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November 30, 2009

Ms. Pam Parker  
Manager, Special Needs Purchasing  
Minnesota Department of Human Services  
540 Cedar Street  
Elmer L. Anderson Human Services Building  
St. Paul, MN 55155-3854

**RE: Rate Development for MnDHO for Calendar Year 2010**

Dear Pam:

The attached report describes the development of the rates for the Minnesota Disability Health Options program for the physically disabled population (MnDHO) for the calendar year 2010 contract period.

Sincerely,

A handwritten signature in black ink that reads "Eric Goetsch".

Eric Goetsch, FSA, MAAA  
Principal and Consulting Actuary

EPG/zh

Attachments



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**Minnesota Disability Health Options  
For the Physically Disabled  
Premium Rate Development For Calendar Year 2010**

Prepared for:  
**Minnesota Department of Human Services**

Prepared by:  
**Milliman, Inc.**

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November 30, 2009

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## I. INTRODUCTION

This report documents the calendar year (CY) 2010 premium rate development for the Minnesota Disability Health Options program for the physically disabled population (MnDHO). The report assumes the reader is familiar with the basic aspects of the MnDHO program and the physically disabled population groups to be covered under the program, long term care services, the Minnesota Medicaid program, and managed care rating principles.

The layout of this report was structured so as to describe all the information used to develop the CY 2010 base rates from the 2005 base experience while at the same time distinguishing the developmental components for the CY 2009 rate development, October through December 2009 rate adjustment, and the CY 2010 rate development. This approach was taken to allow the user to more easily understand what adjustments were new to the 2010 rate development.

The CY 2010 payments to the health plan for acute services and prescription drugs will be a product of the acute and prescription drug base rates included in this report and the acute risk scores calculated using the Chronic Illness and Disability Payment System (CDPS) risk adjustment weights developed by Greg Gifford of the Minnesota Department of Health. The CDPS-based risk adjustment model was developed specifically for the MnDHO and Special Needs BasicCare (SNBC) programs, both of which provide acute services to the disabled population.

With the exception of the Traumatic Brain Injury – Neurobehavioral Hospital (TBI-NB) population, the CY 2010 payments to the health plan for long term care (LTC) services will be a product of LTC base rates included in this report and the LTC risk scores calculated using the LTC risk adjustment weights developed by the Minnesota Department of Human Services (DHS). Please note, the LTC risk adjustment model and weights were updated for CY 2010 to better reflect the projected costs of all sub-populations within the MnDHO program with the exception of TBI-NB. While the LTC base rates for the TBI-NB population are not risk adjusted, the TBI-NB LTC base rates themselves are adjusted to reflect the expected costs of the TBI-NB population within the MnDHO program.

The CY 2010 payments to the health plan for nursing facility (NF) services will be the NF add-on rates included in this report. The NF add-on rates are not risk adjusted; however, the NF add-on rates themselves have been adjusted to reflect the expected CY 2010 NF costs of the MnDHO community population.

The CY 2010 payments to the health plan for mental health targeted case management (MH-TCM) services will be the MH-TCM add-on rates included in this report. The MH-TCM add-on rates are not risk adjusted; however, the NF add-on rates themselves have been adjusted to reflect the expected CY 2010 MH-TCM costs of the MnDHO population.

## CAVEATS AND LIMITATIONS

This report is intended for use by DHS and participating health plan(s) as they negotiate a contract to provide services to people with physical disabilities in CY 2010. The information contained in this report may not be suitable for other purposes or audiences. It is our understanding that DHS intends to distribute this report to the health plan(s) participating in MnDHO, as well as to CMS to document the rate development.

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The results presented in this report are estimates only based on historical fee-for-service Medicaid claim experience for eligibles with physical disabilities. Recent actual MnDHO program experience was also considered and adjustments were made, as necessary, to account for expected cost differences between the fee-for-service population and the MnDHO population. Actual CY 2010 experience will vary from these estimates.

We relied on data and information supplied to us by DHS. We did not audit or attempt any independent verification of such data. If this data is incomplete or inaccurate, then our conclusions will be incomplete or inaccurate.

This report was prepared specifically for DHS and the development of CY 2010 base rates for MnDHO and may not be appropriate for other purposes. This report should only be viewed in its entirety. Milliman does not intend to benefit any third party and assumes no duty or liability to other parties who receive this work.

This report is a summary of the base rate development and does not address all of the issues detailed in the CMS checklist. This report also does not contain an actuarial certification for the premium rates. This information will be provided in a separate report at a later date.

This report and its use are subject to the terms of the contract between Milliman and DHS effective July 1, 2009.

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## II. 2005 BASE EXPERIENCE

Base rates for the MnDHO program are based on projections of historical fee-for-service Medicaid claim experience for eligibles with physical disabilities.

### DESCRIPTION OF MnDHO BASE RATE CATEGORIES

#### Acute and Prescription Drugs

MnDHO has four base rates for acute and prescription drug services, based on combinations of:

- > **Medicare Coverage:** Medicaid only (single eligible) vs. Medicaid and Medicare (dual eligible). Dual eligible enrollees must be enrolled in both Parts A and B of Medicare.
- > **Institutional Status:** Institutionalized (NF population) vs. Community (all other population categories).

#### Long Term Care

MnDHO has four base rates for LTC services, based on:

- > **Population Category:** Population categories of:
  - Traumatic Brain Injury – Neurobehavioral Hospital (TBI-NB)
  - Traumatic Brain Injury – Nursing Facility (TBI-NF)
  - Community Alternatives for Disabled Individuals (CADI)
  - Home Care (HC)

#### Nursing Facility

MnDHO has two base rates for the NF add-on based on Medicare coverage status.

#### Mental Health Targeted Case Management

MnDHO has four base rates for the MH-TCM add-on based on Medicare coverage and institutional status.

### BASE RATE CALCULATION METHODOLOGY

The base rate development is based on CY 2005 fee-for-service data, provided by DHS, for eligibles with disabilities. We relied on this data as given, but did perform reasonableness tests where possible.

The fee-for-service data was analyzed to calculate aggregate per member per month (PMPM) amounts for acute care services, LTC services, and prescription drugs that are not covered by Medicare.

Nursing facility institutional costs are accounted for in the nursing facility add-on rate, which is only applicable to the community population. Nursing facility costs for persons who resided in a nursing facility prior to enrollment in MnDHO will be paid on a fee-for-service basis. Additionally, nursing facility costs after the health plan's 180-day nursing facility liability period will be paid on a fee-for-service basis.

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The base rates in Appendix 1 are net of third party collections since third party revenues were removed from the fee-for-service cost experience.

The aggregate fee-for-service cost experience for acute services for combinations of population groups is shown in Table 1a along with the associated eligible months of exposure. Separate fee-for-service cost experience is displayed for prescription drugs. The prescription drug costs shown in Table 1a include all drugs. An adjustment is made later in the rate development process to reflect the portion of drugs that are now covered by Medicare.

<b>Table 1a</b> <b>MnDHO</b> <b>Aggregate 2005 Fee-for-Service Cost Experience PMPM for Eligibles with Disabilities</b> <b>Used for Development of 2009 and 2010 Base Rates for</b> <b>Acute and Prescription Drug Services</b>				
Population		Eligible Months	Acute Cost PMPM	
			Excluding Rx	Rx Cost PMPM
Dual Eligibles	Institutional	10,044	\$377.43	\$767.92
	Community	181,225	324.19	421.99
Single Eligibles	Institutional	5,487	1,924.91	788.99
	Community	196,229	872.09	252.12
<b>Total</b>		<b>392,985</b>	<b>\$621.48</b>	<b>\$351.13</b>

The aggregate fee-for-service cost experience for LTC services for each population group is shown in Table 1b along with the associated eligible months of exposure.

<b>Table 1b</b> <b>MnDHO</b> <b>Aggregate 2005 Fee-for-Service Cost Experience PMPM for Eligibles with Disabilities</b> <b>Used for Development of 2009 and 2010 Base Rates for</b> <b>LTC Services</b>		
Population	Eligible Months	LTC Cost PMPM
TBI-NF	5,756	\$3,561.63
TBI-NB (Diversion Only)	458	8,232.14
CADI	37,891	1,929.44
HC	43,174	1,949.98
<b>Total</b>	<b>87,279</b>	<b>\$2,080.32</b>

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## SPENDDOWN

Enrollees with medical spenddowns are required to prepay their monthly spenddown amount to DHS. The enrollee must meet this monthly obligation in order to retain enrollment in MnDHO.

The fee-for-service experience excludes spenddown amounts. Therefore, spenddown amounts were added into the calculation for each base rate based on 2005 spenddown experience.

An adjustment was made to the spenddown experience before adding it to the base rates. The value of the first one and a half month's spenddown was estimated and deducted from all base rates. This adjustment was made since DHS assumes 50% of MnDHO enrollees with a spenddown requirement will disenroll after the 90-day grace period without having paid their spenddown.

Institutional spenddowns for enrollees in nursing facilities are collected directly by nursing facilities through a separate process and are therefore not included in the base rates. As a result, Table 2 reflects only the medical spenddown for both community and institutionalized enrollees.

Table 2 contains the PMPM amounts of total medical spenddown added to the acute base rates. These amounts reflect 2005 spenddown experience adjusted as described above. The spenddown per month (used to calculate the value of the first one and a half month's spenddown) was estimated by dividing the total spenddown dollars over the experience period by the average length of enrollment per member. This effectively assumes that the pattern of spenddown amounts is level by month, and not skewed with higher spenddown amounts in the earliest months.

<b>Table 2 MnDHO Spenddown Amounts Added to the Acute Base Rates Used for Development of 2009 and 2010 Base Rates</b>		
<b>Population</b>		<b>Spenddown PMPM</b>
Dual Eligibles	Institutional	\$2.94
	Community	27.12
Single Eligibles	Institutional	2.84
	Community	6.17

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### III. 2009 RATE DEVELOPMENT

This section of the report contains documentation of the required adjustments to the 2005 base data to develop 2009 rates effective January 1, 2009.

#### ACUTE AND PRESCRIPTION DRUG RATE DEVELOPMENT

##### Annual Trends, Cost of Living Adjustments, and Rebasing Adjustments

The acute and prescription drug fee-for-service base costs were trended to the center of the CY 2009 contract period. The annual trend assumptions, based on data provided by the Reports and Forecasts Division of DHS, were 0.9% for Home Health Agency (HHA) services, 5.6% for non-HHA, non-Personal Care Assistant (PCA) acute care services, and 9.0% for prescription drugs.

In addition to annual trends, the following cost of living adjustments (COLAs) and rebasing adjustments were made to specific categories of service (COS) in the 2005 fee-for-service data to develop the CY 2009 acute and prescription drug base rates based on information provided by DHS:

- > PMPM costs for COS 046 were increased 1.8% to reflect 2.0% COLAs for ARHMS and CTSS mental health services effective January 1, 2008 and July 1, 2008. These COLAs apply to 46.0% of the costs for COS 046 (1.8% = 4.0% x 46.0%).
- > PMPM costs for COS 020 (home health), 051 (physical therapy), 053 (speech therapy), 054 (occupational therapy), and 062 (chemical dependency) were increased 4.0% to reflect 2.0% COLAs effective January 1, 2008 and July 1, 2008.
- > PMPM costs for COS 001 (inpatient hospital general) and COS 015 (inpatient long-term hospital) were increased 26.0% and 22.0%, respectively, to account for the effect of inpatient hospital rebasing effective January 2007.

##### Adjustment for Utilization Savings and Administration / Margin Requirements

DHS is expecting more cost effective provision of services under the MnDHO program resulting in managed care savings from fee-for-service levels. The range of expected savings for acute services and prescription drugs is 5.0% to 10.0% due to reduced utilization. DHS assumed a utilization reduction of 7.40% from fee-for-service levels.

In addition, for acute services and prescription drugs we expect there to be both increased health plan administrative costs and a need for margin due to increased managed care efforts. DHS assumed acute and prescription drug administrative expenses and margin of 6.40% and 0.75% of medical expenses, respectively.

These three factors combine to a net acute and prescription drug savings of 0.78% from the fee-for-service benefit costs. Table 3 contains a summary of these assumptions.

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**Table 3  
MnDHO  
Range of Utilization Savings Assumptions and Administration / Margin  
Requirements  
Used for Development of 2009 Base Rates for  
Acute and Prescription Drug Services**

	<b>Assumed</b>
Utilization Reduction	7.40%
Administrative Expense / Margin	7.15%
Net Savings	0.78%

*Net Savings Calculation:  $(1.00 - 0.074) \times (1.00 + 0.715) = 0.9922$ , which is a 0.78% net savings  $(1.00 - 0.9922 = 0.0078)$*

### Adjustment for Over / Under-Prediction of Acute Care Risk Scores By Population

Testing of the acute care and prescription drug risk adjustment model indicated a bias of the risk weights to over-predict projected acute and prescription drug costs by approximately 13% for the institutional population. There was also a bias in the community population to under-predict projected acute and prescription drug costs by approximately 1%.

Therefore, the acute and prescription drug base rates for the institutional population were reduced by 13% and the acute and prescription drug base rates for the community population were increased by 1% such that the 2009 acute and prescription drug base rates and risk scores remained budget neutral while better accommodating future population mixes that may be different than the population mix use to develop the risk weights. These bias factors were calculated by Greg Gifford of the Minnesota Department of Health. We relied on these factors as given, but did perform reasonableness test where possible.

### Extended Chemical Dependency Treatment

The chemical dependency delivery system was redesigned for 2008 with the goal of focusing resources on the individual needs of the client. The previous 'levels of care' (e.g., outpatient, halfway house, extended care, etc.) are eliminated and a new assessment tool and protocol were put in place on July 1, 2008. MCOs will be responsible for all levels of treatment determined necessary during the assessment / reassessment process. As a result, costs for chemical dependency services COS 062 and 063 were included in the rates. Chemical dependency housing costs will be the health plans' responsibility; however, plans will be reimbursed outside of the MnDHO capitation for costs in COS 063.

### Freestanding Residential Treatment Centers

Effective January 1, 2009, the MCOs were no longer responsible for the room and board portion of chemical dependency costs (COS 062) for stays in freestanding residential treatment centers. The fee-for-service data received from DHS excluded these costs. Therefore, the aggregate fee-for-service cost experience contained in Table 1a accounts for this program change.

