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December 1, 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 SNBC PINs for Calendar Year 2010

Dear Pam:

The attached report describes the development of the rates for the Special Needs BasicCare (SNBC) Preferred Integrated Networks (PINs) demonstration project 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



**Special Needs BasicCare
Preferred Integrated Networks
Base Rate Development
For Calendar Year 2010
Medica**

Prepared for:
Minnesota Department of Human Services

Prepared by:
Milliman, Inc.

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Appendix 1:	SNBC PINS 2010 Base Rate Tables
Appendix 2:	SNBC PINS PMPM Cost Models
Appendix 3:	SNBC PINS 2010 NF Add-On Rate Development

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I. INTRODUCTION

This report documents the calendar year (CY) 2010 base rate development for the Special Needs BasicCare (SNBC) program. The rates in this report are for the Preferred Integrated Network (PINs) demonstration project designed to integrate mental health treatment within the mainstream health care delivery system, ensure coordination with social services, and improve outcomes through timely and effective care.

Expected outcomes of the SNBC PINs demonstration project include improvement in access and quality of physical and mental health care for persons with serious mental illness, while maintaining access to county administered social services. The PINs will effectively manage the range of treatment and supportive services each enrollee requires in order to maintain the highest possible level of health, mental wellness and function.

The report assumes the reader is familiar with the basic aspects of the SNBC program, the PINs demonstration project, the disabled population groups to be covered under the program, 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 health plans will be a product of the base rates included in this report and the risk factors developed by Greg Gifford of the Minnesota Department of Health. Comparisons were done to demonstrate the consistency of the data being used to develop the base rates and the data being used to develop the risk factors.

CAVEATS AND LIMITATIONS

This report is intended for use by the Minnesota Department of Human Services (DHS) and participating health plan(s) as they negotiate a contract to provide most basic State plan services to people with disabilities in CY 2010 (Personal Care Assistant and Private Duty Nursing basic State plan services will remain fee-for-service Medicaid). 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 SNBC PINs, as well as to CMS to document the rate development.

The results presented in this letter are estimates only based on historical fee-for-service experience. 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 SNBC PINs 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 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.

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 SNBC PINs program are based on projections of historical fee-for-service Medicaid data for eligibles with disabilities.

DESCRIPTION OF SNBC PINS RATE CATEGORIES

SNBC PINs has four base rates for the SNBC PINs population. Base rates are based on combinations of:

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

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. Comparisons were done to demonstrate the consistency of the data used to develop the base rates and the data used to develop the risk factors.

The fee-for-service data was analyzed to calculate aggregate per member per month (PMPM) amounts for acute care 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 SNBC PINs will be paid on a fee-for-service basis. Additionally, nursing facility costs after the health plan's 100-day nursing facility liability period will be paid on a fee-for-service basis.

The CY 2010 base rates in Appendix 1 are net of third party collections since third party revenues were removed from the 2005 fee-for-service cost experience.

The 2005 aggregate fee-for-service combined cost experience for acute services for combinations of population groups are shown in Table 1 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 1 include all drugs. An adjustment will be made later in the rate development process to reflect the portion of drugs that will be covered by Medicare.

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**Table 1
Special Needs BasicCare – Preferred Integrated Network
Aggregate 2005 Fee-for-Service Cost Experience PMPM for Eligibles with Disabilities**

Population		Eligible Months	PMPM Cost Excluding Rx	Rx PMPM	
Duals	Institutional	Metro	19,918	\$285.98	\$622.75
		Non-Metro	13,036	230.82	484.85
	Community	Metro	233,845	295.67	411.06
		Non-Metro	243,034	269.73	396.40
Non-Duals	Institutional	Metro	8,584	1,464.46	706.17
		Non-Metro	4,546	1,298.23	586.16
	Community	Metro	235,448	822.09	271.65
		Non-Metro	178,307	777.51	347.68

SPENDDOWN

Enrollees with medical spenddowns are required to prepay their monthly spenddown amount to DHS, which in turn passes the spenddown amounts through to the MCOs. The enrollee must meet this monthly obligation in order to retain enrollment in MnDHO-PD.

