.0000	24,100,974	732.82	
Jun-19	32,782	21,562,371	1.0000	21,562,371	657.75	
Jul-19	32,707	23,589,781	1.0000	23,589,781	721.25	
Aug-19	32,715	23,409,621	1.0000	23,409,621	715.56	
Sep-19	32,685	25,030,322	1.0000	25,030,322	765.80	1.136
Oct-19	32,771	28,171,620	1.0000	28,171,620	859.65	1.227
Nov-19	32,439	23,806,380	1.0000	23,806,380	733.88	1.126
Dec-19	31,825	23,618,379	1.0000	23,618,379	742.13	1.112
Jan-20	31,584	24,995,383	1.0000	24,995,383	791.39	0.957
Feb-20	31,558	23,586,453	1.0000	23,586,453	747.40	1.130
Mar-20	31,872	22,814,709	1.0000	22,814,709	715.82	0.938
Apr-20	32,916	20,703,916	1.0000	20,703,916	628.99	0.811
May-20	33,617	22,990,409	1.0000	22,990,409	683.89	0.933
Jun-20	34,349	23,100,748	1.0000	23,100,748	672.53	1.022
Jul-20	35,185	25,319,811	1.0000	25,319,811	719.62	0.998
Aug-20	36,297	25,196,279	1.0000	25,196,279	694.17	0.970
Sep-20	37,527	24,292,951	1.0000	24,292,951	647.35	0.845
Oct-20	38,684	25,668,486	1.0000	25,668,486	663.54	0.772
Nov-20	39,718	24,730,385	0.9990	24,755,140	623.27	0.849
Dec-20	40,633	24,768,346	0.9990	24,793,139	610.17	0.822
Jan-21	41,538	24,254,457	0.9990	24,278,735	584.49	0.739
Feb-21	42,375	22,171,087	1.0000	22,171,087	523.21	0.700
Mar-21	43,222	27,244,723	1.0000	27,244,723	630.34	0.881
Apr-21	43,343	25,613,470	0.9990	25,639,109	591.54	0.940
May-21	43,881	26,009,738	0.9990	26,035,774	593.33	0.868
Jun-21	44,478	26,929,728	1.0000	26,929,728	605.46	0.900
Jul-21	44,902	27,583,883	0.9990	27,611,494	614.93	0.855
Aug-21	45,414	26,147,444	0.9970	26,226,123	577.49	0.832
Sep-21	45,639	25,721,731	0.9960	25,825,031	565.86	0.874
Oct-21	45,599	25,372,796	0.9920	25,577,415	560.91	0.845
Nov-21	45,011	23,514,279	0.9800	23,994,162	533.07	0.855
Dec-21	44,931	23,052,525	0.9380	24,576,253	546.97	0.896
FY2019	399,155			284,215,201	712.04	
FY2020	397,098			289,334,409	728.62	1.023
FY2021	505,715			305,646,490	604.38	0.829
3/2019-2/2020	389,987			292,681,092	750.49	

FY2023 STAR Health Rating Analysis
Estimated STAR Health Incurred Claims

Month	Number of Members	Prescription Drug Claims Incurred and Paid	Completion Factor	Estimated Incurred Claims	Estimated Incurred pmpm	Trend Factor
Sep-18	34,126	3,258,287	1.0000	3,258,287	95.48	
Oct-18	34,296	3,780,512	1.0000	3,780,512	110.23	
Nov-18	34,090	3,773,967	1.0000	3,773,967	110.71	
Dec-18	33,488	3,680,045	1.0000	3,680,045	109.89	
Jan-19	32,988	3,858,967	1.0000	3,858,967	116.98	
Feb-19	33,042	3,503,905	1.0000	3,503,905	106.04	
Mar-19	33,099	3,365,620	1.0000	3,365,620	101.68	
Apr-19	32,934	3,248,869	1.0000	3,248,869	98.65	
May-19	32,888	3,192,950	1.0000	3,192,950	97.09	
Jun-19	32,782	3,005,282	1.0000	3,005,282	91.67	
Jul-19	32,707	3,277,656	1.0000	3,277,656	100.21	
Aug-19	32,715	3,125,713	1.0000	3,125,713	95.54	
Sep-19	32,685	3,021,230	1.0000	3,021,230	92.43	0.968
Oct-19	32,771	3,303,462	1.0000	3,303,462	100.80	0.914
Nov-19	32,439	3,153,573	1.0000	3,153,573	97.22	0.878
Dec-19	31,825	3,539,241	1.0000	3,539,241	111.21	1.012
Jan-20	31,584	3,194,437	1.0000	3,194,437	101.14	0.865
Feb-20	31,558	2,973,699	1.0000	2,973,699	94.23	0.889
Mar-20	31,872	3,096,910	1.0000	3,096,910	97.17	0.956
Apr-20	32,916	2,599,815	1.0000	2,599,815	78.98	0.801
May-20	33,617	2,604,346	1.0000	2,604,346	77.47	0.798
Jun-20	34,349	2,809,268	1.0000	2,809,268	81.79	0.892
Jul-20	35,185	2,944,931	1.0000	2,944,931	83.70	0.835
Aug-20	36,297	2,757,653	1.0000	2,757,653	75.97	0.795
Sep-20	37,527	2,662,346	1.0000	2,662,346	70.94	0.768
Oct-20	38,684	2,705,869	1.0000	2,705,869	69.95	0.694
Nov-20	39,718	2,672,237	1.0000	2,672,237	67.28	0.692
Dec-20	40,633	2,926,640	1.0000	2,926,640	72.03	0.648
Jan-21	41,538	2,886,967	1.0000	2,886,967	69.50	0.687
Feb-21	42,375	2,618,020	1.0000	2,618,020	61.78	0.656
Mar-21	43,222	3,003,108	1.0000	3,003,108	69.48	0.715
Apr-21	43,343	2,839,444	1.0000	2,839,444	65.51	0.829
May-21	43,881	2,584,743	1.0000	2,584,743	58.90	0.760
Jun-21	44,478	3,019,221	1.0000	3,019,221	67.88	0.830
Jul-21	44,902	2,707,950	1.0000	2,707,950	60.31	0.721
Aug-21	45,414	2,950,765	1.0000	2,950,765	64.97	0.855
Sep-21	45,639	3,057,763	1.0000	3,057,763	67.00	0.944
Oct-21	45,599	2,939,029	1.0000	2,939,029	64.45	0.921
Nov-21	45,011	3,111,880	1.0000	3,111,880	69.14	1.028
Dec-21	44,931	3,062,295	1.0000	3,062,295	68.16	0.946
CY2019	392,875			39,596,467	100.79	
CY2020	423,940			33,948,149	80.08	0.795
CY2021	530,334			34,781,185	65.58	0.819
3/2019-2/2020	389,987			38,401,732	98.47	

Attachment 3

STAR Health Trend Analysis

Medical

The FY2023 rating methodology uses assumed medical trend factors to adjust the base period claims cost to the rating period (FY2023). The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent experience under the plan. The trend assumption is established on a statewide basis.