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## Medicare Adjustment for Prescription Drugs

Medicare provides prescription drug coverage for the dually eligible enrollees in MnDHO. The health plans maintain responsibility for drugs not covered under the standard Medicare Part D plan. DHS supplied information which showed that approximately 2.3% of the cost of prescription drugs for the dual eligible population is not covered by Medicare. Therefore, fee-for-service costs were reduced by 97.7% in the calculation of the base rates for prescription drugs for the dual eligible population.

## Adjustment for Zostavax Vaccine

The shingles vaccine (Zostavax) is covered under MnDHO for single eligibles (it is covered under Medicare Part D for dual eligibles). MCOs are expected to cover the cost of the serum and administration. The vaccine coverage is for individuals 60 years and over, whether or not they report a prior episode of shingles.

DHS estimated 12.8% of the MnDHO single eligible population would be ages 60 years and over. We assumed 10% of this population would obtain the one-time Zostavax vaccine in 2009 at a cost of \$189.78 per vaccination, resulting in a cost of \$0.20 PMPM ( $0.128 \times 0.10 \times \$189.78 / 12$ ). This cost was added to the 2009 prescription drug base rates in Appendix 2a.

The required rate adjustment to reflect the assumed percentage of the population who will receive the one-time Zostavax vaccine in 2010 is made in the CY 2010 Rate Development section of this report.

## Adjustments Made To Acute Care Risk Scores for Targeted Mental Health Enhancement

The acute care and prescription drug risk adjustment weights (and not the base rates) were adjusted for DHS' targeted mental health enhancement. The targeted enhancement includes the following:

- > The opening of new state-operated facilities.
- > ACT and IRTS being included in all program benefit sets effective January 2008.
- > An increase in payment rates for selected critical access providers of CTSS, mental health behavioral aide services, and ARHMS medication education services.
- > An increase in payments for CTSS individual and family skills training by children's therapeutic services and support providers.

Adjusting the risk weights (and not the base rates) appropriately allocates the extra revenue to those members DHS intended to help with the targeted mental health enhancement (i.e., those members with mental health diagnoses). Specifically, the Psychiatric Medium and High risk category weights were increased to add the extra revenue into the program for this enhancement.

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## Dialectical Behavioral Therapy

Beginning January 1, 2009, DHS began covering the cost of dialectical behavioral therapy (DBT) services. DHS estimated the cost of these services for 2009 would be approximately \$800,000. These costs were expected to occur almost exclusively within the disabled population, which was expected to be approximately 100,000 eligibles in 2009. Therefore, the expected 2009 cost of DBT services was \$0.67 PMPM ( $\$0.67 \text{ PMPM} = \$800,000 / (100,000 \times 12)$ ). This amount is included in the base rates contained in Appendix 2a and therefore will be risk adjusted.

## Medicaid Copay Changes

Medicaid copays were reduced since the 2005 fee-for-service base year. In 2005, the maximum prescription drug copay per month was \$12. For 2009, this amount was reduced to \$7 per month. According to State law, fee-for-service reimbursement rates may not be increased due to the reduction of these copay maximums. Likewise, payments to managed care plans may not be increased, presumably because managed care organizations are expected to follow suit by not adjusting provider reimbursement rates to compensate for this reduction in copays. Therefore, an explicit increase was not included in the rate development for the reduction in copays.

However, to conform to federal requirements, the rates were adjusted to account for monthly copays on prescription drugs and non-emergency visits to the emergency room being limited to 5% of family income for individuals at or below 100% of the federal poverty guidelines. Based on data from DHS, 0.70% of MA enrollee-months would be subject to a copay maximum for the year ending July 2008.

Assuming that copays for non-emergency visits to the emergency room are immaterial, the maximum copay that might be waived for the MnDHO population is the \$7 per enrollee per month for prescription drugs. Multiplying this maximum drug copay per month of \$7 by 0.70% gives a benefit cost of \$0.05 PMPM. This cost was added to the prescription drug rates in Appendix 2a.

This factor assumes non-emergency visits to the emergency room are immaterial, that all MnDHO members will have drug copays of the full maximum of \$7 per month, that all affected enrollees will have the entire copay waived, and that a MnDHO enrollee is typical with respect to income among the population represented in the data received from DHS, which includes fee-for-service as well as managed care enrollees.

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## LONG TERM CARE RATE DEVELOPMENT

### Annual Trends and Cost of Living Adjustments

The LTC fee-for-service costs were trended to the center of the CY 2009 contract period. The annual trend and COLA assumptions for LTC services, based on data provided by DHS, are provided in Table 4.

**Table 4  
MnDHO  
Annual LTC Trend and COLA Assumptions from 2005 to 2009  
Used for Development of 2009 Base Rates for  
Long Term Care Services**

LTC Services	2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009	Four-Year Aggregate Trend	COLA
Personal Care Assistant	1.9%	0.7%	1.8%	1.8%	6.3%	4.0%
Private Duty Nursing	4.1%	5.0%	6.9%	6.0%	23.9%	4.0%
TBI Waiver	7.0%	6.0%	4.9%	4.7%	24.6%	4.0%
CADI Waiver	18.0%	14.9%	12.2%	10.8%	68.6%	4.0%

### Adjustment for Utilization Savings and Administration / Margin Requirements

DHS is expecting more cost effective provision of services under the MnDHO program resulting in managed care savings from fee-for-service levels. The range of expected savings for LTC services is 2.0% to 5.0% due to reduced utilization. DHS assumed a utilization reduction of 3.77% from fee-for-service levels.

In addition, for LTC services we expect there to be both increased health plan administrative costs and a need for margin due to increased managed care efforts. DHS assumed LTC administrative expenses and margin to be 2.00% and 0.75% of medical expenses, respectively. The required administration load for LTC services is lower than for acute services since the LTC rates already include amounts for case management services.

These three factors combine to a net LTC savings of 1.12% from the fee-for-service benefit costs. Table 5 contains a summary of these assumptions.

**Table 5  
MnDHO  
Range of Utilization Savings Assumptions and Administration / Margin Requirements  
Used for Development of 2009 Base Rates for  
Long Term Care Services**

	Assumed
Utilization Reduction	3.77%
Administrative Expense / Margin	2.75%
Net Savings	1.12%

*Net Savings Calculations:  $(1.00 - 0.0377) \times (1.00 + 0.0275) = 0.9888$ , which is a 1.12% net savings  $(1.00 - 0.9888 = 0.0112)$*

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The LTC risk adjustment model introduced in 2009 resulted in a reduction of estimated 2009 CADI and TBI revenue of more than \$2,000,000 when compared to what would have produced under the 2008 LTC rate methodology (i.e., 2009 CADI and TBI rates equaling 2008 rates adjusted for trend).

A 2008 fiscal note indicated that the 2009 CADI and TBI rates needed to reflect a \$2,000,000 reduction in estimated 2009 CADI and TBI revenue to the managed care organizations (MCOs) when compared to what would have produced under the current LTC rate methodology.

In an effort to “phase-in” the LTC risk scores and maintain compliance with the fiscal note requirements, an increase was made to the base rates in Appendix 2b such that the reduction of estimated 2009 CADI and TBI revenue equaled \$2,000,000 when compared to what would have produced under the current LTC rate methodology.

Also under this fiscal note, the number of new enrollees receiving CADI or TBI waiver payments through MnDHO was limited to 200 in each calendar year from January 2009 through December 2011. If those limits were reached, additional members could be enrolled in MnDHO for basic care services only as defined in 256B.69, subdivision 28, and the commissioner could establish a waiting list for future access of MnDHO members to those waiver services.

In addition to the impact of the fiscal note, the LTC risk adjustment model introduced in 2009 resulted in a reduction of estimated 2009 HC revenue of slightly more than \$1,000,000 when compared to what would have been produced under the 2008 LTC rate methodology.

#### MENTAL HEALTH TARGETED CASE MANAGEMENT RATE DEVELOPMENT

Beginning July 1, 2009, MnDHO began covering mental health targeted case management (MH-TCM) services that were previously covered via fee-for-service. Table 6 contains the percentage of MnDHO eligibles receiving MH-TCM services via fee-for-service in 2007, the 2007 PMPM MH-TCM cost for the MH-TCM eligibles, and the 2007 PMPM MH-TCM cost across all MnDHO eligibles. In Appendix 2a, these amounts are adjusted to reflect an estimated 7% increase in utilization due to an expansion of the MH-TCM eligibility criteria and an additional 5% increase in utilization for trend from 2007 to 2009 ( $1.07 \times 1.05 = 1.124$ ). These amounts are not included in the base rates and therefore were not risk adjusted. Instead, the MH-TCM amounts were included in the rates as an add-on and were only included in the rates for July 2009 through December 2009.

<b>Table 6 MnDHO 2007 Mental Health Targeted Case Management Experience Used for Development of 2009 Rates</b>			
<b>Eligibility</b>	<b>% of MnDHO Eligibles Receiving MH-TCM Services in 2007</b>	<b>2007 PMPM Costs for MH-TCM Eligibles</b>	<b>2007 PMPM Costs for All MnDHO Eligibles</b>
Duals	1.7%	\$507.08	\$8.62
Non-Duals	1.7%	\$488.47	\$8.30

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## **IV. OCTOBER – DECEMBER 2009 RATE DEVELOPMENT**

This section of the report contains documentation of the required adjustments to the 2009 rates for legislative and unallotment changes effective October 1, 2009.

### **ACUTE AND PRESCRIPTION DRUG RATE DEVELOPMENT**

#### **Adjustment for Physician and Professional Services Ratable Reduction and Unallotment**

This legislative ratable reduction reduced the 2009 payment rates for applicable physician and professional services by 5%. In addition, the unallotment added another 1.5% reduction, for a total reduction of 6.5%. Office and outpatient services, preventive medicine services, and family planning services were exempt from this rate reduction when billed by primary care specialties (general practice, internal medicine, pediatrics, geriatrics, and family practice) or by an advanced practice registered nurse or physician assistant practicing in pediatrics, geriatrics, or family practice. The per member per month (PMPM) reductions in Exhibit 2a reflect a modification to the 6.5% reduction for the categories of service (COS) that contain exempt services based on data provided by DHS.

The physician and professional services ratable reduction did not apply to the Medicare cost sharing portion of the rates for dual eligible individuals. Therefore, the PMPM reductions in Exhibit 2a also include adjustments to reflect the portion of the rate for each COS that is for covering Medicare cost sharing amounts, as provided by DHS.

#### **Adjustment for Basic Care Ratable Reduction and Unallotment**

This legislative ratable reduction reduced the 2009 payment rates for basic care services by 3%. In addition, the unallotment added another 1.5% reduction, for a total reduction of 4.5%. Physician and professional services, inpatient hospital services, family planning services, mental health services, dental services prescription drugs, medical transportation, Federally Qualified Health Contract services, Rural Health Clinics, and Indian Health Services were exempt from this rate reduction. The PMPM reductions in Exhibit 2a reflect a modification to the 4.5% reduction for the COS that contain exempt services based on data provided by DHS.

The basic care ratable reduction did not apply to the Medicare cost sharing portion of the rates for dual eligible individuals. Therefore, the PMPM reductions in Exhibit 2a also include adjustments to reflect the portion of the rate for each COS that is for covering Medicare cost sharing amounts, as provided by DHS.

#### **Adjustment for Inpatient Ratable Reduction**

This legislative ratable reduction reduced the 2009 payment rates for inpatient hospital admissions occurring on or after July 1, 2009 by 1%. Facilities operated by the Indian Health Service and Indian tribes were exempt from this rate reduction; however, it was estimated that this exemption would not have an impact on the rates for the MnDHO population.

The inpatient ratable reduction did not apply to the Medicare cost sharing portion of the rates for dual eligible individuals. Therefore, the PMPM reductions in Exhibit 2 also include adjustments to reflect the portion of the rate for each COS that is for covering Medicare cost sharing amounts, as provided by DHS.

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### **Adjustment for Reimbursement Rates for Births – Physician Services**

Legislation established new professional services payment rates related to labor, delivery, antepartum, and postpartum care for the following diagnostic related groups (DRGs):

- > 371 - Cesarean section deliveries without complications,
- > 372 - Vaginal deliveries with complications, and
- > 373 - Vaginal deliveries without complications

The new rates were required to be consistent with an increase in the proportion of births by vaginal delivery and a reduction in the percentage of births by cesarean section. This legislative change was estimated to not impact the cost of inpatient maternity services for the MnDHO population due to very small number of births within this population.

### **Adjustment for Reimbursement Rates for Births – Inpatient Services**

Legislation also established new facility payment rates for births. For admissions occurring on or after October 1, 2009, the total operating and property payment rate, excluding disproportionate population adjustment, was required to be no greater than \$3,528 for the following DRGs:

- > 371 - Cesarean section without complicating diagnosis,
- > 372 - Vaginal delivery with complicating diagnosis, and
- > 373 - Vaginal delivery without complicating diagnosis

The new rates did not apply to newborn care. This legislative change was estimated to not impact the cost of inpatient maternity services for the MnDHO population due to very small number of births within this population.

## **LONG TERM CARE RATE DEVELOPMENT**

### **Adjustment for Individual PCA Provider Hours Reduced To 275**

Under the new legislation, PCAs are not be allowed to work more than 275 hours per month whether they work for one agency or recipient or multiple agencies or recipients. This legislative change was estimated to decrease the cost of PCA services 1.9% for the MnDHO population, as estimated by DHS.

### **Adjustment for Reduction Related To Provider Rate Reduction**

The provider rate reduction within the new legislation required a 2.58% reduction in rates for the following services:

- > CADI and TBI waiver services
- > State plan home care services
  - Home health services
  - Personal care assistance and private duty nursing

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### Adjustment for Foster Care Rate Limits

The new legislation included a 5% decrease for rates for adult foster care and supportive living services that are both:

- > Reimbursed under section 256B.49 and
- > Above 95 percent of the statewide rate for the service.

The PMPM reductions in Exhibit 2b reflect a modification to the 5% reduction for these limitations based on data provided by DHS.

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## V. 2010 RATE DEVELOPMENT

As in past years, in 2010 DHS will issue a single monthly payment to the health plan or its designee for which the health plan must provide the MnDHO benefits set forth in the contract for all enrolled persons.