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.

Three adjustments were made to the spenddown experience before adding it to the base rates:

1. The 2005 spenddown experience was reduced by 50% to account for the estimated percentage of the disabled population with a medical spenddown who would not enroll in SNBC PINs due to its spenddown requirements.
2. For the community population, the 2005 spenddown experience was reduced by an additional percentage to reflect that some of the medical spenddown is being paid to fee-for-service providers for services not covered under the SNBC PINs program. Per DHS, the percentage reductions, by population group, are as follows:
 - > Community, single eligibles, metro counties: 27.4%
 - > Community, dual eligibles, metro counties: 42.7%
 - > Community, single eligibles, non-metro counties: 31.3%
 - > Community, dual eligibles, non-metro counties: 50.2%
3. 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 SNBC PINs 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 / ICF / ICF-MR are collected directly from 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.

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Table 2 contains the PMPM amounts of total spenddown added to the base rates. These amounts reflect 2005 spenddown experience adjusted for the three adjustments 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.

Table 2 Special Needs BasicCare – Preferred Integrated Networks Spenddown Amounts Added to the Base Rates			
Population		Spenddown PMPM	
Duals	Institutional	Metro	\$0.86
		Non-Metro	0.46
	Community	Metro	6.91
		Non-Metro	3.40
Non-Duals	Institutional	Metro	1.13
		Non-Metro	0.96
	Community	Metro	2.12
		Non-Metro	1.68

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III. 2009 RATE DEVELOPMENT

For the 2009 rate development, the aggregate base rates were trended to the center of the CY 2009 rating period. The base rates were adjusted to reflect differences in the fee-for-service cost data for geographical region, institutional status, benefit changes, and eligibility for Medicaid only vs. eligibility for both Medicare and Medicaid. The trends were consistent with historical and projected trends of budgeted costs from the Reports and Forecast Division of DHS.

ANNUAL TRENDS, COST OF LIVING ADJUSTMENTS, AND REBASING ADJUSTMENTS

The fee-for-service costs were trended to the center of the CY 2009 contract period using annual trend assumptions, based on data provided by DHS, of 0.9% for Home Health Agency (HHA) services, 5.6% for non-HHA 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 the 2005 fee-for-service data to develop the CY 2009 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 and COS 015 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 SNBC PINs program resulting in managed care savings from fee-for-service levels. The range of expected savings is 5.0% to 10.0% due to reduced utilization. DHS assumed a utilization reduction of 6.5% from fee-for-service levels. In addition, we expect there to be increased health plan administrative costs and a need for margin due to increased managed care efforts. DHS assumed administrative expenses and margin to be 6.4% and 0.5% of medical expenses, respectively. These three factors combine to a net savings assumption of 0.0% from fee-for-service benefit costs. Table 3 contains a summary of these assumptions.

Table 3 Special Needs BasicCare – Preferred Integrated Networks Savings Assumptions	
	Assumed
Utilization Reduction	6.5%
Administrative Expense	6.4%
Margin	0.5%
Net Savings	0.0%
<i>Net Savings Calculation: $(1.00 - 0.065) \times (1.00 + 0.064) \times (1.00 + 0.005) - 1 = 0.000$</i>	

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ADJUSTMENT FOR OVER / UNDER-PREDICTION OF RISK SCORES BY POPULATION

Testing of the risk factor model indicated a bias of the risk factors for the institutional population to over-predict projected costs by approximately 13% and the community population to under-predict projected costs by approximately 1%. Therefore, the base rates for the institutional population were reduced by 13% and the base rates for the community population were increased by 1% such that the 2009 base rates and risk factors remained budget neutral while better accommodating future population mixes that are different than the population mix use to develop the risk scores. These bias factors were calculated by Greg Gifford.