The trend analysis included a review of health plan claims experience data through February 28, 2022. Based on this information, estimates of monthly incurred claims were made through December 31, 2021. The claims cost and trend experience was reviewed separately by type of service.

Exhibit A provides a summary of the FY2017, FY2018, FY2019 and FY2020 trends by category of service. The FY2020 trend represents the trend during the period September 2019 through February 2020. All trends have been calculated as the average cost per member per month during the specified time period compared to the same time period during the prior fiscal year. For example, the FY2019 trend is calculated as the average cost per member per month during FY2019 divided by the average cost per member per month during FY2018.

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

Trends beyond February 2020 have been excluded from the trend analysis due to the significant distortion caused by the COVID-19 pandemic and the corresponding PHE declaration. From March 2020 to December 2021, enrollment increased by over 40% while the average cost dropped by 30%. These patterns are not expected to continue into FY2023 and therefore the trends for this time period are not assigned any credibility.

The trend assumptions were then developed from an average of the FY2017, FY2018, FY2019 and September 2019 through February 2020 STAR Health trends. The weighting of each time period was based on the number of months within each time period.

Although the medical trends were reviewed by component – professional, outpatient, inpatient, etc., a single trend assumption was selected and applied in aggregate. The MCO is paid a single

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

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

Prescription Drug

The rating methodology uses assumed pharmacy trend factors to adjust the base period (March 2019 through February 2020) claims cost to the rating period (FY2023). The trend rate assumptions were developed by the actuary based on an analysis of recent pharmacy claims experience for STAR Health clients. The trend rate assumption is the same for all clients and all service areas.

The trend analysis included a review of STAR Health utilization and cost experience data paid through March 31, 2022. Incurred monthly utilization (days supply per member) and cost per service (plan payments per days supply) statistics were developed by drug type (brand, generic and specialty) through February 2022. From this experience, the average annual utilization and cost per service were determined for each of the six 12-month periods ending February 2022.

Due to the impact on healthcare utilization and cost from the COVID-19 pandemic and the PHE, experience after February 2020 was deemed unusable for purposes of developing trend projections. As a result, we have used the four 12-month periods ending February 2020 in our trend analysis in order to exclude pandemic-related experience.

Certain drugs and drug categories are excluded from the pharmacy trend analysis. Direct-acting antivirals (DAA) used for the treatment of the Hepatitis C virus and the drug Orkambi were carved in to the managed care contract effective September 1, 2018 but they were excluded from the trend analysis due to their extraordinary one-time impact on trends. Please note that effective March 1, 2021, Hepatitis C DAAs have been carved out of the managed care arrangement due to significant changes to the prior authorization criteria for these medications. In addition to these drugs, experience for the anti-viral and progestational agent drug classes was removed from our trend analysis. Anti-viral was removed due to the significant variation in the intensity of flu season from year to year. Progestational agent was removed due to its one-time distortion of pharmacy trends for pregnant women. Hemostatic agents are also excluded from the pharmacy trend analysis. Effective September 1, 2020, hemophilia medications were carved out of the managed care arrangement. Please note that while excluded from the pharmacy trend analysis, the historical managed care claims for all of these drugs were included in the base period experience used in developing the pharmacy component of the rates. Factors were later applied to adjust for the carve-

out of Hepatitis C DAAs and hemostatics.

The STAR Health pharmacy trend assumptions for the period March 2020 through FY2023 were developed using the following formula. For each drug type, the utilization and cost per service trend assumptions were set equal to one-sixth of the experience trend rate for the 12-month period ending February 2018 plus two-sixths of the experience trend rate for the 12-month period ending February 2019 plus three-sixths of the experience trend rate for the 12-month period ending February 2020. The final cost trend assumptions were then determined by applying the assumed utilization and cost per service trends by individual drug type to actual experience for the 12-month period ending February 2020 and combining the results into a single trend assumption. Exhibit B of this attachment presents a summary of the historical pharmacy trend analysis.

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

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

NEMT

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The NEMT trend factors used in this analysis are a combination of utilization and inflation components. The NEMT trend factor was developed using a combination of i) actual statewide NEMT trend experience for all Medicaid managed care programs and ii) the industry trend from the Consumer Price Index published by the Bureau of Labor Statistics for transportation services.

Statewide NEMT trend experience for all Medicaid managed care programs was used due to small sample size. The NEMT trend analysis only includes demand response services. In addition, MTO Region 1 and MTO Region 10 changed MTO provider effective September 1, 2017 and experience for these regions was excluded from the trend analysis. The statewide NEMT trend assumptions were developed using an average of the three most recent 12-month period trends prior to COVID-19.

The industry trends include inflation and utilization components. The inflation component of the trend was developed using average trends for the past 10 years from the Consumer Price Index published by the Bureau of Labor Statistics for transportation services. The utilization component of the trend was selected by the actuary.

The selected NEMT trend was developed using an average of the statewide NEMT trend and the industry trend. The annual trend assumption of 3.30% was used in the rating analysis to project historical experience forward to the rating period. Attachment 3 – Exhibit C presents a summary of the NEMT trend analysis.