- > The acute and prescription drug portion of the monthly payment will be equal to the product of the acute and prescription drug base rates multiplied by the health plan's average acute risk scores, which will be calculated quarterly and be based on the health plan's actual enrollment.
- > The LTC (for the non-TBI-NB population) portion of the monthly payment will be equal to the product of the LTC base rates multiplied by the health plan's average LTC risk scores, which will be calculated quarterly and be based on the health plan's actual enrollment. The LTC risk adjustment model and weights were updated for 2010 to better reflect the projected costs of all sub-populations within the MnDHO program with the exception of TBI-NB. For the Home Care population, only the PCA component of the base rate is risk adjusted.
- > The LTC (for the TBI-NB population and non-PCA component for the Home Care population), NF (for all MnDHO community enrollees), and MH-TCM (for all MnDHO enrollees) portions of the monthly payment will be equal to the LTC base rates, NF add-on rates, and MH-TCM add-on rates, respectively. These portions of the monthly payment are not risk adjusted.

The remainder of this section describes the adjustments to the 2009 base rates required to develop the CY 2010 base rates.

### ACUTE AND PRESCRIPTION DRUG RATE DEVELOPMENT

#### Trends

The 2009 to 2010 trend assumptions, based on data provided by DHS, are -1.0% for Home Health Agency (HHA) services, 5.2% for non-HHA, non-PCA acute care services, and 9.0% for prescription drugs.

#### Adjustments for Prescription Drug Benefits

##### Adjustment for Zostavax Vaccine

For the 2009 rate development, \$0.20 PMPM was included in the 2009 prescription base rates for the one-time Zostavax vaccine. For 2009, we assumed 10% of the population would obtain the one-time Zostavax vaccine. For 2010, we assumed 5% of this population would obtain the vaccine and the cost per vaccination would increase 9% from 2009 levels. This results in a projected 2010 Zostavax cost of \$0.11 PMPM ( $\$0.11 = \$0.20 / 0.10 \times 0.05 \times 1.09$ ). This \$0.09 PMPM cost reduction is included in the 2010 prescription base rates in Appendix 2a.

##### Adjustment for Gardasil

The drug Gardasil is covered under SNBC for single eligible males ages 18 to 26 (it is covered under the federal Part D for dual eligibles). MCOs are expected to cover the cost of the drug and administration. For the 2010 rate development, DHS estimated 2.3% of the MnDHO single eligible population would be males ages 18 to 26. DHS also assumed 7% of this population would obtain the three dose Gardasil treatment in 2010 at a cost of \$8.50 per dose, resulting in a cost of \$0.003 PMPM ( $0.003 = 3 \times \$8.50 \times 0.023 \times 0.07 / 12$ ). This cost was included in the 2010 prescription base rates.

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## Adjustment for Dental Services

Effective January 1, 2010, legislation modifies dental coverage for non-pregnant adults as follows:

- > Eliminates coverage for fixed bridges
- > Limits coverage to:
  - comprehensive exams, limited to once every five years
  - periodic exams, once per year
  - limited exams
  - bitewing x-rays, once per year
  - periapical x-rays
  - panoramic x-rays, once every five years and only if certain conditions are met. Allows panoramic x-rays to be provided once every two years to certain patients who cannot cooperate for intra-oral film
  - prophylaxis, once per year
  - application of fluoride varnish, once per year
  - posterior fillings at the amalgam rate
  - anterior fillings
  - endodontics, limited to root canals on the anterior and premolars only
  - removable prostheses, each dental arch limited to one every six years
  - oral surgery, limited to extractions, biopsies, and incision and drainage of abscesses
  - palliative treatment and sedative fillings for relief of pain
  - full mouth debridement, once every five years.
- > Provides the following services for adults, if provided in an outpatient hospital setting or freestanding ambulatory surgical center as part of outpatient dental surgery:
  - periodontics, limited to periodontal scaling and root planing once every two years
  - general anesthesia
  - full mouth survey once every five years
- > Provides coverage of dental services for children that are medically necessary, and that the following guidelines apply:
  - posterior fillings are paid at the amalgam rate
  - application of sealants once every five years per permanent molar
  - application of fluoride varnish is limited to once every six months

This change in benefit level was estimated to reduce dental costs by 22.5% for CY 2010, based on information provided by DHS.

## Adjustments for Mental Health Targeted Case Management

The fee-for-service data used to develop the 2009 rates was based on an underlying assumption that MH-TCM services were performed in 75% of the months for which those eligible for MH-TCM were enrolled. In fee-for-service, counties are responsible for the non-federal share of MH-TCM costs, which can create a fiscal disincentive for providing the services. However, under the MCO contracts, the counties no longer share this financial burden and have a greater incentive to provide an increased level of MH-TCM services. To reflect this, the 2010 rates use an assumption that MH-TCM services will be performed in 85% of the months for which those eligible for MH-TCM were enrolled, resulting in an increase of 13.33% ( $0.85 / 0.75 = 1.1333$ ) to the MH-TCM rates for 2010.

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## Health Care Home Care Coordination Benefit

Beginning July 1, 2010, a new Medicaid benefit is being added for health care home (HCH) care coordination for payments to certified clinics or practitioners meeting new MDH criteria. Payments are to be made for people with one or more chronic conditions. The adjustment to the 2010 rates was based on an analysis of FY 2008 data to determine the presence of chronic conditions within the MnDHO population, allocating the population into five categories (zero, one, two, three, or four or more chronic conditions). We determined that due to the number of HCH services that may be certified in 2010 and where members might be served, approximately 1.5 months per person per year with at least one chronic condition could be eligible in 2010.

For the dual population, we assumed there would be no payment for those with one chronic condition since Medicare, as the primary payer, should be fully responsible for the less involved populations. For duals with two or more chronic conditions, we allocated approximately 50% of the estimated value of the Medicaid service because we do not want to supplant Medicare services. Rates for both the community and institutional populations were increased for the HCH benefit.

### Costs by Service Category

Appendix 2a contains actuarial cost models which show the distribution of acute and prescription drug PMPM costs by service category for the four base rate population combinations. For 2005, the total cost of prescription drugs is included in the dual eligible cost models. The spenddown amounts shown in Appendix 2a are the total adjusted spenddown amounts contained in Table 2.

### Base Rate Components

Appendix 1 contains the components required to develop the CY 2010 acute and prescription drug base rates for each combination of:

- > Institutional Status -- Institutional (NF population) vs. Community (all other populations) and
- > Medicare Coverage Status -- Dual eligibility vs. Single eligibility (i.e., Medicaid only)

The acute and prescription drug base rates are multiplied by the health plan's average acute risk scores to determine the monthly acute and prescription drug revenue amounts. The acute risk scores in Appendix 1 are for illustrative purposes only and are only an estimate of the true 2010 risk scores for the health plan.

## LONG TERM CARE RATE DEVELOPMENT

### Trends

The 2009 to 2010 trend assumptions, based on data provided by the Reports and Forecasts Division of DHS, are 1.3% for PCA services, 4.7% for PDN services, and 3.5% for TBI waiver services.

The CADI trend from 2009 to 2010 is 6.7%, based on data provided by the Reports and Forecasts Division of DHS. However, legislation states that, if necessary to comply with requirements for home and community based costs to not exceed costs that would have been incurred under fee for service, the commissioner shall maintain the base rate for 2010 and 2011 at the 2009 contract levels. To comply with this requirement, the CADI trend from 2009 to 2010 was set to 0% for the 2010 rate development.

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## Modification of Assessment and Access To PCA Services

Based on estimates from DHS, the ADL limits effective in 2010, as represented in the forecast for the fee-for-service PCA program, are projected to reduce the number of individuals eligible for PCA services by 3.36%. The individuals losing eligibility are assumed to have an average PCA cost equal to 55% of the overall average PCA cost. This results in a required reduction to the PCA rates for 2010 of 1.85% ( $0.0185 = 0.0336 \times 0.55$ ) for individuals in the waiver rate cells. PCA costs for individuals in the Home Care rate cell are adjusted for this legislative change through application of a new risk adjustment model which already incorporates the criteria for the new required assessment process.

## Adjustment for Updated LTC Risk Adjustment Model for the Home Care Population

The LTC risk scores developed using the 2009 LTC risk adjustment weights for the Home Care population did not appropriately reflect the MCO's Home Care population costs. To compensate for this, an increase was made to the 2009 Home Care base rates in Appendix 2b to effectively apply a more appropriate LTC risk score adjustment for the Home Care population. The LTC risk adjustment model and weights were updated for 2010 to better reflect the projected costs of the Home Care population. As a result, the 1.3628 base rate adjustment made in 2009 was removed for the 2010 rate development.

The 2010 home care population LTC risk adjustment model has been developed based on legislative changes made to access, assessment and authorization of PCA services. The revised risk adjustment model incorporates the new PCA home care assessment criteria, structure and elements using data from the LTCC screening document and will be applied to the Home Care rate cell members effective January 1, 2010. However, the legislation allowed for re-assessments to implement the new changes to be completed between January 1 and July 1, 2010. To reflect the fact that savings from the new assessment criteria and changes will not be fully achieved until after the July 1, 2010 assessment completion date, a 2010 base rate adjustment of 1.08 was made. In addition, some data elements needed to identify "complex health" were not yet available in the LTCC screening document data. An additional 2010 base rate adjustment of 1.08 was made to temporarily account for expected under prediction due to the missing data elements. The model will be updated for 2011 once this data is available.

The net effect of removing the 2009 Home Care base rate adjustments and applying the 2010 Home Care base rate adjustments is an adjustment to the 2009 Home Care base rates of 0.8559 ( $0.8559 = 1.08 \times 1.08 / 1.3628$ ).

## Costs by Service Category

Appendix 2b contains actuarial cost models which show the distribution of LTC PMPM costs by service category for the four MnDHO populations that receive LTC revenue (TBI-NB, TBI-NF, CADI, and HC).

The values in Appendix 2b are for single eligibles and dual eligibles combined. For the non-TBI-NB population, the LTC risk scores account for differences in costs between single and dual eligibles. For the TBI-NB population, for which the LTC rates are not risk adjusted, a separate adjustment is made to reflect the expected differences in costs between single and dual eligibles, as contained in Table 7.

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**Table 7  
MnDHO  
Medicaid Only vs. Dual Eligibility LTC Rate Adjustments for TBI-NB  
Used for Development of 2009 and 2010 Base Rates for  
Long Term Care Services**

<b>Eligibility</b>	<b>Factor</b>
Medicaid Only	0.897
Dual Eligible	1.113

### Base Rate Components

Appendix 1 contains the components required to develop the CY 2010 LTC base rates for each LTC population (CADI, HC, TBI-NB, and TBI-NF).

With the exception of the TBI-NB population and the non-PCA component for the Home Care population, the LTC base rates are multiplied by the health plan's average LTC risk scores to determine the monthly LTC revenue amounts. The LTC risk scores in Appendix 1 are for illustrative purposes only and are only an estimate of the true 2010 risk scores for the health plan. The LTC base rates for the TBI-NB population and the non-PCA component for the Home Care population are not risk adjusted.

### Limitations on New MnDHO Enrollment

The number of new enrollees receiving CADI or TBI waiver payments through MnDHO is limited to 1,000 through June 2011. If those limits are reached, additional members may be enrolled in MnDHO for basic care services only as defined in 256B.69, subdivision 28, and the commissioner may establish a waiting list for future access of MnDHO members to those waiver services.

### NURSING FACILITY ADD-ON RATE DEVELOPMENT

Appendix 1 contains the CY 2010 NF add-on rates based on Medicare coverage status. The NF add-on rates are not risk adjusted.

### MENTAL HEALTH TARGETED CASE MANAGEMENT RATE DEVELOPMENT

Appendix 1 contains the CY 2010 MH-TCM add-on rates based on rate cell. The MH-TCM add-on rates are not risk adjusted.

### LEGISLATED PREMIUM TAX

The CY 2010 final capitation rates include the legislated premium tax of 1%.

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## VI. MnDHO NURSING FACILITY ADD-ON RATE

The health plan will be responsible for the first 180 days of nursing facility care for new admissions. The nursing facility per diem costs for persons who resided in nursing facilities prior to enrollment in the health plan are paid on a fee-for-service basis by the Medical Assistance program. For dual eligibles, Medicare covered skilled nursing facility days are counted toward the 180 days health plan liability. The 180 days may be consecutive days or total days for multiple admissions for a contract year.

The aggregate nursing facility rate for the MnDHO population is calculated by the following formula:

$$\begin{aligned} \text{Monthly Rate} &= \text{Annual Frequency of Nursing Facility Admissions} / 12 \\ &x \text{ Average Length-of-Stay} \\ &x \text{ Average Charge per Day} \end{aligned}$$

The calculations of the initial rate and subsequent adjustments are outlined on page 2 of Appendix 3:

- > Section A contains the calculation of the initial rate. The initial rate is equal to the expected nursing facility costs for days in CY 2010 resulting from admissions occurring in CY 2010, divided by projected community eligible months in CY 2010. The initial rate PMPM for CY 2010 is \$76.57.
- > Section B contains the calculation of the tail rate. The tail rate is equal to the expected nursing facility costs for days in CY 2010 resulting from admissions occurring in CY 2009, divided by projected community eligible months in CY 2010. The tail rate PMPM for CY 2010 is \$20.04.
- > Section C contains the calculations of the value of the enrollment adjustment based on updated enrollment. There is an enrollment adjustment for CY 2010 of \$2.42 PMPM. The enrollment adjustments account for plans being underpaid in CY 2009 due to the CY 2009 rates being based on projected CY 2009 enrollment.
- > Section D contains the initial base rate for CY 2010 of \$99.03. The initial base rate has been decreased by 1.7% so that disenrollment fees do not need to be charged. Without this adjustment, a disenrollment fee would need to be paid to the state by the MCO when an institutionalized MnDHO enrollee disenrolls during the 180-day benefit period. The resulting final base rate for CY 2010 is \$97.35.

The data source for the calculation of the frequency, average length-of-stay (ALOS), and average charge per day consists of fee-for-service experience data from CY 2004 and CY 2005 for eligibles with disabilities. This data was compiled by DHS staff. The data reflects experience from the single eligible population (those eligible only for Medicaid) and the dually eligible population (those eligible for both Medicare and Medicaid benefits).

### FREQUENCY

The frequency of admission is expressed as the expected number of admissions per eligible on an annual basis. The annual frequency of admission is 6.7%.