EXTENDED CHEMICAL DEPENDENCY TREATMENT

The chemical dependency delivery system was redesigned 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.) were eliminated and a new assessment tool and protocol were put in place January 1, 2008. MCOs were then responsible for all levels of treatment determined necessary during the assessment/reassessment process. Costs for chemical dependency services COS 062 and 063 were subsequently included in the rates. Chemical dependency housing costs are also the health plans' responsibility; however, plans are reimbursed outside of the SNBC PINs capitation for these costs for COS 063.

MEDICARE ADJUSTMENT FOR PRESCRIPTION DRUGS

Medicare provides prescription drug coverage for the dually eligible enrollees in SNBC PINs. The health plans maintain responsibility for drugs not covered under the standard Medicare Part D plan. DHS supplied information which showed that approximately 2.7% of the cost of prescription drugs for the dual eligible population is not covered by Medicare. Therefore, fee-for-service costs were reduced by 97.3% 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 SNBC PINs for single eligibles (it is covered under the federal Part D for dual eligibles). MCOs are expected to cover the cost of the serum and administration. Coverage is for individuals 60 years and over whether or not they report a prior episode of shingles.

For the 2009 rate development, DHS estimated 11.0% of the SNBC PINs single eligible population would be ages 60 to 64. We assumed 30% 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 \$0.52 PMPM ($0.110 \times 0.30 \times \$189.78 / 12$). This cost was included in the 2009 prescription base rates.

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.

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ADJUSTMENTS MADE TO RISK SCORES FOR TARGETED MENTAL HEALTH ENHANCEMENT

The risk score model 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 score model 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.

ADJUSTMENTS FOR MENTAL HEALTH TARGETED CASE MANAGEMENT

On September 1, 2009, SNBC PINs began covering mental health targeted case management (MH-TCM) services that were previously covered via fee-for-service. Table 4 contains the estimated percentage of Medica's potential PINs population that would both (1) meet the MH-TCM eligibility criteria (90%) and (2) receive MH-TCM services in a given month (90%). Table 4 also contains the average monthly FY 2008 MH-TCM cost for those individuals receiving MH-TCM services in a given month and the FY 2008 PMPM MH-TCM cost across all of Medica's potential PINs population that would meet the SNBC eligibility criteria.

The Table 4 amounts are adjusted in Appendix 2 to reflect an estimated 7% increase in utilization due to an expansion of the MH-TCM eligibility criteria. Since these amounts are not included in the base rates, they will not be risk adjusted. Instead, the MH-TCM amounts will be included in the rates as an add-on.

Table 4 Special Needs BasicCare – Preferred Integrated Networks 2009 Rate Development Mental Health Targeted Case Management Add-On Development			
Eligibility	% of Medica's Potential PINs Population that Both Meet MH-TCM Eligibility Criteria and Receive MH-TCM Services in a Given Month in FY 2008	Average Monthly Cost in FY 2008 for Those Individuals Receiving MH-TCM Services for a Given Month	FY 2008 PMPM MH-TCM Costs for Medica's Potential PINs Population Meeting the SNBC Eligibility Criteria
Duals	81% (81% = 90% x 90%)	\$366.02	\$296.48
Non-Duals	81% (81% = 90% x 90%)	\$410.31	\$332.35

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ADJUSTMENT FOR COVERAGE OF PREVENTIVE VISITS

An adjustment was made to the fee for service claim costs for preventive care visits. It is assumed additional visits will be incurred by the health plans as the health plans are to facilitate annual physician visits for SNBC members for primary and preventive care. Therefore, an additive adjustment was made to the 2009 rate development. For the non-duals, projected costs were increased \$4.00 PMPM based on an estimate average cost of a preventive exam being \$48, including the exam and any associated lab work. For duals, projected costs only include the cost sharing associated with the preventive exam, which would be 20%, or \$0.80 PMPM. This adjustment was made to the Physician Services line (COS 043) in Appendix 2.