FY2023 STAR Health Rating Analysis
Trend Development - Medical

Historical Average Trend (1)	Professional	Outpatient - ER	Outpatient - Non ER	Inpatient	Vision	Other	Total
FY2017	-0.4%	0.7%	-5.1%	-3.3%	-5.2%	-4.8%	-2.8%
FY2018	4.1%	7.3%	9.8%	8.0%	5.6%	3.3%	5.2%
FY2019	5.5%	1.5%	3.9%	9.4%	-0.6%	14.9%	9.3%
9/2019-2/2020	7.6%	7.9%	6.2%	9.9%	-8.2%	13.3%	9.7%
Trend Assumption (2)							4.7%

Footnotes:
(1) Trends have been adjusted to remove the impact of policy and reimbursement changes.
(2) Average trend during FY2017, FY2018, FY2019 and first six months of FY2020.

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
Annual Trend in Number of Scripts per Member per Month	
Brand Drugs	
3/2015-2/2016	-11.7 %
3/2016-2/2017	-12.7 %
3/2017-2/2018	-16.9 %
3/2018-2/2019	-18.9 %
3/2019-2/2020	-7.7 %
3/2020-2/2021	-34.5 %
3/2021-2/2022	7.5 %
Use	-13.0 %
Generic Drugs	
3/2015-2/2016	-0.3 %
3/2016-2/2017	-0.3 %
3/2017-2/2018	5.3 %
3/2018-2/2019	3.4 %
3/2019-2/2020	4.7 %
3/2020-2/2021	-18.9 %
3/2021-2/2022	-7.8 %
Use	4.4 %
Specialty Drugs	
3/2015-2/2016	-8.9 %
3/2016-2/2017	-6.7 %
3/2017-2/2018	-3.7 %
3/2018-2/2019	0.0 %
3/2019-2/2020	-5.8 %
3/2020-2/2021	-26.0 %
3/2021-2/2022	-16.6 %
Use	-3.5 %
All Drugs	
3/2015-2/2016	-3.2 %
3/2016-2/2017	-3.2 %
3/2017-2/2018	0.8 %
3/2018-2/2019	-0.3 %
3/2019-2/2020	2.8 %
3/2020-2/2021	-20.9 %
3/2021-2/2022	-16.1 %
Use	2.6 %

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

Annual Trend in Days Supply per Member per Month

	Total
Brand Drugs	
3/2015-2/2016	-13.0 %
3/2016-2/2017	-14.3 %
3/2017-2/2018	-18.8 %
3/2018-2/2019	-20.7 %
3/2019-2/2020	-7.0 %
3/2020-2/2021	-31.1 %
3/2021-2/2022	-7.7 %
Use	-13.5 %
Generic Drugs	
3/2015-2/2016	1.4 %
3/2016-2/2017	-0.4 %
3/2017-2/2018	6.2 %
3/2018-2/2019	5.2 %
3/2019-2/2020	7.1 %
3/2020-2/2021	-12.6 %
3/2021-2/2022	-13.0 %
Use	6.3 %
Specialty Drugs	
3/2015-2/2016	-8.8 %
3/2016-2/2017	-5.1 %
3/2017-2/2018	-5.6 %
3/2018-2/2019	0.2 %
3/2019-2/2020	-4.7 %
3/2020-2/2021	-24.4 %
3/2021-2/2022	-17.0 %
Use	-3.2 %
All Drugs	
3/2015-2/2016	-2.7 %
3/2016-2/2017	-3.8 %
3/2017-2/2018	0.6 %
3/2018-2/2019	0.6 %
3/2019-2/2020	5.0 %
3/2020-2/2021	-15.1 %
3/2021-2/2022	-15.8 %
Use	4.2 %

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
Annual Trend in Incurred Claims per Days Supply	
Brand Drugs	
3/2015-2/2016	16.0 %
3/2016-2/2017	7.5 %
3/2017-2/2018	-10.7 %
3/2018-2/2019	-6.8 %
3/2019-2/2020	-1.4 %
3/2020-2/2021	13.3 %
3/2021-2/2022	2.0 %
Use	-4.8 %
Generic Drugs	
3/2015-2/2016	-0.6 %
3/2016-2/2017	-11.5 %
3/2017-2/2018	9.8 %
3/2018-2/2019	-0.1 %
3/2019-2/2020	-31.5 %
3/2020-2/2021	-14.1 %
3/2021-2/2022	7.6 %
Use	-14.1 %
Specialty Drugs	
3/2015-2/2016	10.6 %
3/2016-2/2017	27.4 %
3/2017-2/2018	10.1 %
3/2018-2/2019	21.2 %
3/2019-2/2020	22.6 %
3/2020-2/2021	9.5 %
3/2021-2/2022	-11.2 %
Use	20.0 %
All Drugs	
3/2015-2/2016	3.7 %
3/2016-2/2017	-1.7 %
3/2017-2/2018	-15.8 %
3/2018-2/2019	-10.9 %
3/2019-2/2020	-12.0 %
3/2020-2/2021	-7.2 %
3/2021-2/2022	-0.3 %
Use	-6.7 %

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
Annual Trend in Incurred Claims per Member per Month	
Brand Drugs	
3/2015-2/2016	0.9 %
3/2016-2/2017	-7.8 %
3/2017-2/2018	-27.5 %
3/2018-2/2019	-26.1 %
3/2019-2/2020	-8.3 %
3/2020-2/2021	-21.9 %
3/2021-2/2022	-5.9 %
Use	-17.7 %
Generic Drugs	
3/2015-2/2016	0.8 %
3/2016-2/2017	-11.8 %
3/2017-2/2018	16.6 %
3/2018-2/2019	5.1 %
3/2019-2/2020	-26.7 %
3/2020-2/2021	-24.9 %
3/2021-2/2022	-6.4 %
Use	-8.7 %
Specialty Drugs	
3/2015-2/2016	0.8 %
3/2016-2/2017	20.9 %
3/2017-2/2018	3.9 %
3/2018-2/2019	21.4 %
3/2019-2/2020	16.8 %
3/2020-2/2021	-17.2 %
3/2021-2/2022	-26.3 %
Use	16.2 %
All Drugs	
3/2015-2/2016	0.9 %
3/2016-2/2017	-5.4 %
3/2017-2/2018	-15.3 %
3/2018-2/2019	-10.4 %
3/2019-2/2020	-7.7 %
3/2020-2/2021	-21.2 %
3/2021-2/2022	-16.0 %
Use	-2.8 %