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## AVERAGE LENGTH-OF-STAY

The ALOS is 102.2 days. This amount includes only the first 180 days per stay for all admissions combined. Skilled nursing facility days reimbursed by Medicare will be included in the 180-day pre-funded liability, with lower payments due to Medicare's portion. In the NF Add-on rate calculation, the length-of-stay is adjusted to exclude days which occur beyond the contract period resulting in an average length of stay of 78.8 days.

## CHARGE PER DAY

An initial charge per day of \$163.38 was based on the projected 2008 nursing facility charge per day, prior to any COLA adjustments, using information prepared by DHS for the disabled fee-for-service population. The charge reflects Medicaid reimbursed amounts. The estimated charge per day was increased 1.87% to reflect the COLA for nursing facility services effective January 1, 2008. The estimated charge per day was increased an additional 3.4% and 1.1% for nursing facility trend from 2008 to 2009 and from 2009 to 2010, respectively. This results in a final projected CY 2010 charge per day of \$173.99 (\$173.99 = \$163.38 x 1.0187 x 1.034 x 1.011). The 1.1% trend from 2009 to 2010 includes the impact of the new legislation's suspension of nursing facility rebasing for FY 2010.

## BASE RATE CALCULATION

The single and dual eligible base rate calculations use the following formula:

$$\frac{\text{Admits}}{\text{Eligible Months}} \times \frac{\text{Days}}{\text{Admit}} \times \frac{\$}{\text{Day}} = \frac{\$}{\text{Eligible Months}}$$

The base rate calculation only considers nursing facility days that occur within the contract period and is therefore dependent on the enrollment assumptions by month. Enrollment assumptions by month were provided by DHS and are shown in the detailed aggregate rate calculations contained on page 1 of Appendix 3.

## ELIGIBILITY ADJUSTMENTS

Table 8 contains the eligibility adjustments based on historical fee-for-service nursing facility cost experience by Medicare eligibility.

<b>Table 8 MnDHO NF Add-On Medicaid Only vs. Dual Eligibility Rate Adjustments Used for Development of 2009 and 2010 Base Rates</b>	
<b>Eligibility</b>	<b>Factor</b>
Medicaid Only	0.772
Dual Eligible	1.080

The historical cost experience showed that Medicaid only eligibles had much lower costs than dual eligibles.

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## FINAL NURSING FACILITY ADD-ON RATES

The resulting 2010 NF add-on rates are contained in Table 9. The value of the 180-day benefit in the capitation payment includes the dollar value of the institutional spenddown amount.

<b>Table 9 MnDHO Final 2010 NF Add-On Rates</b>	
<b>Eligibility</b>	<b>Factor</b>
Medicaid Only	\$75.13
Dual Eligible	105.16

Note that the 2010 NF add-on rates contain one set of rates, applicable to both the nursing home certifiable populations and other community populations.

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## Appendix 1

### MnDHO 2010 Base Rates

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**Minnesota Disability Health Options For the Physically Disabled**  
Rate Development For Calendar Year 2010

November 30, 2009

**Appendix 1**  
**MnDHO**  
**2010 Rate Components Per Member Per Month (PMPM)**  
**All Amounts Include 1% Premium Tax Loading**

Column:			A	B	C	D	E	F	G1	G2	H	I	J	K	L	M	N		
Reference:			From App. 2a	From App. 2a	From App. 2a	A + B + C	From Risk Model	D x E	From App. 2b	From App. 2b	From App. 2b	G1 + G2 + H	From Risk Model	I x J <sup>(1)</sup>	From App. 2a	From App. 2a	F+K+L+M		
			Acute and Prescriptions Drugs							Long Term Care									
Population			Rate Cell	Acute Base Rate	Rx Base Rate	Spenddown Adjustment	Acute Base Rate for Risk Adjustment	Acute Risk Score	Base Rate After Risk Adjustment	PCA Base Rate	PDN Base Rate	Other LTC Waiver Services Base Rate	Total LTC Base Rate	LTC Risk Score	LTC Base Rate After Risk Adjustment	NF Add-On	MH-TCM Add-On	Total MnDHO Rate	
Other Community	Dual Eligibles		A	\$430.54	\$15.08	\$27.39	\$473.01	1.8554	\$877.62	N/A	N/A	N/A	N/A	N/A	N/A	\$105.16	\$11.70	\$994.48	
	Single Eligibles		A	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	N/A	N/A	N/A	N/A	N/A	N/A	75.12	11.26	2,901.39	
CADI	Dual Eligibles	Diversion	B	\$430.54	\$15.08	\$27.39	\$473.01	1.8554	\$877.62	\$697.69	\$3.73	\$3,386.52	\$4,087.94	1.2372	\$5,057.46	\$105.16	\$11.70	\$6,051.94	
		Conversion	K	430.54	15.08	27.39	473.01	1.8554	877.62	697.69	3.73	3,386.52	4,087.94	1.2372	5,057.46	N/A	11.70	5,946.78	
	Single Eligibles	Diversion	B	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	697.69	3.73	3,386.52	4,087.94	1.0596	4,331.69	75.12	11.26	7,233.08	
		Conversion	K	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	697.69	3.73	3,386.52	4,087.94	1.0596	4,331.69	N/A	11.26	7,157.96	
HC	Dual Eligibles		E	\$430.54	\$15.08	\$27.39	\$473.01	1.8554	\$877.62	\$2,023.51	\$405.34	\$80.59	\$2,509.44	0.8980	\$2,303.02	\$105.16	\$11.70	\$3,297.50	
	Single Eligibles		E	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	2,023.51	405.34	80.59	2,509.44	0.8980	2,303.02	75.12	11.26	5,204.41	
TBI-NB	Dual Eligibles	Diversion	I	\$430.54	\$15.08	\$27.39	\$473.01	1.8554	\$877.62	\$100.11	\$0.00	\$13,625.46	\$13,725.57	N/A	\$13,725.57	\$105.16	\$11.70	\$14,720.05	
		Conversion	R	430.54	15.08	27.39	473.01	1.8554	877.62	100.11	0.00	13,625.46	13,725.57	N/A	13,725.57	N/A	11.70	14,614.89	
	Single Eligibles	Diversion	I	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	80.68	0.00	10,981.16	11,061.84	N/A	11,061.84	75.12	11.26	13,963.23	
		Conversion	R	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	80.68	0.00	10,981.16	11,061.84	N/A	11,061.84	N/A	11.26	13,888.11	
TBI-NF	Dual Eligibles	Diversion	J	\$430.54	\$15.08	\$27.39	\$473.01	1.8554	\$877.62	\$667.15	\$18.63	\$3,776.30	\$4,462.08	1.2452	\$5,556.04	\$105.16	\$11.70	\$6,550.52	
		Conversion	S	430.54	15.08	27.39	473.01	1.8554	877.62	667.15	18.63	3,776.30	4,462.08	1.2452	5,556.04	N/A	11.70	6,445.36	
	Single Eligibles	Diversion	J	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	667.15	18.63	3,776.30	4,462.08	1.2420	5,541.95	75.12	11.26	8,443.34	
		Conversion	S	1,254.68	393.00	6.23	1,653.91	1.7020	2,815.01	667.15	18.63	3,776.30	4,462.08	1.2420	5,541.95	N/A	11.26	8,368.22	
NF	Dual Eligibles		U	\$442.85	\$23.67	\$2.97	\$469.49	1.8554	\$871.09	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$10.07	\$881.16	
	Single Eligibles		U	2,439.68	1,059.04	2.87	3,501.59	1.7020	5,959.81	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.70	5,969.51	

<sup>(1)</sup> For the Home Care (HC) rates, the LTC Base Rate After Risk Adjustment formula in column K is (G1 x J) + G2 + H

This material assumes that the reader is familiar with Minnesota Medicaid programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated programs. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

## Appendix 2A

### MnDHO PMPM Acute and Prescription Drug Cost Models

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This material assumes that the reader is familiar with Minnesota Medicaid programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated programs. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

**Minnesota Disability Health Options For the Physically Disabled**  
Rate Development For Calendar Year 2010

November 30, 2009

**Appendix 2a  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Acute Services and Prescription Drugs  
Institutional Status: Institutionalized  
Medicare Eligibility: Dual Eligibles**

Base Data		January through September 2009 Rate Development							October through December 2009 Rate Development							2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Utilization Savings	Admin Load	January - September 2009 PMPM Rates	Physician & Prof Services Ratable Reduction & Unalltmnt	Basic Care Ratable Reduction & Unalltmnt	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Reimb. Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Utilization Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$53.17	1.245	1.260	0.87	0.9260	1.0715	\$72.00	\$0.00	\$0.00	\$0.25	1.000	1.000	1.0000	\$71.75	1.052	\$0.00	1.000	1.0000	\$75.48
006	Rehabilitation	0.30	1.245	1.000	0.87	0.9260	1.0715	0.33	0.00	0.00	0.00	1.000	1.000	1.0000	0.33	1.052	0.00	1.000	1.0000	0.35
007	Outpatient Hospital Services	15.79	1.245	1.000	0.87	0.9260	1.0715	16.98	0.00	0.03	0.00	1.000	1.000	1.0000	16.95	1.052	0.00	1.000	1.0000	17.83
015	Inpatient Long Term Hospital	1.19	1.245	1.220	0.87	0.9260	1.0715	1.56	0.00	0.00	0.01	1.000	1.000	1.0000	1.55	1.052	0.00	1.000	1.0000	1.63
020	Home Health Services	0.18	1.037	1.040	0.87	0.9260	1.0715	0.17	0.00	0.00	0.00	1.000	1.000	0.9742	0.17	0.990	0.00	1.000	1.0000	0.17
032	Medical Supply / DME	48.15	1.245	1.000	0.87	0.9260	1.0715	51.75	0.00	1.08	0.00	1.000	1.000	1.0000	50.67	1.052	0.00	1.000	1.0000	53.30
036	Transport, Special	61.55	1.245	1.000	0.87	0.9260	1.0715	66.15	0.00	0.00	0.00	1.000	1.000	1.0000	66.15	1.052	0.00	1.000	1.0000	69.59
037	Transport, Ambulance	11.56	1.245	1.000	0.87	0.9260	1.0715	12.42	0.00	0.00	0.00	1.000	1.000	1.0000	12.42	1.052	0.00	1.000	1.0000	13.07
041	Anesthesia	1.74	1.245	1.000	0.87	0.9260	1.0715	1.87	0.00	0.00	0.00	1.000	1.000	1.0000	1.87	1.052	0.00	1.000	1.0000	1.97
043	Physician Services	55.61	1.245	1.000	0.87	0.9260	1.0715	59.77	0.43	0.00	0.00	1.000	1.000	1.0000	59.34	1.052	0.00	1.000	1.0000	62.43
045	Dental	19.27	1.245	1.000	0.87	0.9260	1.0715	20.71	0.00	0.00	0.00	1.000	1.000	1.0000	20.71	1.052	0.00	0.775	1.0000	16.88
046	Mental Health	35.34	1.245	1.018	0.87	0.9260	1.0715	38.67	0.00	0.00	0.00	1.000	1.000	1.0000	38.67	1.052	0.00	1.000	1.0000	40.68
051	Physical Therapy	6.63	1.245	1.040	0.87	0.9260	1.0715	7.41	0.00	0.00	0.00	1.000	1.000	1.0000	7.41	1.052	0.00	1.000	1.0000	7.80
053	Speech Therapy	2.03	1.245	1.040	0.87	0.9260	1.0715	2.27	0.00	0.00	0.00	1.000	1.000	1.0000	2.27	1.052	0.00	1.000	1.0000	2.39
054	Occupational Therapy	14.41	1.245	1.040	0.87	0.9260	1.0715	16.10	0.61	0.00	0.00	1.000	1.000	1.0000	15.49	1.052	0.00	1.000	1.0000	16.30
055	Podiatry	0.81	1.245	1.000	0.87	0.9260	1.0715	0.87	0.00	0.00	0.00	1.000	1.000	1.0000	0.87	1.052	0.00	1.000	1.0000	0.92
056	Ambulatory Surgery	0.01	1.245	1.000	0.87	0.9260	1.0715	0.01	0.00	0.00	0.00	1.000	1.000	1.0000	0.01	1.052	0.00	1.000	1.0000	0.01
057	Chiropractic	0.04	1.245	1.000	0.87	0.9260	1.0715	0.04	0.00	0.00	0.00	1.000	1.000	1.0000	0.04	1.052	0.00	1.000	1.0000	0.04
058	Audiology	0.28	1.245	1.000	0.87	0.9260	1.0715	0.31	0.02	0.00	0.00	1.000	1.000	1.0000	0.29	1.052	0.00	1.000	1.0000	0.31
062	Chemical Dependency	1.17	1.245	1.040	0.87	0.9260	1.0715	1.31	0.00	0.00	0.00	1.000	1.000	1.0000	1.31	1.052	0.00	1.000	1.0000	1.38
072	Hospice	2.63	1.245	1.000	0.87	0.9260	1.0715	2.83	0.00	0.00	0.00	1.000	1.000	1.0000	2.83	1.052	0.00	1.000	1.0000	2.98
074	Inpatient Hospital 45 Day Psych Contract	0.82	1.245	1.000	0.87	0.9260	1.0715	0.89	0.00	0.00	0.00	1.000	1.000	1.0000	0.89	1.052	0.00	1.000	1.0000	0.94
075	Eyeglasses / Contact Lenses	2.69	1.245	1.000	0.87	0.9260	1.0715	2.89	0.00	0.13	0.00	1.000	1.000	1.0000	2.76	1.052	0.00	1.000	1.0000	2.90
076	Prosthetics and Orthotics	3.68	1.245	1.000	0.87	0.9260	1.0715	3.96	0.00	0.07	0.00	1.000	1.000	1.0000	3.89	1.052	0.00	1.000	1.0000	4.09
077	Hearing Aids	0.67	1.245	1.000	0.87	0.9260	1.0715	0.71	0.00	0.00	0.00	1.000	1.000	1.0000	0.71	1.052	0.00	1.000	1.0000	0.75
078	Vision Care	2.31	1.245	1.000	0.87	0.9260	1.0715	2.48	0.10	0.00	0.00	1.000	1.000	1.0000	2.38	1.052	0.00	1.000	1.0000	2.50
079	Radiology, Technical Component	14.30	1.245	1.000	0.87	0.9260	1.0715	15.37	0.05	0.00	0.00	1.000	1.000	1.0000	15.32	1.052	0.00	1.000	1.0000	16.12
080	Laboratory	1.15	1.245	1.000	0.87	0.9260	1.0715	1.24	0.00	0.01	0.00	1.000	1.000	1.0000	1.23	1.052	0.00	1.000	1.0000	1.29
082	Federal Qualified Health Contract Service	3.50	1.245	1.000	0.87	0.9260	1.0715	3.76	0.00	0.00	0.00	1.000	1.000	1.0000	3.76	1.052	0.00	1.000	1.0000	3.96
087	End-Stage Renal Dialysis	14.66	1.245	1.000	0.87	0.9260	1.0715	15.76	0.00	0.00	0.00	1.000	1.000	1.0000	15.76	1.052	0.00	1.000	1.0000	16.58
088	Public Health Nursing	0.01	1.245	1.000	0.87	0.9260	1.0715	0.01	0.00	0.00	0.00	1.000	1.000	1.0000	0.01	1.052	0.00	1.000	1.0000	0.01
091	Nurse Practitioner Services	1.59	1.245	1.000	0.87	0.9260	1.0715	1.71	0.01	0.00	0.00	1.000	1.000	1.0000	1.70	1.052	0.00	1.000	1.0000	1.79
999	Unable to Define	0.17	1.245	1.000	0.87	0.9260	1.0715	0.19	0.00	0.00	0.00	1.000	1.000	1.0000	0.19	1.052	0.00	1.000	1.0000	0.20
	Dialectical Behavioral Therapy	0.67	1.000	1.000	0.87	0.9260	1.0715	0.58	0.00	0.00	0.00	1.000	1.000	1.0000	0.58	1.052	0.00	1.000	1.0000	0.61
	Health Care Home Care Coordination	0.00						0.00							0.00			1.000	1.0000	1.17
	Total Acute without Prescription Drugs	\$377.43						\$422.50							\$420.28					\$438.42
	Prescription Drugs *	767.92	1.412	0.023	0.87	0.9260	1.0715	21.58	0.00	0.00	0.00	1.000	1.000	1.0000	21.58	1.090	(0.09)	1.000	1.0000	\$23.43
	Spenddown	3.40						2.94	0.00	0.00	0.00	1.000	1.000	1.0000	2.94	1.000	0.00	1.000	1.0000	2.94
	Grand Total Acute	\$1,148.74						\$447.02							\$444.80					\$464.79
	Mental Health Targeted Case Management	\$8.62	1.124	1.000	0.87	0.9260	1.0715	\$8.36	\$0.00	\$0.00	\$0.00	1.000	1.000	1.0000	\$8.36	1.052	0.00	1.000	1.1333	\$9.97
	2005 Eligible Months	10,044																		