DIALECTICAL BEHAVIORAL THERAPY

On 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 2 and is risk adjusted.

MEDICAID COPAY CHANGES

Medicaid copays have been 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 were 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 SNBC PINs 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 2.

This factor assumes non-emergency visits to the emergency room are immaterial, that all SNBC PINs 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 an SNBC PINs 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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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.

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) adjustment factors in Exhibit 2 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 ratable 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.

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 adjustment factors in Exhibit 2 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 ratable 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.

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 SNBC PINs population.

The inpatient ratable reduction did not apply to the Medicare cost sharing portion of the rates for dual eligible individuals. Therefore, the PMPM ratable 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 SNBC PINs population due to the 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 do not apply to newborn care. This legislative change was estimated to not impact the cost of inpatient maternity services for the SNBC PINs population due to the very small number of births within this population.

ADJUSTMENT FOR REDUCTION RELATED TO PROVIDER RATE REDUCTION

The provider rate reduction within the new legislation required a 2.58% reduction in rates for home health services.

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V. 2010 RATE DEVELOPMENT

As in past years, in 2010 DHS will issue a single monthly payment to each health plan or its designee for which the health plan must provide the SNBC PINs benefits set forth in the contract for all enrolled persons. The amount of the monthly payment will be equal to the product of the CY 2010 base rates multiplied by the risk factor for each person enrolled in the health plan, updated on a rolling quarterly basis. To ensure that the payments to the health plan reflect the resource needs of the enrolled population as accurately as possible, DHS developed a risk factor assignment methodology which acknowledges each enrollee's diagnosis history. The risk factor weights will be provided in a separate document.

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

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 acute care services, and 9.0% for prescription drugs.

ADJUSTMENTS FOR PRESCRIPTION DRUG BENEFITS

Adjustment for Zostavax Vaccine

For the 2009 rate development, \$0.52 PMPM was included in the 2009 prescription base rates for the one-time Zostavax vaccine. For 2009, we assumed 30% of the single eligible, ages 60 to 64 SNBC PINs population would obtain the one-time Zostavax vaccine. For 2010, we assumed 20% 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 \$0.38 PMPM ($\$0.38 = \$0.52 / 0.30 \times 0.20 \times 1.09$). This \$0.14 PMPM cost reduction is included in the 2010 prescription base rates in Appendix 1.

Adjustment for Gardasil

The drug Gardasil is covered under SNBC PINs for single eligible males ages 18 to 26 (it is covered under the federal Part D benefit for dual eligibles). MCOs are expected to cover the cost of the drug and administration.

For the 2010 rate development, DHS estimated 2.2% of the SNBC PINs 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 ($\$0.003 = 3 \times \$8.50 \times 0.022 \times 0.07 / 12$). 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

For 2010, the average monthly cost for those individuals receiving MH-TCM services for a given month is assumed to be \$625. Using the base rates in Table 4, this results in a 2010 MH-TCM rate adjustment factor of $\$625 / \$366.02 = 1.7076$ for duals and $\$625 / \$410.31 = 1.5232$ for non-duals.

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ADJUSTMENT FOR THE UNDER PREDICTION OF THE NON-DD POPULATION

Testing of the risk factor model indicated a bias of the risk factors for the non-developmentally disabled population to under-predict projected costs by approximately 7.74% for duals and 1.74% for non-duals assuming a distribution of 65% with mental disability and 35% with physical disability within the SNBC PINs population. Therefore, the 2010 base rates were increased by 7.74% for duals and 1.74% for non-duals to account for this under-prediction. These bias factors were calculated by Greg Gifford.

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 SNBC PINs 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 2 contains actuarial cost models which show the distribution of PMPM costs by service category for the eight base rate population combinations. For the 2005 base data, the total cost of prescription drugs is included in the dual eligible cost models. The spenddown amounts shown in Appendix 1 are the total adjusted spenddown amounts contained in Table 2.