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

	Total
Generic Dispensing Rate (Days Supply)	
3/2015-2/2016	74.0 %
3/2016-2/2017	76.6 %
3/2017-2/2018	80.8 %
3/2018-2/2019	84.5 %
3/2019-2/2020	86.2 %
3/2020-2/2021	88.7 %
3/2021-2/2022	91.6 %
Use	92.4 %

FY2023 STAR Health Rating Analysis
Trend Development - Pharmacy

	All Members
Incurred Claims per Member per Month	
3/2015-2/2016	135.382
3/2016-2/2017	128.055
3/2017-2/2018	108.451
3/2018-2/2019	97.210
3/2019-2/2020	89.753
Annual Trend in Unadjusted Incurred Claims per Member per Month	
3/2016-2/2017	-5.4%
3/2017-2/2018	-15.3%
3/2018-2/2019	-10.4%
3/2019-2/2020	-7.7%
PDL Adjustment Factors	
3/2017-2/2018	1.1669
3/2018-2/2019	1.3515
3/2019-2/2020	1.4774
Adjusted Incurred Claims per Member per Month	
3/2015-2/2016	135.382
3/2016-2/2017	128.055
3/2017-2/2018	126.552
3/2018-2/2019	131.380
3/2019-2/2020	132.601
Annual Trend in Adjusted Incurred Claims per Member per Month	
3/2016-2/2017	-5.4 %
3/2017-2/2018	-1.2 %
3/2018-2/2019	3.8 %
3/2019-2/2020	0.9 %
Use	**1.5 %**

Notes:
Trend Adjustment Factors include adjustments for the significant PDL changes that took place in 7/2019 and 7/2021.

FY2023 STAR Health Rating Analysis
Trend Development - NEMT

	Trend Assumption
NEMT Experience (1)	
3/2017-2/2018	2.54%
3/2018-2/2019	3.79%
3/2019-2/2020	4.02%
Average	3.50%
Industry (CPI)	
Inflation (2)	1.60%
Utilization (3)	1.50%
Total	3.10%
Selected (4)	**3.30%**

Notes:
(1) Trend analysis only includes demand response services.
Experience for MTO 1, MTO 10 and MTO 4 are excluded from trend analysis.
MTO 1 and MTO 10 switched organizations effective 9/1/2017. MTO 4 is FFS.
(2) Average CPI Transportation (CUSR0000SAT) monthly year-over-year trend for the past 10 years.
(3) Selected by the Actuary.
(4) Average Experience and Industry trend.

Attachment 4

Provider Reimbursement Adjustments

This attachment presents information regarding rating adjustments for the various provider reimbursement and benefit revisions that became effective (or will become effective) after the base period used in rate setting and before the end of FY2023.

The benefit and provider reimbursement changes recognized in the FY2023 rate setting are listed below. The rating adjustments for these provider reimbursement changes were calculated by applying actual health plan encounter data to the old and new reimbursement bases and the resulting impact determined. The attached exhibit presents a summary of the derivation of the adjustment factors.

<u>Provider Reimbursement Adjustments</u>

- Effective September 1, 2019, HHSC made revisions to the reimbursement rates for therapy services.

- Effective September 1, 2017, FQHC wrap payments were carved out of managed care. HHSC has developed policy language to ensure that FQHCs are reimbursed their full encounter rate; however, the MCO will only be responsible for reimbursing the FQHC an amount no less than the rate paid to non-FQHC providers providing similar services.

- Invalid clinician administered drugs have been removed from the base period. HHSC has provided guidance to the MCOs which specifies the reporting requirements for a CAD to be considered a valid claim.

- Effective September 1, 2019, HHSC increased the reimbursement for private duty nursing (PDN) by 2.5%.

- Effective September 1, 2021, HHSC made revisions to the reimbursement for outpatient services provided at rural hospitals.

- Effective March 1, 2021, HHSC made revisions to the reimbursement for ambulatory surgical centers (ASC).

- Effective March 1, 2021, HHSC made revisions to the reimbursement for non-state clinical labs.

- Effective March 1, 2022, HHSC made revisions to the reimbursement for outpatient behavioral health services.

- Effective September 1, 2021, HHSC made revisions to the reimbursement for evaluation and management (E&M) services.

- Effective September 1, 2022, HHSC will make revisions to the reimbursement for vaccine administration services.

- Effective March 1, 2022, HHSC made revisions to the reimbursement for radiology services.

Hospital Reimbursement Adjustments

- As a result of annual evaluations, several hospitals have had their Standard Dollar Amount (SDA) revised between the base period and FY2023. In addition, the universal mean used for outlier calculations was revised effective October 1, 2021.

- Beginning May 1, 2013, HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Readmissions (PPR). The reimbursement reductions amount to 1-2% depending on a hospital's performance during the evaluation period and can change from one fiscal year to the next. A new PPR reduction list will become effective September 1, 2022. As a result, the adjustment factors represent the restoration of those reductions that were in place during the base period net of those reductions that will be in place during FY2023.

- Beginning March 1, 2014, HHSC implemented revisions to hospital reimbursement to account for Potentially Preventable Complications (PPC). The reimbursement reductions amount to 2-2.5% depending on a hospital's performance during the evaluation period and can change from one fiscal year to the next. A new PPC reduction list will become effective September 1, 2022. As a result, the adjustment factors represent the restoration of those reductions that were in place during the base period net of those reductions that will be in place during FY2023.

- Effective September 1, 2019, HHSC began utilizing an adjustment to the base period data that analyzes inefficiencies and potentially preventable expenses that unnecessarily increase managed care costs. This analysis was performed using the 3M™ PPR methodology which is a computerized algorithm to identify readmissions with a plausible clinical relationship to the care rendered during or immediately following a prior hospital admission. An expected reduction of PPR events of 10% has been applied for FY2023. The 10% PPR adjustment is intended to be an introductory step in improving the quality and efficiency of the managed care programs. This assumption will be monitored as actual experience develops and reassessed in future rating periods.