\* Estimated 2009 PMPM includes an additional \$0.05 for Medicaid copay changes

**Appendix 2a  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Acute Services and Prescription Drugs  
Institutional Status: Community  
Medicare Eligibility: Dual Eligibles**

Base Data		January through September 2009 Rate Development							October through December 2009 Rate Development							2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Utilization Savings	Admin Load	January - September 2009 PMPM Rates	Physician & Prof Services Ratable Reduction & Unallmtmt	Basic Care Ratable Reduction & Unallmtmt	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Reimb. Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Utilization Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$32.76	1.245	1.260	1.01	0.9260	1.0715	\$51.50	\$0.00	\$0.00	\$0.08	1.000	1.000	1.0000	\$51.42	1.052	\$0.00	1.000	1.0000	\$54.09
006	Rehabilitation	0.25	1.245	1.000	1.01	0.9260	1.0715	0.31	0.00	0.00	0.00	1.000	1.000	1.0000	0.31	1.052	0.00	1.000	1.0000	0.33
007	Outpatient Hospital Services	16.72	1.245	1.000	1.01	0.9260	1.0715	20.86	0.00	0.05	0.00	1.000	1.000	1.0000	20.81	1.052	0.00	1.000	1.0000	21.89
014	Inpatient Hospital IMD	0.08	1.245	1.000	1.01	0.9260	1.0715	0.10	0.00	0.00	0.00	1.000	1.000	1.0000	0.10	1.052	0.00	1.000	1.0000	0.11
015	Inpatient Long Term Hospital	5.48	1.245	1.220	1.01	0.9260	1.0715	8.34	0.00	0.00	0.08	1.000	1.000	1.0000	8.26	1.052	0.00	1.000	1.0000	8.69
020	Home Health Services	28.65	1.037	1.040	1.01	0.9260	1.0715	30.96	0.00	0.00	0.00	1.000	1.000	0.9742	30.16	0.990	0.00	1.000	1.0000	29.86
029	RTC - Mental Health	0.74	1.245	1.000	1.01	0.9260	1.0715	0.92	0.00	0.00	0.00	1.000	1.000	1.0000	0.92	1.052	0.00	1.000	1.0000	0.97
032	Medical Supply / DME	17.75	1.245	1.000	1.01	0.9260	1.0715	22.15	0.00	0.54	0.00	1.000	1.000	1.0000	21.61	1.052	0.00	1.000	1.0000	22.73
036	Transport, Special	11.99	1.245	1.000	1.01	0.9260	1.0715	14.96	0.00	0.00	0.00	1.000	1.000	1.0000	14.96	1.052	0.00	1.000	1.0000	15.74
037	Transport, Ambulance	3.81	1.245	1.000	1.01	0.9260	1.0715	4.75	0.00	0.00	0.00	1.000	1.000	1.0000	4.75	1.052	0.00	1.000	1.0000	5.00
041	Anesthesia	1.04	1.245	1.000	1.01	0.9260	1.0715	1.30	0.00	0.00	0.00	1.000	1.000	1.0000	1.30	1.052	0.00	1.000	1.0000	1.37
043	Physician Services	41.79	1.245	1.000	1.01	0.9260	1.0715	52.15	0.30	0.00	0.00	1.000	1.000	1.0000	51.85	1.052	0.00	1.000	1.0000	54.55
045	Dental	13.00	1.245	1.000	1.01	0.9260	1.0715	16.22	0.00	0.00	0.00	1.000	1.000	1.0000	16.22	1.052	0.00	0.775	1.0000	13.22
046	Mental Health	98.45	1.245	1.018	1.01	0.9260	1.0715	125.05	0.00	0.00	0.00	1.000	1.000	1.0000	125.05	1.052	0.00	1.000	1.0000	131.55
051	Physical Therapy	1.43	1.245	1.040	1.01	0.9260	1.0715	1.85	0.01	0.00	0.00	1.000	1.000	1.0000	1.84	1.052	0.00	1.000	1.0000	1.94
053	Speech Therapy	0.12	1.245	1.040	1.01	0.9260	1.0715	0.16	0.01	0.00	0.00	1.000	1.000	1.0000	0.15	1.052	0.00	1.000	1.0000	0.16
054	Occupational Therapy	2.36	1.245	1.040	1.01	0.9260	1.0715	3.06	0.16	0.00	0.00	1.000	1.000	1.0000	2.90	1.052	0.00	1.000	1.0000	3.05
055	Podiatry	0.32	1.245	1.000	1.01	0.9260	1.0715	0.39	0.01	0.00	0.00	1.000	1.000	1.0000	0.38	1.052	0.00	1.000	1.0000	0.40
056	Ambulatory Surgery	0.03	1.245	1.000	1.01	0.9260	1.0715	0.04	0.00	0.00	0.00	1.000	1.000	1.0000	0.04	1.052	0.00	1.000	1.0000	0.04
057	Chiropractic	0.55	1.245	1.000	1.01	0.9260	1.0715	0.69	0.00	0.00	0.00	1.000	1.000	1.0000	0.69	1.052	0.00	1.000	1.0000	0.73
058	Audiology	0.08	1.245	1.000	1.01	0.9260	1.0715	0.10	0.00	0.00	0.00	1.000	1.000	1.0000	0.10	1.052	0.00	1.000	1.0000	0.11
062	Chemical Dependency	5.82	1.245	1.040	1.01	0.9260	1.0715	7.55	0.00	0.00	0.00	1.000	1.000	1.0000	7.55	1.052	0.00	1.000	1.0000	7.94
063	CD Extended Care / Halfway House	1.36	1.245	1.000	1.01	0.9260	1.0715	1.70	0.00	0.00	0.00	1.000	1.000	1.0000	1.70	1.052	0.00	1.000	1.0000	1.79
072	Hospice	3.25	1.245	1.000	1.01	0.9260	1.0715	4.06	0.00	0.00	0.00	1.000	1.000	1.0000	4.06	1.052	0.00	1.000	1.0000	4.27
074	Inpatient Hospital 45 Day Psych Contract	2.45	1.245	1.000	1.01	0.9260	1.0715	3.05	0.00	0.00	0.00	1.000	1.000	1.0000	3.05	1.052	0.00	1.000	1.0000	3.21
075	Eyeglasses / Contact Lenses	2.02	1.245	1.000	1.01	0.9260	1.0715	2.52	0.00	0.11	0.00	1.000	1.000	1.0000	2.41	1.052	0.00	1.000	1.0000	2.54
076	Prosthetics and Orthotics	1.60	1.245	1.000	1.01	0.9260	1.0715	2.00	0.00	0.04	0.00	1.000	1.000	1.0000	1.96	1.052	0.00	1.000	1.0000	2.06
077	Hearing Aids	0.45	1.245	1.000	1.01	0.9260	1.0715	0.56	0.00	0.01	0.00	1.000	1.000	1.0000	0.55	1.052	0.00	1.000	1.0000	0.58
078	Vision Care	0.93	1.245	1.000	1.01	0.9260	1.0715	1.16	0.04	0.00	0.00	1.000	1.000	1.0000	1.12	1.052	0.00	1.000	1.0000	1.18
079	Radiology, Technical Component	12.25	1.245	1.000	1.01	0.9260	1.0715	15.28	0.08	0.00	0.00	1.000	1.000	1.0000	15.20	1.052	0.00	1.000	1.0000	15.99
080	Laboratory	1.49	1.245	1.000	1.01	0.9260	1.0715	1.86	0.00	0.03	0.00	1.000	1.000	1.0000	1.83	1.052	0.00	1.000	1.0000	1.93
082	Federal Qualified Health Contract Service	4.39	1.245	1.000	1.01	0.9260	1.0715	5.47	0.00	0.00	0.00	1.000	1.000	1.0000	5.47	1.052	0.00	1.000	1.0000	5.75
083	Rural Health Clinic Services	0.01	1.245	1.000	1.01	0.9260	1.0715	0.02	0.00	0.00	0.00	1.000	1.000	1.0000	0.02	1.052	0.00	1.000	1.0000	0.02
087	End-Stage Renal Dialysis	6.74	1.245	1.000	1.01	0.9260	1.0715	8.41	0.00	0.00	0.00	1.000	1.000	1.0000	8.41	1.052	0.00	1.000	1.0000	8.85
088	Public Health Nursing	0.05	1.245	1.000	1.01	0.9260	1.0715	0.06	0.00	0.00	0.00	1.000	1.000	1.0000	0.06	1.052	0.00	1.000	1.0000	0.06
090	Nurse Midwife Services	0.01	1.245	1.000	1.01	0.9260	1.0715	0.01	0.00	0.00	0.00	1.000	1.000	1.0000	0.01	1.052	0.00	1.000	1.0000	0.01
091	Nurse Practitioner Services	0.23	1.245	1.000	1.01	0.9260	1.0715	0.28	0.00	0.00	0.00	1.000	1.000	1.0000	0.28	1.052	0.00	1.000	1.0000	0.29
999	Unable to Define	1.04	1.245	1.000	1.01	0.9260	1.0715	1.29	0.00	0.00	0.00	1.000	1.000	1.0000	1.29	1.052	0.00	1.000	1.0000	1.36
	Dialectical Behavioral Therapy	0.67	1.000	1.000	1.01	0.9260	1.0715	0.67	0.00	0.00	0.00	1.000	1.000	1.0000	0.67	1.052	0.00	1.000	1.0000	0.70
	Health Care Home Care Coordination	0.00						0.00							0.00					1.17
	Total Acute without Prescription Drugs	\$321.48						\$411.14							\$409.46					\$426.23
	Prescription Drugs *	421.99	1.412	0.023	1.01	0.9260	1.0715	13.78	0.00	0.00	0.00	1.000	1.000	1.0000	13.78	1.090	(0.09)	1.000	1.0000	\$14.93
	Spenddown	31.40						27.12	0.00	0.00	0.00	1.000	1.000	1.0000	27.12	1.000	0.00	1.000	1.0000	27.12
	Grand Total Acute	\$774.87						\$452.04							\$450.36					\$468.28
	Mental Health Targeted Case Management	\$8.62	1.124	1.000	1.01	0.9260	1.0715	\$9.71	\$0.00	\$0.00	\$0.00	1.000	1.000	1.0000	\$9.71	1.052	0.00	1.000	1.1333	\$11.58
	2005 Eligible Months	181,225																		

\* Estimated 2009 PMPM includes an additional \$0.05 for Medicaid copay changes

**Appendix 2a  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Acute Services and Prescription Drugs  
Institutional Status: Institutionalized  
Medicare Eligibility: Single Eligibles**