CAPITATION RATE COMPONENTS

Appendix 1A contains the components required to develop the CY 2010 capitation rates for each combination of:

- > Medicaid only vs. Dual eligibility and
- > Population group (Institutional vs. Community)

Appendix 1B contains templates of the spreadsheets that will be used by DHS to develop CY 2010 capitation rates for SNBC PINs. The Plan Risk Factors in Appendix 1B are for illustrative purposes only. They are not intended to reflect actual PINs risk scores for CY 2010.

MEDICAL EDUCATION RESEARCH COST ADJUSTMENT

DHS will make payments to the Medical Education Research Cost (MERC) Trust Fund on behalf of the MCO. As a result, the CY 2010 SNBC PINs final base rates were adjusted for a MERC reduction percentage of 2.0% for Anoka, Carver, Dakota, Ramsey, Scott, and Washington Counties.

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DIFFERENTIAL HOSPITAL UTILIZATION ADJUSTMENT

Because of differential hospital utilization (DHU) in the fee-for-service base data, DHU was removed from single eligible base rates for SNBC PINs and will be added back after the risk adjustment is calculated. This DHU adjustment is only applied to the single eligible population as Medicare is responsible for the hospital costs of dual eligible population.

The CY 2010 SNBC PINs final base rates for single eligibles were adjusted for aggregate DHU reductions based on percentage of 2.6% for Anoka, Carver, Dakota, Ramsey, Scott, and Washington Counties.

LEGISLATED PREMIUM TAX

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

WITHHOLD

A 9.5% withhold adjustment required by legislation was removed from the rates, excluding MERC and the NF-Add on. Withhold returns will be calculated for each MCO based on risk adjusted reimbursed amounts paid to the MCO plus DHU, excluding MERC and the NF-Add on.

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VI. SNBC PINS NURSING FACILITY ADD-ON RATE

The health plan will be responsible for the first 100 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 100 days health plan liability. The 100 days may be consecutive days or total days for multiple admissions for a contract year.

The aggregate nursing facility rate for the SNBC PINs 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 pages 3 and 4 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 rates PMPM for CY 2010 are \$13.43 and \$11.38 for the single eligible and dual eligible community populations, respectively.
- > 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 rates PMPM for CY 2010 are \$1.83 and \$1.85 for the single eligible and dual eligible community populations, respectively.
- > 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 \$0.29 and \$0.23 for the single eligible and dual eligible community populations, respectively. 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 rates for CY 2010 of \$15.55 and \$13.46 for the single eligible and dual eligible community populations, respectively. In addition, the initial base rate was 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 DHS by the managed care organization (MCO) when an institutionalized SNBC PINs enrollee disenrolls during the 100-day benefit period. The resulting final base rates for CY 2010 are \$15.29 and \$13.23 for the single eligible and dual eligible community populations, respectively.

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 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).

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FREQUENCY

The frequency of admission is expressed as the expected number of admissions per eligible on an annual basis. The annual frequencies of admission are 1.5% for both the single eligible and dual eligible community populations.

AVERAGE LENGTH-OF-STAY

The ALOS is 72 days and 73 days for the single eligible and dual eligible community populations, respectively. These amounts include only the first 100 days per stay for all admissions combined. Skilled nursing facility days reimbursed by Medicare will be included in the 100-day pre-funded liability, with lower payments due to Medicare's portion. This is reflected by lowering the ALOS used to calculate the initial rate by 10.3 days for the dual eligible community eligibles. In the NF Add-on rate calculation, the length-of-stay is adjusted to exclude days which occur beyond the contract period.

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 ($\$173.99 = \$163.38 \times 1.0187 \times 1.034 \times 1.011$). The 1.1% trend from 2009 to 2010 includes the impact of the new legislation's suspension of nursing facility rebasing for FY 2010.

LEGISLATED PREMIUM TAX

The CY 2010 SNBC PINs NF add-on rates include the legislated premium tax of 1%, which is added to the rates in Appendix 1A. Final CY 2010 SNBC PINs NF add-on rates for the CBP plans do not include the premium tax adjustment.