- Retroactive to October 1, 2019, the DRG Grouper utilized for pricing inpatient claims reverted from Version 37 to Version 36. A portion of the base period, October 2019 through February 2020, includes data prior to the retroactive change and therefore is based on Grouper 37 logic.

Pharmacy Adjustments

- HHSC has implemented significant changes to the Preferred Drug List (PDL) over the past several years. These changes include some of the program's highest expenditure drugs and have had a significant impact on managed care pharmacy cost. Effective July 1, 2019 brand name Nexium capsules changed to non-preferred status. Effective July 1, 2021 brand name Stimulants and Related Agent drugs such as Focalin XR, Adderall XR and Concerta ER changed to preferred status. We developed adjustment factors to reflect the anticipated cost impact of these PDL changes.

- Effective September 1, 2020, HHSC carved out all hemostatic drugs from the managed care capitated arrangement. These drugs will continue to be covered services under the program

but will be funded through a non-risk arrangement. Hemostatic drugs are rare and extremely high cost. The purpose of this carve-out is to improve the balance of risk between various MCOs. There was no utilization for Hemostatic drugs in the base period for the STAR Health program and therefore no such adjustment is needed for FY2023.

- Effective March 1, 2021, HHSC changed the prior authorization requirements for Hepatitis C Direct Acting Antiviral (DAA) drugs. As a result, HHSC carved out all Hepatitis C DAA drugs from the managed care capitated arrangement. These drugs continue to be covered services under the program but are funded through a non-risk arrangement. There was no utilization for Hepatitis C drugs in the base period for the STAR Health program and therefore no such adjustment is needed for FY2023.

NEMT Adjustments

- Effective July 1, 2022, reimbursement for Individual Transportation Participant (ITP) service increased to $0.625 per mile. The base period claims cost for ITP service has been adjusted to reflect this change.

- H.B. 1576 allows Transportation Network Companies (TNC) such as Uber and Lyft to participate in the Medicaid program. An adjustment was applied to reflect i) the cost difference between TNC and traditional demand response providers and ii) utilization impact on overall NEMT utilization. We assumed TNC cost per trip would be 15% less than traditional demand response providers for trips under 15 miles. In addition, we assumed 10% of current utilization would shift to TNCs and utilization would increase by 2.5% for demand response service trips under 15 miles.

The attached exhibit presents a summary of the rating adjustment factors. With the exception of the FQHC adjustment factor, all adjustment factors were calculated by repricing the March 2019 through February 2020 base period encounter data with both the old and new reimbursement terms and comparing the relative difference. Although the MCOs are not required to change their reimbursement levels based on changes implemented by HHSC, the Medicaid fee schedule serves as a primary negotiating tool for both MCOs and providers in Texas. Many MCO/provider reimbursement contracts are directly tied to the Medicaid FFS fee schedule through established percentages (e.g. 100%, 102%, 95% etc.). As a result, MCO reimbursement has historically changed in conjunction with Medicaid FFS fee schedule changes, both increases and decreases. Furthermore, it is common for provider reimbursement contracts that are directly tied to the Medicaid fee schedule (i.e. set at a % of Medicaid) to automatically adjust when the Medicaid fee schedule changes with no further need for recontracting. The correlation between managed care reimbursement and FFS fee schedules has been consistently observed throughout the history of the Texas managed care programs and is reiterated through discussions with the MCOs.

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

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

FY2023 STAR Health Rating Analysis
Provider Reimbursement Adjustments
Estimates Based on 3/2019-2/2020 STAR Health Encounter Data

Medical - Provider Reimbursement Adjustment Factor

Therapy Reimbursement Changes	1,212,683
Remove FQHC Wrap Payment	-4,376,259
Removal of Invalid CAD	-9
PDN Reimbursement Change	773,951
Rural Hospital Outpatient Reimbursement Changes	485,952
ASC Reimbursement Changes	2,653
Non Rural Clinical Lab Reimbursement Changes	-222,799
Outpatient Behavioral Health Reimbursement Changes	5,174,158
E&M Reimbursement Changes	367,742
Vaccine Administration Reimbursement Changes	287,212
Radiology Reimbursement Changes	118,446
Total Provider Reimbursement Changes	3,823,730
3/2019-2/2020 Total Claims	292,681,092
Provider Reimbursement Adjustment	1.31 %

Medical - Hospital Reimbursement Adjustment Factor

Standard Dollar Amount Changes	-1,121,925
PPR Reduction/Restoration	78,907
PPC Reduction/Restoration	-449,229
PPR Efficiency Improvements	-1,379,916
DRG Grouper Revisions	1,239,806
Total Hospital Reimbursement Changes	-1,632,356
3/2019-2/2020 Total Claims	292,681,092
Hospital Reimbursement Adjustment	-0.56 %

Pharmacy Adjustment Factors

3/2019-2/2020 Total Claims	38,401,732
Impact of PDL Changes 7/1/2019 & 7/1/2021	576,026
Adjustment	1.50 %

NEMT Carve-in Adjustment Factors

3/2019-2/2020 Total Claims	484,165
Impact of TNC	242
Adjustment	0.05 %
Impact of Mileage Reimbursement Change	16,831
Adjustment	3.48 %

Attachment 5

PHE Related Cost Adjustment

The COVID-19 pandemic and the resulting Public Health Emergency (PHE) have had a significant impact on the STAR Health program. Beginning March 2020, enrollment has grown by over 40% while the average cost for all services declined at unprecedented levels. The enrollment growth is directly connected to the declaration of the PHE while the cost reductions are due to many factors including mandatory shutdowns, mask mandates, social distancing, other environmental factors as well as inherent differences in cost between historically eligible members and the additional members eligible under the PHE.

In order to estimate the continued impact of the PHE on the FY2023 average costs, we have studied the actual, quarterly average cost separately for medical, pharmacy and NEMT and compared to expected per-capita cost absent the PHE.

Medical and Pharmacy Adjustment

Based on historical claims and enrollment information prior to the PHE, we have estimated incurred claims during each quarter beginning March 2020 through November 2021. The expected (absent the PHE) quarterly average cost was developed based on the trend assumptions described in Attachment 3 and benefit and provider reimbursement changes that have impacted the program such as those described in Attachment 4. In addition, COVID-19 related claims reimbursed on a non-risk basis have been excluded from the analysis. Actual average claims net of COVID non-risk expenditures were then compared to the expected average claims to determine the actual to expected ratio which is assumed to be representative of the impact of the PHE on program costs during each observed quarter.