Base Data		January through September 2009 Rate Development							October through December 2009 Rate Development							2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Utilization Savings	Admin Load	January - September 2009 PMPM Rates	Physician & Prof Services Ratable Reduction & Unallmtmt	Basic Care Ratable Reduction & Unallmtmt	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Reimb. Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Utilization Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$970.66	1.245	1.260	0.87	0.9260	1.0715	\$1,314.47	\$0.00	\$0.00	\$13.14	1.000	1.000	1.0000	\$1,301.33	1.052	\$0.00	1.000	1.0000	\$1,369.00
006	Rehabilitation	11.46	1.245	1.000	0.87	0.9260	1.0715	12.32	0.00	0.00	0.12	1.000	1.000	1.0000	12.20	1.052	0.00	1.000	1.0000	12.83
007	Outpatient Hospital Services	73.48	1.245	1.000	0.87	0.9260	1.0715	78.97	0.00	3.48	0.00	1.000	1.000	1.0000	75.49	1.052	0.00	1.000	1.0000	79.42
014	Inpatient Hospital IMD	3.10	1.245	1.000	0.87	0.9260	1.0715	3.33	0.00	0.00	0.03	1.000	1.000	1.0000	3.30	1.052	0.00	1.000	1.0000	3.47
015	Inpatient Long Term Hospital	13.28	1.245	1.220	0.87	0.9260	1.0715	17.41	0.00	0.00	0.17	1.000	1.000	1.0000	17.24	1.052	0.00	1.000	1.0000	18.14
020	Home Health Services	1.02	1.037	1.040	0.87	0.9260	1.0715	0.95	0.00	0.00	0.00	1.000	1.000	0.9742	0.93	0.990	0.00	1.000	1.0000	0.92
032	Medical Supply / DME	68.61	1.245	1.000	0.87	0.9260	1.0715	73.73	0.00	2.22	0.00	1.000	1.000	1.0000	71.51	1.052	0.00	1.000	1.0000	75.23
036	Transport, Special	45.30	1.245	1.000	0.87	0.9260	1.0715	48.69	0.00	0.00	0.00	1.000	1.000	1.0000	48.69	1.052	0.00	1.000	1.0000	51.22
037	Transport, Ambulance	74.00	1.245	1.000	0.87	0.9260	1.0715	79.53	0.00	0.00	0.00	1.000	1.000	1.0000	79.53	1.052	0.00	1.000	1.0000	83.67
041	Anesthesia	11.21	1.245	1.000	0.87	0.9260	1.0715	12.04	0.00	0.00	0.00	1.000	1.000	1.0000	12.04	1.052	0.00	1.000	1.0000	12.67
043	Physician Services	211.48	1.245	1.000	0.87	0.9260	1.0715	227.29	12.05	0.00	0.00	1.000	1.000	1.0000	215.24	1.052	0.00	1.000	1.0000	226.43
045	Dental	19.19	1.245	1.000	0.87	0.9260	1.0715	20.62	0.00	0.00	0.00	1.000	1.000	1.0000	20.62	1.052	0.00	0.775	1.0000	16.81
046	Mental Health	44.96	1.245	1.018	0.87	0.9260	1.0715	49.19	0.00	0.00	0.00	1.000	1.000	1.0000	49.19	1.052	0.00	1.000	1.0000	51.75
051	Physical Therapy	64.44	1.245	1.040	0.87	0.9260	1.0715	72.03	4.68	0.00	0.00	1.000	1.000	1.0000	67.35	1.052	0.00	1.000	1.0000	70.85
053	Speech Therapy	19.88	1.245	1.040	0.87	0.9260	1.0715	22.22	1.44	0.00	0.00	1.000	1.000	1.0000	20.78	1.052	0.00	1.000	1.0000	21.86
054	Occupational Therapy	58.95	1.245	1.040	0.87	0.9260	1.0715	65.89	4.28	0.00	0.00	1.000	1.000	1.0000	61.61	1.052	0.00	1.000	1.0000	64.81
055	Podiatry	3.45	1.245	1.000	0.87	0.9260	1.0715	3.71	0.24	0.00	0.00	1.000	1.000	1.0000	3.47	1.052	0.00	1.000	1.0000	3.65
056	Ambulatory Surgery	0.85	1.245	1.000	0.87	0.9260	1.0715	0.91	0.00	0.04	0.00	1.000	1.000	1.0000	0.87	1.052	0.00	1.000	1.0000	0.92
057	Chiropractic	0.13	1.245	1.000	0.87	0.9260	1.0715	0.14	0.01	0.00	0.00	1.000	1.000	1.0000	0.13	1.052	0.00	1.000	1.0000	0.14
058	Audiology	0.32	1.245	1.000	0.87	0.9260	1.0715	0.34	0.02	0.00	0.00	1.000	1.000	1.0000	0.32	1.052	0.00	1.000	1.0000	0.34
062	Chemical Dependency	5.22	1.245	1.040	0.87	0.9260	1.0715	5.84	0.00	0.00	0.00	1.000	1.000	1.0000	5.84	1.052	0.00	1.000	1.0000	6.14
063	CD Extended Care / Halfway House	0.04	1.245	1.000	0.87	0.9260	1.0715	0.04	0.00	0.00	0.00	1.000	1.000	1.0000	0.04	1.052	0.00	1.000	1.0000	0.04
072	Hospice	3.82	1.245	1.000	0.87	0.9260	1.0715	4.10	0.00	0.00	0.00	1.000	1.000	1.0000	4.10	1.052	0.00	1.000	1.0000	4.31
074	Inpatient Hospital 45 Day Psych Contract	29.48	1.245	1.000	0.87	0.9260	1.0715	31.68	0.00	0.00	0.00	1.000	1.000	1.0000	31.68	1.052	0.00	1.000	1.0000	33.33
075	Eyeglasses / Contact Lenses	2.65	1.245	1.000	0.87	0.9260	1.0715	2.85	0.00	0.13	0.00	1.000	1.000	1.0000	2.72	1.052	0.00	1.000	1.0000	2.86
076	Prosthetics and Orthotics	19.04	1.245	1.000	0.87	0.9260	1.0715	20.46	0.00	0.92	0.00	1.000	1.000	1.0000	19.54	1.052	0.00	1.000	1.0000	20.56
077	Hearing Aids	1.23	1.245	1.000	0.87	0.9260	1.0715	1.32	0.00	0.02	0.00	1.000	1.000	1.0000	1.30	1.052	0.00	1.000	1.0000	1.37
078	Vision Care	2.43	1.245	1.000	0.87	0.9260	1.0715	2.61	0.17	0.00	0.00	1.000	1.000	1.0000	2.44	1.052	0.00	1.000	1.0000	2.57
079	Radiology, Technical Component	72.99	1.245	1.000	0.87	0.9260	1.0715	78.45	5.08	0.00	0.00	1.000	1.000	1.0000	73.37	1.052	0.00	1.000	1.0000	77.19
080	Laboratory	43.30	1.245	1.000	0.87	0.9260	1.0715	46.53	0.00	2.09	0.00	1.000	1.000	1.0000	44.44	1.052	0.00	1.000	1.0000	46.75
082	Federal Qualified Health Contract Service	9.71	1.245	1.000	0.87	0.9260	1.0715	10.43	0.00	0.00	0.00	1.000	1.000	1.0000	10.43	1.052	0.00	1.000	1.0000	10.97
087	End-Stage Renal Dialysis	27.57	1.245	1.000	0.87	0.9260	1.0715	29.63	0.00	1.31	0.00	1.000	1.000	1.0000	28.32	1.052	0.00	1.000	1.0000	29.79
091	Nurse Practitioner Services	11.45	1.245	1.000	0.87	0.9260	1.0715	12.31	0.76	0.00	0.00	1.000	1.000	1.0000	11.55	1.052	0.00	1.000	1.0000	12.15
	Dialectical Behavioral Therapy	0.67	1.000	1.000	0.87	0.9260	1.0715	0.58	0.00	0.00	0.00	1.000	1.000	1.0000	0.58	1.052	0.00	1.000	1.0000	0.61
	Health Care Home Care Coordination	0.00						0.00							0.00					2.51
	Total Acute without Prescription Drugs	\$1,924.67						\$2,350.03							\$2,298.19					\$2,415.28
	Prescription Drugs *	788.99	1.412	1.000	0.87	0.9260	1.0715	961.96	0.00	0.00	0.00	1.000	1.000	1.0000	961.96	1.090	(0.09)	1.000	1.0000	\$1,048.45
	Spenddown	3.29						2.84	0.00	0.00	0.00	1.000	1.000	1.0000	2.84	1.000	0.00	1.000	1.0000	2.84
	Grand Total Acute	\$2,716.95						\$3,314.83							\$3,262.99					\$3,466.57
	Mental Health Targeted Case Management	\$8.30	1.124	1.000	0.87	0.9260	1.0715	\$8.05	\$0.00	\$0.00	\$0.00	1.000	1.000	1.0000	\$8.05	1.052	0.00	1.000	1.1333	\$9.60
	2005 Eligible Months	5,487																		

\* Estimated 2009 PMPM includes an additional \$0.05 for Medicaid copay changes

**Appendix 2a  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Acute Services and Prescription Drugs  
Institutional Status: Community  
Medicare Eligibility: Single Eligibles**

Base Data		January through September 2009 Rate Development							October through December 2009 Rate Development							2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Utilization Savings	Admin Load	January - September 2009 PMPM Rates	Physician & Prof Services Ratable Reduction & Unallmtmt	Basic Care Ratable Reduction & Unallmtmt	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Reimb. Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Utilization Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$370.04	1.245	1.260	1.01	0.9260	1.0715	\$581.74	\$0.00	\$0.00	\$5.82	1.000	1.000	1.0000	\$575.92	1.052	\$0.00	1.000	1.0000	\$605.87
006	Rehabilitation	7.63	1.245	1.000	1.01	0.9260	1.0715	9.52	0.00	0.00	0.10	1.000	1.000	1.0000	9.42	1.052	0.00	1.000	1.0000	9.91
007	Outpatient Hospital Services	46.44	1.245	1.000	1.01	0.9260	1.0715	57.94	0.00	2.61	0.00	1.000	1.000	1.0000	55.33	1.052	0.00	1.000	1.0000	58.21
014	Inpatient Hospital IMD	0.86	1.245	1.000	1.01	0.9260	1.0715	1.08	0.00	0.00	0.01	1.000	1.000	1.0000	1.07	1.052	0.00	1.000	1.0000	1.13
015	Inpatient Long Term Hospital	14.34	1.245	1.220	1.01	0.9260	1.0715	21.82	0.00	0.00	0.21	1.000	1.000	1.0000	21.61	1.052	0.00	1.000	1.0000	22.73
020	Home Health Services	18.10	1.037	1.040	1.01	0.9260	1.0715	19.56	0.00	0.00	0.00	1.000	1.000	0.9742	19.06	0.990	0.00	1.000	1.0000	18.87
029	RTC - Mental Health	2.52	1.245	1.000	1.01	0.9260	1.0715	3.14	0.00	0.00	0.00	1.000	1.000	1.0000	3.14	1.052	0.00	1.000	1.0000	3.30
032	Medical Supply / DME	30.62	1.245	1.000	1.01	0.9260	1.0715	38.20	0.00	1.72	0.00	1.000	1.000	1.0000	36.48	1.052	0.00	1.000	1.0000	38.38
036	Transport, Special	4.97	1.245	1.000	1.01	0.9260	1.0715	6.20	0.00	0.00	0.00	1.000	1.000	1.0000	6.20	1.052	0.00	1.000	1.0000	6.52
037	Transport, Ambulance	16.00	1.245	1.000	1.01	0.9260	1.0715	19.97	0.00	0.00	0.00	1.000	1.000	1.0000	19.97	1.052	0.00	1.000	1.0000	21.01
040	Child and Teen Checkup	0.03	1.245	1.000	1.01	0.9260	1.0715	0.03	0.00	0.00	0.00	1.000	1.000	1.0000	0.03	1.052	0.00	1.000	1.0000	0.03
041	Anesthesia	4.85	1.245	1.000	1.01	0.9260	1.0715	6.05	0.00	0.00	0.00	1.000	1.000	1.0000	6.05	1.052	0.00	1.000	1.0000	6.36
043	Physician Services	113.91	1.245	1.000	1.01	0.9260	1.0715	142.13	7.68	0.00	0.00	1.000	1.000	1.0000	134.45	1.052	0.00	1.000	1.0000	141.44
045	Dental	11.70	1.245	1.000	1.01	0.9260	1.0715	14.60	0.00	0.00	0.00	1.000	1.000	1.0000	14.60	1.052	0.00	0.775	1.0000	11.90
046	Mental Health	68.83	1.245	1.018	1.01	0.9260	1.0715	87.43	0.00	0.00	0.00	1.000	1.000	1.0000	87.43	1.052	0.00	1.000	1.0000	91.98
051	Physical Therapy	3.35	1.245	1.040	1.01	0.9260	1.0715	4.34	0.28	0.00	0.00	1.000	1.000	1.0000	4.06	1.052	0.00	1.000	1.0000	4.27
053	Speech Therapy	0.27	1.245	1.040	1.01	0.9260	1.0715	0.35	0.02	0.00	0.00	1.000	1.000	1.0000	0.33	1.052	0.00	1.000	1.0000	0.35
054	Occupational Therapy	1.98	1.245	1.040	1.01	0.9260	1.0715	2.57	0.17	0.00	0.00	1.000	1.000	1.0000	2.40	1.052	0.00	1.000	1.0000	2.52
055	Podiatry	0.99	1.245	1.000	1.01	0.9260	1.0715	1.23	0.08	0.00	0.00	1.000	1.000	1.0000	1.15	1.052	0.00	1.000	1.0000	1.21
056	Ambulatory Surgery	1.24	1.245	1.000	1.01	0.9260	1.0715	1.54	0.00	0.07	0.00	1.000	1.000	1.0000	1.47	1.052	0.00	1.000	1.0000	1.55
057	Chiropractic	0.70	1.245	1.000	1.01	0.9260	1.0715	0.87	0.06	0.00	0.00	1.000	1.000	1.0000	0.81	1.052	0.00	1.000	1.0000	0.85
058	Audiology	0.16	1.245	1.000	1.01	0.9260	1.0715	0.20	0.01	0.00	0.00	1.000	1.000	1.0000	0.19	1.052	0.00	1.000	1.0000	0.20
062	Chemical Dependency	11.56	1.245	1.040	1.01	0.9260	1.0715	15.01	0.00	0.00	0.00	1.000	1.000	1.0000	15.01	1.052	0.00	1.000	1.0000	15.79
063	CD Extended Care / Halfway House	1.72	1.245	1.000	1.01	0.9260	1.0715	2.15	0.00	0.00	0.00	1.000	1.000	1.0000	2.15	1.052	0.00	1.000	1.0000	2.26
072	Hospice	8.03	1.245	1.000	1.01	0.9260	1.0715	10.02	0.00	0.00	0.00	1.000	1.000	1.0000	10.02	1.052	0.00	1.000	1.0000	10.54
074	Inpatient Hospital 45 Day Psych Contract	31.05	1.245	1.000	1.01	0.9260	1.0715	38.74	0.00	0.00	0.00	1.000	1.000	1.0000	38.74	1.052	0.00	1.000	1.0000	40.75
075	Eyeglasses / Contact Lenses	2.07	1.245	1.000	1.01	0.9260	1.0715	2.59	0.00	0.12	0.00	1.000	1.000	1.0000	2.47	1.052	0.00	1.000	1.0000	2.60
076	Prosthetics and Orthotics	3.90	1.245	1.000	1.01	0.9260	1.0715	4.87	0.00	0.22	0.00	1.000	1.000	1.0000	4.65	1.052	0.00	1.000	1.0000	4.89
077	Hearing Aids	0.41	1.245	1.000	1.01	0.9260	1.0715	0.51	0.00	0.01	0.00	1.000	1.000	1.0000	0.50	1.052	0.00	1.000	1.0000	0.53
078	Vision Care	1.10	1.245	1.000	1.01	0.9260	1.0715	1.38	0.09	0.00	0.00	1.000	1.000	1.0000	1.29	1.052	0.00	1.000	1.0000	1.36
079	Radiology, Technical Component	41.08	1.245	1.000	1.01	0.9260	1.0715	51.25	3.33	0.00	0.00	1.000	1.000	1.0000	47.92	1.052	0.00	1.000	1.0000	50.41
080	Laboratory	17.58	1.245	1.000	1.01	0.9260	1.0715	21.94	0.00	0.99	0.00	1.000	1.000	1.0000	20.95	1.052	0.00	1.000	1.0000	22.04
082	Federal Qualified Health Contract Service	19.26	1.245	1.000	1.01	0.9260	1.0715	24.03	0.00	0.00	0.00	1.000	1.000	1.0000	24.03	1.052	0.00	1.000	1.0000	25.28
083	Rural Health Clinic Services	0.08	1.245	1.000	1.01	0.9260	1.0715	0.09	0.00	0.00	0.00	1.000	1.000	1.0000	0.09	1.052	0.00	1.000	1.0000	0.09
087	End-Stage Renal Dialysis	8.94	1.245	1.000	1.01	0.9260	1.0715	11.15	0.00	0.50	0.00	1.000	1.000	1.0000	10.65	1.052	0.00	1.000	1.0000	11.20
088	Public Health Nursing	0.17	1.245	1.000	1.01	0.9260	1.0715	0.21	0.00	0.01	0.00	1.000	1.000	1.0000	0.20	1.052	0.00	1.000	1.0000	0.21
090	Nurse Midwife Services	0.13	1.245	1.000	1.01	0.9260	1.0715	0.17	0.01	0.00	0.00	1.000	1.000	1.0000	0.16	1.052	0.00	1.000	1.0000	0.17
091	Nurse Practitioner Services	1.75	1.245	1.000	1.01	0.9260	1.0715	2.18	0.08	0.00	0.00	1.000	1.000	1.0000	2.10	1.052	0.00	1.000	1.0000	2.21
	Dialectical Behavioral Therapy	0.67	1.000	1.000	1.01	0.9260	1.0715	0.67	0.00	0.00	0.00	1.000	1.000	1.0000	0.67	1.052	0.00	1.000	1.0000	0.70
	Health Care Home Care Coordination	0.00						0.00							0.00					2.51
	Total Acute without Prescription Drugs	\$868.36						\$1,206.80							\$1,182.77					\$1,242.13
	Prescription Drugs *	252.12	1.412	1.000	1.01	0.9260	1.0715	357.02	0.00	0.00	0.00	1.000	1.000	1.0000	357.02	1.090	(0.09)	1.000	1.0000	\$389.07
	Spenddown	7.15						6.17	0.00	0.00	0.00	1.000	1.000	1.0000	6.17	1.000	0.00	1.000	1.0000	6.17
	Grand Total Acute	\$1,127.62						\$1,569.99							\$1,545.96					\$1,637.37
	Mental Health Targeted Case Management	\$8.30	1.124	1.000	1.01	0.9260	1.0715	\$9.35	\$0.00	\$0.00	\$0.00	1.000	1.000	1.0000	\$9.35	1.052	0.00	1.000	1.1333	\$11.15
	2005 Eligible Months	196,229																		

\* Estimated 2009 PMPM includes an additional \$0.05 for Medicaid copay changes



## Appendix 2B

### MnDHO PMPM LTC Cost Models

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This material assumes that the reader is familiar with Minnesota Medicaid programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated programs. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

**Minnesota Disability Health Options For the Physically Disabled**  
Rate Development For Calendar Year 2010

November 30, 2009

**Appendix 2b  
MnDHO**

**2010 Per Member Per Month Rate Development**

**Services: Long Term Care Services  
Population: TBI-NF**

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development				2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	COLA	Utilization Savings	Admin Load	LTC Base Rate Adjustment	January - September 2009 PMPM Rates	Individual PCA Provider Hours	2.58% Provider Rate Reduction	Foster Care Rate Limits	October - December 2009 PMPM Rates	Trend	Modification of Assessment and Access to PCA Services	Home Care LTC Base Rate Adjustment	2010 PMPM Rates
021	Consumer Directed Care	\$7.77	1.246	1.040	0.9623	1.0275	1.0000	\$9.95	1.000	0.9742	\$0.00	\$9.69	1.035	1.0000	1.0000	\$10.03
033	Modifications and Adaptations	3.80	1.246	1.040	0.9623	1.0275	1.0000	4.87	1.000	0.9742	0.00	4.74	1.035	1.0000	1.0000	4.91
034	Family Counseling & Training	8.02	1.246	1.040	0.9623	1.0275	1.0000	10.28	1.000	0.9742	0.00	10.01	1.035	1.0000	1.0000	10.36
035	Behavioral Program Services	166.27	1.246	1.040	0.9623	1.0275	1.0000	213.04	1.000	0.9742	0.00	207.54	1.035	1.0000	1.0000	214.80
038	Personal Care Services	635.89	1.063	1.040	0.9623	1.0275	1.0000	695.09	0.981	0.9742	0.00	664.29	1.013	0.9815	1.0000	660.48
044	Case Management - Other	182.24	1.246	1.040	0.9623	1.0275	1.0000	233.50	1.000	0.9742	0.00	227.48	1.035	1.0000	1.0000	235.44
089	Private Duty Nursing	14.19	1.239	1.040	0.9623	1.0275	1.0000	18.08	1.000	0.9742	0.00	17.61	1.047	1.0000	1.0000	18.44
093	Chore	0.02	1.246	1.040	0.9623	1.0275	1.0000	0.02	1.000	0.9742	0.00	0.02	1.035	1.0000	1.0000	0.02
094	Companion Services	1.36	1.246	1.040	0.9623	1.0275	1.0000	1.75	1.000	0.9742	0.00	1.70	1.035	1.0000	1.0000	1.76
095	Home Delivered Meals	10.19	1.246	1.040	0.9623	1.0275	1.0000	13.06	1.000	0.9742	0.00	12.72	1.035	1.0000	1.0000	13.17
096	Homemaker Services	19.25	1.246	1.040	0.9623	1.0275	1.0000	24.66	1.000	0.9742	0.00	24.02	1.035	1.0000	1.0000	24.86
102	Adult Day Care	143.52	1.246	1.040	0.9623	1.0275	1.0000	183.89	1.000	0.9742	0.00	179.15	1.035	1.0000	1.0000	185.42
103	Foster Care	1,477.87	1.246	1.040	0.9623	1.0275	1.0000	1,893.56	1.000	0.9742	22.11	1,822.60	1.035	1.0000	1.0000	1,886.39
104	Supported Employment Services	74.04	1.246	1.040	0.9623	1.0275	1.0000	94.86	1.000	0.9742	0.00	92.41	1.035	1.0000	1.0000	95.64
106	Structured Day Program Service	92.70	1.246	1.040	0.9623	1.0275	1.0000	118.77	1.000	0.9742	0.00	115.71	1.035	1.0000	1.0000	119.76
107	Respite Care	4.56	1.246	1.040	0.9623	1.0275	1.0000	5.85	1.000	0.9742	0.00	5.70	1.035	1.0000	1.0000	5.90
108	Assisted Living Services	259.15	1.246	1.040	0.9623	1.0275	1.0000	332.04	1.000	0.9742	0.00	323.47	1.035	1.0000	1.0000	334.79
109	Independent Living Skills	335.35	1.246	1.040	0.9623	1.0275	1.0000	429.67	1.000	0.9742	0.00	418.58	1.035	1.0000	1.0000	433.23
114	Extended Home Health Aide	19.67	1.246	1.040	0.9623	1.0275	1.0000	25.21	1.000	0.9742	0.00	24.56	1.035	1.0000	1.0000	25.42
116	Extended Medical Supplies / DME	16.32	1.246	1.040	0.9623	1.0275	1.0000	20.92	1.000	0.9742	0.00	20.38	1.035	1.0000	1.0000	21.09
119	Extended Personal Care	36.12	1.246	1.040	0.9623	1.0275	1.0000	46.28	1.000	0.9742	0.00	45.09	1.035	1.0000	1.0000	46.67
122	Extended Private Duty Nursing	0.19	1.246	1.040	0.9623	1.0275	1.0000	0.24	1.000	0.9742	0.00	0.23	1.035	1.0000	1.0000	0.24
126	Extended Transportation	53.14	1.246	1.040	0.9623	1.0275	1.0000	68.08	1.000	0.9742	0.00	66.32	1.035	1.0000	1.0000	68.64
	Total LTC	\$3,561.63						\$4,443.67				\$4,294.02				\$4,417.46
	2005 Eligible Months	5,756														

**Appendix 2b  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Long Term Care Services  
Population: TBI-NB**

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development				2010 Rate Development				
COS	Description	2005 FFS Cost PMPM	Trend	COLA	Utilization Savings	Admin Load	LTC Base Rate Adjustment	January - September 2009 PMPM Rates	Individual PCA Provider Hours	2.58% Provider Rate Reduction	Foster Care Rate Limits	October - December 2009 PMPM Rates	Trend	Modification of Assessment and Access to PCA Services	Home Care LTC Base Rate Adjustment	2010 PMPM Rates
021	Consumer Directed Care	\$42.75	1.246	1.040	0.9623	1.0275	1.1500	\$62.99	1.000	0.9742	\$0.00	\$61.36	1.035	1.0000	1.0000	\$63.51
034	Family Counseling & Training	24.03	1.246	1.040	0.9623	1.0275	1.1500	35.40	1.000	0.9742	0.00	34.49	1.035	1.0000	1.0000	35.70
035	Behavioral Program Services	337.47	1.246	1.040	0.9623	1.0275	1.1500	497.26	1.000	0.9742	0.00	484.43	1.035	1.0000	1.0000	501.39
038	Personal Care Services	74.55	1.063	1.040	0.9623	1.0275	1.1500	93.71	0.981	0.9742	0.00	89.56	1.013	0.9815	1.0000	89.05
044	Case Management - Other	251.25	1.246	1.040	0.9623	1.0275	1.1500	370.20	1.000	0.9742	0.00	360.65	1.035	1.0000	1.0000	373.27
095	Home Delivered Meals	2.84	1.246	1.040	0.9623	1.0275	1.1500	4.18	1.000	0.9742	0.00	4.07	1.035	1.0000	1.0000	4.21
096	Homemaker Services	0.59	1.246	1.040	0.9623	1.0275	1.1500	0.86	1.000	0.9742	0.00	0.84	1.035	1.0000	1.0000	0.87
102	Adult Day Care	170.67	1.246	1.040	0.9623	1.0275	1.1500	251.48	1.000	0.9742	0.00	244.99	1.035	1.0000	1.0000	253.56
103	Foster Care	6,341.68	1.246	1.040	0.9623	1.0275	1.1500	9,344.27	1.000	0.9742	0.00	9,103.19	1.035	1.0000	1.0000	9,421.80
104	Supported Employment Services	43.08	1.246	1.040	0.9623	1.0275	1.1500	63.48	1.000	0.9742	0.00	61.84	1.035	1.0000	1.0000	64.00
106	Structured Day Program Service	325.84	1.246	1.040	0.9623	1.0275	1.1500	480.12	1.000	0.9742	0.00	467.73	1.035	1.0000	1.0000	484.10
107	Respite Care	170.91	1.246	1.040	0.9623	1.0275	1.1500	251.83	1.000	0.9742	0.00	245.33	1.035	1.0000	1.0000	253.92
109	Independent Living Skills	185.44	1.246	1.040	0.9623	1.0275	1.1500	273.24	1.000	0.9742	0.00	266.19	1.035	1.0000	1.0000	275.51
114	Extended Home Health Aide	82.73	1.246	1.040	0.9623	1.0275	1.1500	121.90	1.000	0.9742	0.00	118.75	1.035	1.0000	1.0000	122.91
116	Extended Medical Supplies / DME	21.99	1.246	1.040	0.9623	1.0275	1.1500	32.40	1.000	0.9742	0.00	31.56	1.035	1.0000	1.0000	32.66
119	Extended Personal Care	14.24	1.246	1.040	0.9623	1.0275	1.1500	20.98	1.000	0.9742	0.00	20.44	1.035	1.0000	1.0000	21.16
126	Extended Transportation	142.09	1.246	1.040	0.9623	1.0275	1.1500	209.37	1.000	0.9742	0.00	203.97	1.035	1.0000	1.0000	211.11
	Total LTC	\$8,232.14						\$12,113.67				\$11,799.39				\$12,208.73
	2005 Eligible Months	458														