The PHE-related cost impact has been defined as the average of the actual to expected ratio during the period March 2021 through August 2021, the last two quarters of FY2021. This period was selected as representative of the ongoing impact on future cost of the PHE because it represents a relatively stable period which was not overly influenced by a spike in COVID-19 infections and hospitalizations.

Currently, the PHE is assumed to end October 13, 2022, at which time it is expected that the PHE impact on eligibility and average cost will begin to unwind. As a result, we have assumed that the PHE-related cost impact described above will impact the first quarter of FY2023. Much uncertainty remains as to how the unwinding process will impact each program and we believe using one quarter of the PHE-related cost impact allows for the potential for pent-up demand, elimination of temporary behavior change which has reduced recent expenditures, benefit rush as members lose eligibility and the eventual return to a more historically normal cost pattern.

Exhibits A and B provide additional information and descriptions of the development of the medical and pharmacy adjustment factors.

NEMT Adjustment

Beginning March 2020, NEMT utilization reduced by almost 30% and has continued to be much lower than pre-COVID experience. Members have been more reluctant to share rides with others and NEMT utilization has not had the bounce back toward normal experienced with medical and pharmacy claims.

The PHE-related cost impact has been defined as the difference in NEMT paid amount by MTO regions and service categories for the 12-month period immediately prior to COVID (3/19-2/20) and the period immediately after COVID (6/20-5/21). Effective June 1, 2021 NEMT services were provided by the MCOs. Much uncertainty remains from NEMT services being provided by the MCOs, including possible pent-up demand, increase in utilization from ease of access, elimination of temporary behavior change which has reduced recent expenditures, etc. As a result, the NEMT PHE-related cost adjustment was developed by applying 50% of the full PHE-related cost impact to NEMT experience for STAR Health members.

Exhibits C-1 and C-2 provide additional information and descriptions of the development of the NEMT adjustment factors.

FY2023 STAR Health Rating Analysis
PHE Related Cost Adjustment - Medical

	Actual (1)	COVID Non-Risk % (2)	Actual Net of COVID	Assumed Trend (3)	Reimb. Adjustments(4)	Expected Claims PMPM (5)	Actual to Expected Ratio
9/18-11/18	675.63	0.0%	675.63			675.63	1.000
12/18-2/19	718.29	0.0%	718.29			718.29	1.000
3/19-5/19	757.28	0.0%	757.28			757.28	1.000
6/19-8/19	698.16	0.0%	698.16			698.16	1.000
9/19-11/19	786.64	0.0%	786.64			786.64	1.000
12/19-2/20	760.27	0.0%	760.27			760.27	1.000
3/20-5/20	675.87	0.1%	675.46	4.7%	1.0%	800.88	0.843
6/20-8/20	695.61	0.7%	690.74	4.7%	1.0%	738.35	0.936
9/20-11/20	644.50	0.6%	640.38	4.7%	-0.9%	816.12	0.785
12/20-2/21	572.02	1.1%	565.61	4.7%	0.4%	799.42	0.708
3/21-5/21	605.00	1.0%	598.77	4.7%	0.4%	842.13	0.711
6/21-8/21	599.19	1.3%	591.52	4.7%	0.4%	776.38	0.762
9/21-11/21	553.37	1.4%	545.79	4.7%	0.9%	862.42	0.633
						Estimated PHE Impact (6)	0.736
						Adjustment Factor (7)	-6.59%

Footnotes:
(1) Observed claims pmpm by quarter.
(2) Percentage of total claims attributable to COVID non-risk reimbursable claims.
(3) Long term average expected trend.
(4) Reimbursement changes applicable by quarter.
(5) Expected claims absent COVID/PHE based on actual claims prior to 3/2020.
(6) Average ratio during 3/2021-8/2021.
(7) Assume PHE continues to 10/13/2022 and PHE plus unwinding impacts first quarter of FY2022.
Adjustment factor equals (6) minus 1 multiplied by 25%.

FY2023 STAR Health Rating Analysis
PHE Related Cost Adjustment - Pharmacy

	Actual (1)	COVID Non-Risk % (2)	Reimb. & Policy Adjustments(3)	Actual Net of COVID and Reim/Pol Adj.	Assumed Trend (4)	Expected Claims PMPM (5)	Actual to Expected Ratio
9/18-11/18	105.48	0.0%	-1.5%	103.85		103.85	1.000
12/18-2/19	110.96	0.0%	-1.2%	109.60		109.60	1.000
3/19-5/19	99.14	0.0%	-0.3%	98.83		98.83	1.000
6/19-8/19	95.81	0.0%	0.8%	96.53		96.53	1.000
9/19-11/19	96.82	0.0%	3.0%	99.77		99.77	1.000
12/19-2/20	102.22	0.0%	3.8%	106.14		106.14	1.000
3/20-5/20	84.36	0.0%	4.9%	88.45	1.5%	100.31	0.882
6/20-8/20	80.43	0.0%	4.6%	84.11	1.5%	97.98	0.858
9/20-11/20	69.36	0.0%	6.4%	73.82	1.5%	101.26	0.729
12/20-2/21	67.70	0.0%	6.5%	72.08	1.5%	107.73	0.669
3/21-5/21	64.60	0.3%	7.0%	68.92	1.5%	101.81	0.677
6/21-8/21	64.28	1.1%	5.4%	66.96	1.5%	99.45	0.673
9/21-11/21	66.60	0.7%	3.7%	68.58	1.5%	102.78	0.667
						Estimated PHE Impact (6)	0.675
						Adjustment Factor (7)	-8.12%

Footnotes:
(1) Observed claims pmpm by quarter.
(2) Percentage of total claims attributable to COVID non-risk reimbursable claims.
(3) Reimbursement and policy changes applicable by quarter. Remove impact from Hepatitis C, Hemostatics and PDL changes.
(4) Long term average expected trend.
(5) Expected claims absent COVID and reimbursement/policy changes.
(6) Average ratio during 3/2021-8/2021.
(7) Assume PHE continues to 10/13/2022 and PHE plus unwinding impacts first quarter of FY2022.
Adjustment factor equals (6) minus 1 multiplied by 25%.