**Appendix 2b  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Long Term Care Services  
Population: CADI**

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development					2010 Rate Development			
COS	Description	2005 FFS Cost PMPM	Trend	COLA	Utilization Savings	Admin Load	LTC Base Rate Adjustment	January - September 2009 PMPM Rates	Individual PCA Provider Hours	2.58% Provider Rate Reduction	Foster Care Rate Limits	October - December 2009 PMPM Rates	Trend	Modification of Assessment and Access to PCA Services	Home Care LTC Base Rate Adjustment	2010 PMPM Rates
021	Consumer Directed Care	\$4.51	1.686	1.040	0.9623	1.0275	1.3814	\$10.80	1.000	0.9742	\$0.00	\$10.52	1.000	1.0000	1.0000	\$10.52
033	Modifications and Adaptations	21.18	1.686	1.040	0.9623	1.0275	1.3814	50.71	1.000	0.9742	0.00	49.40	1.000	1.0000	1.0000	49.40
034	Family Counseling & Training	4.52	1.686	1.040	0.9623	1.0275	1.3814	10.84	1.000	0.9742	0.00	10.56	1.000	1.0000	1.0000	10.56
038	Personal Care Services	487.64	1.063	1.040	0.9623	1.0275	1.3814	736.36	0.981	0.9742	0.00	703.73	1.000	0.9815	1.0000	690.71
044	Case Management - Other	157.14	1.686	1.040	0.9623	1.0275	1.3814	376.35	1.000	0.9742	0.00	366.64	1.000	1.0000	1.0000	366.64
089	Private Duty Nursing	2.15	1.239	1.040	0.9623	1.0275	1.3814	3.79	1.000	0.9742	0.00	3.69	1.000	1.0000	1.0000	3.69
095	Home Delivered Meals	29.09	1.686	1.040	0.9623	1.0275	1.3814	69.66	1.000	0.9742	0.00	67.86	1.000	1.0000	1.0000	67.86
096	Homemaker Services	66.13	1.686	1.040	0.9623	1.0275	1.3814	158.38	1.000	0.9742	0.00	154.29	1.000	1.0000	1.0000	154.29
102	Adult Day Care	58.21	1.686	1.040	0.9623	1.0275	1.3814	139.42	1.000	0.9742	0.00	135.82	1.000	1.0000	1.0000	135.82
103	Foster Care	635.49	1.686	1.040	0.9623	1.0275	1.3814	1,522.01	1.000	0.9742	6.35	1,476.39	1.000	1.0000	1.0000	1,476.39
104	Supported Employment Services	23.92	1.686	1.040	0.9623	1.0275	1.3814	57.30	1.000	0.9742	0.00	55.82	1.000	1.0000	1.0000	55.82
107	Respite Care	1.90	1.686	1.040	0.9623	1.0275	1.3814	4.55	1.000	0.9742	0.00	4.43	1.000	1.0000	1.0000	4.43
108	Assisted Living Services	213.76	1.686	1.040	0.9623	1.0275	1.3814	511.96	1.000	0.9742	0.00	498.75	1.000	1.0000	1.0000	498.75
109	Independent Living Skills	148.19	1.686	1.040	0.9623	1.0275	1.3814	354.91	1.000	0.9742	0.00	345.75	1.000	1.0000	1.0000	345.75
114	Extended Home Health Aide	7.87	1.686	1.040	0.9623	1.0275	1.3814	18.84	1.000	0.9742	0.00	18.35	1.000	1.0000	1.0000	18.35
116	Extended Medical Supplies / DME	34.63	1.686	1.040	0.9623	1.0275	1.3814	82.95	1.000	0.9742	0.00	80.81	1.000	1.0000	1.0000	80.81
119	Extended Personal Care	12.85	1.686	1.040	0.9623	1.0275	1.3814	30.78	1.000	0.9742	0.00	29.99	1.000	1.0000	1.0000	29.99
122	Extended Private Duty Nursing	0.05	1.686	1.040	0.9623	1.0275	1.3814	0.13	1.000	0.9742	0.00	0.13	1.000	1.0000	1.0000	0.13
126	Extended Transportation	20.20	1.686	1.040	0.9623	1.0275	1.3814	48.39	1.000	0.9742	0.00	47.14	1.000	1.0000	1.0000	47.14
	Total LTC	\$1,929.44						\$4,188.13				\$4,060.07				\$4,047.05
	2005 Eligible Months	37,891														

**Appendix 2b  
MnDHO  
2010 Per Member Per Month Rate Development**

**Services: Long Term Care Services  
Population: HC**

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development					2010 Rate Development			
COS	Description	2005 FFS Cost PMPM	Trend	COLA	Utilization Savings	Admin Load	LTC Base Rate Adjustment	January - September 2009 PMPM Rates	Individual PCA Provider Hours	2.58% Provider Rate Reduction	Foster Care Rate Limits	October - December 2009 PMPM Rates	Trend	Modification of Assessment and Access to PCA Services	Home Care LTC Base Rate Adjustment	2010 PMPM Rates
021	Consumer Directed Care	\$2.92	1.080	1.040	0.9623	1.0275	1.3628	\$4.43	1.000	0.9742	\$0.00	\$4.32	1.015	1.0000	0.8559	\$3.75
033	Modifications and Adaptations	2.77	1.080	1.040	0.9623	1.0275	1.3628	4.19	1.000	0.9742	0.00	4.08	1.015	1.0000	0.8559	3.54
034	Family Counseling & Training	0.15	1.080	1.040	0.9623	1.0275	1.3628	0.23	1.000	0.9742	0.00	0.22	1.015	1.0000	0.8559	0.19
038	Personal Care Services	1,622.96	1.063	1.040	0.9623	1.0275	1.3628	2,417.64	0.981	0.9742	0.00	2,310.51	1.013	1.0000	0.8559	2,003.27
044	Case Management - Other	14.57	1.080	1.040	0.9623	1.0275	1.3628	22.05	1.000	0.9742	0.00	21.48	1.015	1.0000	0.8559	18.66
089	Private Duty Nursing	264.74	1.239	1.040	0.9623	1.0275	1.3628	459.66	1.000	0.9742	0.00	447.80	1.047	1.0000	0.8559	401.29
096	Homemaker Services	0.57	1.080	1.040	0.9623	1.0275	1.3628	0.87	1.000	0.9742	0.00	0.85	1.015	1.0000	0.8559	0.74
103	Foster Care	20.19	1.080	1.040	0.9623	1.0275	1.3628	30.56	1.000	0.9742	0.00	29.77	1.015	1.0000	0.8559	25.86
107	Respite Care	1.14	1.080	1.040	0.9623	1.0275	1.3628	1.72	1.000	0.9742	0.00	1.68	1.015	1.0000	0.8559	1.46
109	Independent Living Skills	2.70	1.080	1.040	0.9623	1.0275	1.3628	4.08	1.000	0.9742	0.00	3.97	1.015	1.0000	0.8559	3.45
114	Extended Home Health Aide	6.35	1.080	1.040	0.9623	1.0275	1.3628	9.61	1.000	0.9742	0.00	9.36	1.015	1.0000	0.8559	8.13
116	Extended Medical Supplies / DME	0.76	1.080	1.040	0.9623	1.0275	1.3628	1.15	1.000	0.9742	0.00	1.12	1.015	1.0000	0.8559	0.97
119	Extended Personal Care	0.84	1.080	1.040	0.9623	1.0275	1.3628	1.28	1.000	0.9742	0.00	1.25	1.015	1.0000	0.8559	1.09
122	Extended Private Duty Nursing	2.47	1.080	1.040	0.9623	1.0275	1.3628	3.74	1.000	0.9742	0.00	3.64	1.015	1.0000	0.8559	3.16
124	Extended Respiratory Therapy	6.59	1.080	1.040	0.9623	1.0275	1.3628	9.97	1.000	0.9742	0.00	9.71	1.015	1.0000	0.8559	8.44
126	Extended Transportation	0.26	1.080	1.040	0.9623	1.0275	1.3628	0.40	1.000	0.9742	0.00	0.39	1.015	1.0000	0.8559	0.34
	Total LTC	\$1,949.98						\$2,971.58				\$2,850.15				\$2,484.34
	2005 Eligible Months	43,174														

## Appendix 3

### MnDHO 2010 NF Add-On Rate Development

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This material assumes that the reader is familiar with Minnesota Medicaid programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated programs. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

**Minnesota Disability Health Options For the Physically Disabled**  
Rate Development For Calendar Year 2010

November 30, 2009

**Appendix 3**  
**MnDHO**  
**180 Day Nursing Facility Add-On Rate Calculation**  
**Calendar Year 2010**  
**Total Population**

		1/09 - 9/09	
		\$95.12	
		\$172.09	
		0.558%	
		CY 2008	10/09 - 12/09
		CY 2010	
NF Add-On	\$93.73	\$94.55	\$97.35
Per Diem	\$168.28	\$171.06	\$173.99
Monthly Freq	0.558%	0.558%	0.558%

Year	Month	(1) Monthly Enrollment	(2) Total NF Add-On Paid to Health Plans	(3) Admissions	NF Days for Admissions in Month by Contract Period			Health Plan Payments to NF for Admissions in Month by Contract Period		
					CY 2008	CY 2009	CY 2010	CY 2008	CY 2009	CY 2010
2008	January	930	87,169	5,1925	102.2	0.0		\$89,302	\$0	
	February	942	88,294	5,2595	102.2	0.0		90,454	0	
	March	961	90,075	5,3656	102.2	0.0		92,278	0	
	April	976	91,480	5,4493	102.2	0.0		93,719	0	
	May	994	93,168	5,5498	102.2	0.0		95,447	0	
	June	1,009	94,574	5,6336	102.2	0.0		96,888	0	
	July	1,044	97,854	5,8290	95.9	6.3		94,021	6,368	
	August	1,072	100,479	5,9853	82.3	19.9		82,921	20,469	
	September	1,092	102,353	6,0970	67.6	34.6		69,374	36,287	
	October	1,111	104,134	6,2031	51.6	50.6		53,814	54,065	
	November	1,141	106,946	6,3706	33.3	68.9		35,681	75,555	
	December	1,160	108,727	6,4767	12.1	90.1		13,175	100,435	
<b>Sub Total</b>		<b>12,432</b>	<b>\$1,165,251</b>		<b>77.7</b>	<b>24.5</b>		<b>\$907,073</b>	<b>\$293,180</b>	
2009	January	1,174	111,671	6,5548		102.2	0.0		\$115,284	\$0
	February	1,198	113,954	6,6888		102.2	0.0		117,641	0
	March	1,221	116,142	6,8173		102.2	0.0		119,899	0
	April	1,249	118,805	6,9736		102.2	0.0		122,649	0
	May	1,275	121,278	7,1188		102.2	0.0		125,202	0
	June	1,300	123,656	7,2583		102.2	0.0		127,657	0
	July	1,311	124,702	7,3198		95.9	6.3		120,740	8,085
	August	1,300	123,656	7,2583		82.3	19.9		102,834	25,097
	September	1,325	126,034	7,3979		67.6	34.6		86,082	44,515
	October	1,340	126,697	7,4817		51.6	50.6		65,978	65,929
	November	1,363	128,872	7,6101		33.3	68.9		43,327	91,252
	December	1,374	129,912	7,6715		12.1	90.1		15,864	120,278
<b>Sub Total</b>		<b>15,430</b>	<b>\$1,465,378</b>			<b>78.5</b>	<b>23.7</b>		<b>\$1,163,155</b>	<b>\$355,156</b>
2010	January	1,395	135,803	7,7888			102.2			\$138,498
	February	1,412	137,458	7,8837			102.2			140,186
	March	1,431	139,308	7,9898			102.2			142,072
	April	1,443	140,476	8,0568			102.2			143,263
	May	1,455	141,644	8,1238			102.2			144,455
	June	1,474	143,494	8,2298			102.2			146,341
	July	1,488	144,857	8,3080			95.9			138,554
	August	1,504	146,414	8,3973			82.3			120,284
	September	1,510	146,999	8,4308			67.6			99,184
	October	1,518	147,777	8,4755			51.6			76,022
	November	1,535	149,432	8,5704			33.3			49,630
	December	1,553	151,185	8,6709			12.1			18,237
<b>Sub Total</b>		<b>17,718</b>	<b>\$1,724,847</b>				<b>78.8</b>			<b>\$1,356,727</b>

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**Appendix 3**  
**MnDHO**  
**180 Day Nursing Facility Add-On Rate Calculation**  
**Calendar Year 2010**  
**Total Population**

Rate Component	2008	1/09 - 9/09	10/09 - 12/09	2010
<b>Section A</b>				
Monthly Claim Frequency (Rounded)	0.558%	0.558%		0.558%
(x) Truncated Medicaid Length of Stay	77.4	77.8		78.8
(x) Charge per Day	<u>\$168.28</u>	<u>\$172.09</u>		<u>\$173.99</u>
= Initial Rate (1)	\$72.75	\$74.80		\$76.57
<b>Section B</b>				
2010 NF \$ for 2009 Admits				\$355,156
(/) 2010 Eligible Months				<u>17,718</u>
= Tail Rate (2)	\$22.60	\$18.61		\$20.04
<b>Section C</b>				
2009 NF Rates to Health Plans				(\$1,465,378)
(+) 2008 Enrollment Adjustment in 2009				\$51,845
(+) 2009 NF \$ for 2008 Admits				\$293,180
(+) 2009 NF \$ for 2009 Admits				<u>\$1,163,155</u>
= 2009 Enrollment Adjustment				\$42,802
(/) 2010 Eligible Months				<u>17,718</u>
= Enrollment Adjustment Rate (3)	\$0.00	\$3.36		\$2.42
<b>Section D</b>				
Initial Base Rate = (1)+(2)+(3)	\$95.35	\$96.77	\$96.19	\$99.03
Disenrollment Fee Adjustment	<u>0.983</u>	<u>0.983</u>	<u>0.983</u>	<u>0.983</u>
Final Base Rate	\$93.73	\$95.12	\$94.55	\$97.35

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## Appendix 4

### MnDHO Rate Cell Assignment Process

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**Minnesota Disability Health Options For the Physically Disabled**  
Rate Development For Calendar Year 2010

November 30, 2009

**Appendix 4**  
**MnDHO Rating Scheme**  
**Contract Period January 1, 2010 - December 31, 2010**

	<b>Nursing Facility Resident</b>	<b>Nursing Home Certifiable Community - Conversions</b>			<b>Nursing Home Certifiable Community - Diversions</b>				<b>Other Community</b>
Medicare Risk Adjusted Payment (100% Weight)	Payment Based on Individuals' Risk Scores								
Medicaid Acute / Prescription Drugs	Payment Based on Individuals' Risk Scores								
Medicaid Bundled LTC	N/A	Payment Based on Individuals' Risk Scores	TBI NB = I	Payment Based on Individuals' Risk Scores	Payment Based on Individuals' Risk Scores	TBI NB	Payment Based on Individuals' Risk Scores	Payment Based on Individuals' Risk Scores	N/A
Medicaid NF Institutional Costs, Days 1 - 180	N/A	N/A	N/A	N/A	NF Add-On Capitation Rate				
Mental Health Targeted Case Management	MH-TCM Add-On Capitation Rate								
DHS Rate Cell Category	U	S	R	K	J	I	E	B	A

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