FY2023 STAR Health Rating Analysis
PHE Related Cost Adjustment - NEMT
NEMT Paid Amount by MTO - Pre vs. Post COVID Periods.

				Pre COVID - 3/19-2/20				Post COVID - 6/20-5/21			
Plan Name	MTO	SDA	Worksheet	Demand Response	Mileage	Others	Total	Demand Response	Mileage	Others	Total
MTO - Region 1	Logisticare	Region 1	MTO 1	4,258,870	1,082,273	658,694	5,999,837	3,233,155	762,301	630,147	4,625,603
MTO - Region 2	Project Amistad	Region 2	MTO 2	5,099,419	1,015,549	2,007,111	8,122,078	3,786,712	720,824	1,420,466	5,928,002
MTO - Region 3	AMR	Region 3	MTO 3	1,885,430	579,943	376,090	2,841,462	1,385,766	502,867	345,098	2,233,731
MTO - Region 4	FFS	Region 4	MTO 4	2,758,885	185,293	324,826	3,269,004	1,883,616	154,282	324,826	2,362,724
MTO - Region 5	MTM	Region 5	MTO 5	9,503,153	2,080,012	787,782	12,370,946	6,568,288	1,358,285	633,563	8,560,136
MTO - Region 6	AMR	Region 6	MTO 6	1,428,973	986,524	368,467	2,783,964	1,179,747	765,230	242,336	2,187,313
MTO - Region 7	Logisticare	Region 7	MTO 7	10,511,564	872,303	758,307	12,142,174	7,783,945	578,624	653,331	9,015,901
MTO - Region 8	Logisticare	Region 8	MTO 8	8,613,448	492,369	635,917	9,741,734	6,309,317	357,077	576,885	7,243,280
MTO - Region 9	MTM	Region 9	MTO 9	1,588,200	269,249	148,256	2,005,705	1,030,282	182,281	163,097	1,375,660
MTO - Region 10	Logisticare	Region 10	MTO 10	12,846,107	3,222,009	3,049,858	19,117,974	8,669,867	2,243,372	2,039,765	12,953,003
MTO - Region 11	Logisticare	Region 11	MTO 11	1,954,470	297,292	154,023	2,405,785	1,499,206	234,052	69,434	1,802,692
FRB - Logisticare	Logisticare	Logisticare	MTO 12	18,533,995	1,172,265	2,148,384	21,854,644	13,712,832	743,111	1,185,352	15,641,295
FRB - MTM	MTM	MTM	MTO 13	19,486,700	2,422,599	632,362	22,541,661	14,041,914	1,561,328	445,652	16,048,894
Total				98,469,213	14,677,680	12,050,076	125,196,970	71,084,648	10,163,632	8,729,953	89,978,232

FY2023 STAR Health Rating Analysis
PHE Related Cost Adjustment - NEMT
NEMT Paid Amount by MTO - Pre vs. Post COVID Periods.

				% Difference				Selected Adjustment - 50%			
Plan Name	MTO	SDA	Worksheet	Demand Response	Mileage	Others	Total	Demand Response	Mileage	Others	Total
MTO - Region 1	Logisticare	Region 1	MTO 1	-24.1%	-29.6%	-4.3%	-22.9%	-12.0%	-14.8%	-2.2%	-11.5%
MTO - Region 2	Project Amistad	Region 2	MTO 2	-25.7%	-29.0%	-29.2%	-27.0%	-12.9%	-14.5%	-14.6%	-13.5%
MTO - Region 3	AMR	Region 3	MTO 3	-26.5%	-13.3%	-8.2%	-21.4%	-13.3%	-6.6%	-4.1%	-10.7%
MTO - Region 4	FFS	Region 4	MTO 4	-31.7%	-16.7%	0.0%	-27.7%	-15.9%	-8.4%	0.0%	-13.9%
MTO - Region 5	MTM	Region 5	MTO 5	-30.9%	-34.7%	-19.6%	-30.8%	-15.4%	-17.3%	-9.8%	-15.4%
MTO - Region 6	AMR	Region 6	MTO 6	-17.4%	-22.4%	-34.2%	-21.4%	-8.7%	-11.2%	-17.1%	-10.7%
MTO - Region 7	Logisticare	Region 7	MTO 7	-25.9%	-33.7%	-13.8%	-25.7%	-13.0%	-16.8%	-6.9%	-12.9%
MTO - Region 8	Logisticare	Region 8	MTO 8	-26.8%	-27.5%	-9.3%	-25.6%	-13.4%	-13.7%	-4.6%	-12.8%
MTO - Region 9	MTM	Region 9	MTO 9	-35.1%	-32.3%	10.0%	-31.4%	-17.6%	-16.2%	5.0%	-15.7%
MTO - Region 10	Logisticare	Region 10	MTO 10	-32.5%	-30.4%	-33.1%	-32.2%	-16.3%	-15.2%	-16.6%	-16.1%
MTO - Region 11	Logisticare	Region 11	MTO 11	-23.3%	-21.3%	-54.9%	-25.1%	-11.6%	-10.6%	-27.5%	-12.5%
FRB - Logisticare	Logisticare	Logisticare	MTO 12	-26.0%	-36.6%	-44.8%	-28.4%	-13.0%	-18.3%	-22.4%	-14.2%
FRB - MTM	MTM	MTM	MTO 13	-27.9%	-35.6%	-29.5%	-28.8%	-14.0%	-17.8%	-14.8%	-14.4%
Total				-27.8%	-30.8%	-27.6%	-28.1%	-13.9%	-15.4%	-13.8%	-14.1%

FY2023 STAR Health Rating Analysis
PHE Related Cost Adjustment - NEMT

NEMT Incurred Claims - 3/19-2/20 (1)	484,165
COVID Utilization Adjustment (2)	(68,623)
Adjustment Percent (3)	-14.17%

Footnotes:
(1) Observed STAR Health NEMT claims during experience period.
(2) Applied adjustment in Attachment 5 Exhibit C-1 by MTO region and service category to STAR Health NEMT claims.
(3) Adjustment equals (2) divided by (1).

Attachment 6

Community First Choice (CFC)

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

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

a. Determine the percentage of all claim payments which are associated with the personal care services (PCS) for CFC eligible members. This information was compiled by collecting a list of CFC eligible members and collecting all PCS claims for these members during the base period.

b. The CFC eligible services included in the STAR Health premium rate are then determined as the current premium rate multiplied by the percentage of total claims provided for personal care services for CFC eligible members.

Based on this calculation, the projected CFC portion of the total premium rate which is eligible for the enhanced federal match is $2.93 per member per month.

FY2023 STAR Health Rating Analysis
CFC Enhanced Match Calculation

3/2019-2/2020 Personal Care Services (1)	864,993
3/2019-2/2020 Total Claims	292,681,092
PCS % of Total	0.3%
FY2023 Premium Rate	991.71
CFC Portion of Premium Rate (2)	2.93

Footnotes:
(1) Total PCS provided to CFC eligible members.
(2) PCS % of Total Claims multiplied by FY2023 Premium Rate.

Attachment 7

FY2023 STAR Health Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2022-2023 Medicaid Managed Care Rate Development Guide, dated April 2022.

Section I. Medicaid Managed Care Rates

1. General Information

A. Rate Development Standards

i. Rate ranges are not being utilized in this rate development.

ii. Rates are for the 12-month period September 1, 2022 through August 31, 2023 (FY2023).

iii. (a) The certification letter is on page 14 of the report.

(b) The final capitation rates are shown on page 13 of the report.

(c) (i) See pages 1 and 4 through 5 of the report.

(ii) See page 1 of the report.

(iii) See page 1 of the report.

(iv) Not applicable. There have been no changes since the prior certification.

(v) Not applicable. There are no special contract provisions related to payment within the STAR Health program.

(vi) Not applicable.

iv. Acknowledged.

v. Acknowledged.

vi. Acknowledged.

vii. Acknowledged.

viii. Not applicable.

ix. Not applicable.

x. Acknowledged.

xi. Acknowledged.

xii. See pages 4, 6, 11 and 46 through 52 for discussion on how COVID-19 and the PHE have been accounted for in the FY2023 rate development.

xiii. Acknowledged.

B. Appropriate Documentation

i. The actuary is certifying capitation rates. See page 14 of the report.

ii. Acknowledged.

iii. Acknowledged.

iv. Not applicable.

v. Acknowledged.

vi. Acknowledged. See page 14 of the report.

vii. See pages 53 through 54 of the report.

viii. (a) See pages 16 through 20 of the report.

(b) Not applicable. All rating adjustment factors have been included in the report.

(c) FY2022 rates were not adjusted by a *de minimis* amount using the authority in 42 C.F.R 438.7(c)(3).

ix. Not applicable. There are no known amendments at this time.

x. (a) Texas Medicaid Managed Care data has been studied for all programs, risk groups and service delivery areas through December 2021 to study the impact of COVID and the PHE. See pages 46 through 52 of the report.

(b) See pages 11 and 46 through 52 of the report.

(c) See page 5 of the report. All testing and treatment for COVID-19 are covered on a non-risk basis outside of the capitation rates.

(d) See pages 11 and 46 through 52 of the report. Similar to the prior rating period we are making a prospective adjustment to the FY2023 capitation rates. In addition, the experience rebate provisions adjusted to limit the possibility of excessive profits in FY2022 have been continued for an additional year into FY2023.

2. Data

A. Rate Development Standards

i. (a) Acknowledged.

(b) Acknowledged.

(c) Acknowledged.

(d) Not applicable.

B. Appropriate Documentation

i. (a) See pages 1 through 3 of the report.

ii. (a) See pages 1 through 3 of the report.

(b) See pages 2 through 3 of the report.

(c) See pages 2 through 3 of the report.

(d) Not applicable.

iii. (a) Base period data is fully credible.

(b) See page 4 of the report.

(c) No errors found in the data.

(d) See pages 42 through 45 of the report.

(e) Value added services and non-capitated services have been excluded from the analysis.

3. Projected Benefit Costs and Trends

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Not applicable. STAR Health eligibility ends at age 21 and therefore the IMD regulation does not impact this population.

B. Appropriate Documentation

i. See pages 16 through 20 of the report.

ii. (a) See pages 16 through 20 of the report.

(b) There have been no significant changes in the development of the benefit cost since the last certification.

(c) All recoupments and recoveries resulting from overpayments to providers have been netted out of the claim payments used in the rate development. MCOs are required to adjust encounter data to remove all overpayments and correct the submitted information. Any provider recoveries not adjusted for in the submitted encounter data are excluded from the base period as a negative add-on payment.

iii. (a) See 30 through 41 of the report.

(b) See 30 through 41 of the report.

(c) See 30 through 41 of the report.

(d) See 30 through 41 of the report.

(e) Not applicable.

iv. Not applicable.

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

- The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.

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

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

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

(b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the FY2023 premium rate.

(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2023 premium rate.

(d) No adjustments are necessary to account for retroactive enrollment periods because the enrollment criteria have not changed from the base period to the rating period. All retroactive enrollment and claims information has been included in the base period data, the trend calculations and all other adjustment factors.

vii. See pages 42 through 45 of the report.

viii. See pages 42 through 45 of the report.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

B. Withhold Arrangements

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

Not applicable.

C. Risk-Sharing Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

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

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

D. State Directed Payments

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

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

(b) Confirmed.

(c) Confirmed.

E. Pass-Through Payments

i. Rate Development Standards

Not applicable.

ii. Appropriate Documentation

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

5. Projected Non-Benefit Costs

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

B. Appropriate Documentation

i. See page 12 of the report.

ii. See page 12 of the report.

iii. See page 12 of the report.

6. Risk Adjustment and Acuity Adjustments

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

B. Appropriate Documentation

i. Not applicable, risk adjustment is not applied to the STAR Health rate development.

ii. Not applicable, risk adjustment is not applied to the STAR Health rate development.

iii. Not applicable, risk adjustment is not applied to the STAR Health rate development.

iv. Not applicable, risk adjustment is not applied to the STAR Health rate development.