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 pages 1 and 2 of Appendix 3.

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Appendix 1

SNBC PINs 2010 Base Rate Tables

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Special Needs BasicCare
PINs Base Rate Development for Calendar Year 2010

December 1, 2009

Appendix 1A
Special Needs BasicCare - Preferred Integrated Networks
Development of 2010 Rate Components Per Member Per Month (PMPM)
Medica

			A	B	C	D	E	F	G	H
Population			From Appendix 2			Initial Base Rate	Base Rate MERC Adjstmt.	MHTCM MERC Adjstmt.	DHU Adjstmt.	Base Rate Premium Tax
			Acute Base Rate	Rx Base Rate	Spenddown Adjustment					
Duals	Institutional	Metro 2	\$359.17	\$24.17	\$0.86	\$384.20	\$7.68	\$10.41	N/A	\$3.80
	Community	Metro 2	425.67	18.50	6.91	451.08	9.02	12.09	N/A	4.47
Non-Duals	Institutional	Metro 2	1,873.56	962.22	1.13	2,836.91	56.74	10.41	\$73.76	27.34
	Community	Metro 2	1,204.92	429.99	2.12	1,637.03	32.74	12.09	42.56	15.78

			I	J	K	L	M	N	O	P	Q
Population			Non-CBP Final Base Rate with MERC and DHU Removed	CBP Final Base Rate with MERC and DHU Removed	MERC Add-Back	DHU Add-Back for Non-CBP (includes Premium Tax)	DHU Add-Back for CBP	NF Add-On for Non-CBP (includes Premium Tax)	From App. 2 NF Add-On for CBP	MHTCM Add-On for Non-CBP (includes Premium Tax)	From App. 2 MHTCM Add-On for CBP
			Duals	Institutional	Metro 2	\$380.32	N/A	\$18.10	N/A	N/A	N/A
Community	Metro 2	446.53		N/A	21.11	N/A	N/A	\$14.88	N/A	610.33	604.35
Non-Duals	Institutional	Metro 2	2,733.75	N/A	67.15	\$74.50	N/A	N/A	N/A	525.70	520.55
	Community	Metro 2	1,577.51	N/A	44.83	42.99	N/A	14.31	N/A	610.31	604.33

Metro 2 - Anoka, Carver, Dakota, Ramsey, Scott, and Washington Counties

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Appendix 1B
Special Needs BasicCare - Preferred Integrated Networks
2010 Capitation Payment Rates
Medica

			MERC Carve Out	DHU Add-on ¹	MERC + DHU	2010 Risk Adjustment Base Rate ^{1,2}	Plan Risk Factor ³	Plan RA Rate ^{1,2,3}	Plan RA Rate + DHU - Withhold ^{1,3}	Plan RA Rate + DHU + MERC - Withhold ^{1,3}	NF Add-on ¹	MH-TCM Add-on - Withhold ¹	Total Plan Rate (Includes MERC) ^{1,3}	Plan Reimbursement Amount (Excludes MERC) ^{1,3}
			1	2		3	4	5	6	7	8	9	10	11
Rate Regions			App. 1A (K)	App. 1A (L)		App. 1A (I)		(3 x 4)	(2 + 5) x 0.905	(6 + 1)	App. 1A (N)	^[App. 1A (P) x 0.905] - App. 1A (F)	(7 + 8 + 9)	(6 + 8 + 9)
Metro 2	Institutionalized	Dual	\$18.10	N/A	\$18.10	\$380.32	1.1067	\$420.89	\$380.91	\$399.01	N/A	\$465.36	\$864.36	\$846.26
		Non- Dual	67.15	\$74.50	141.65	2,733.75	1.3593	3,715.98	3,430.39	3,497.54	N/A	465.35	3,962.89	3,895.74
	Non-Institutionalized	Dual	21.11	N/A	21.11	446.53	1.1067	494.16	447.22	468.33	\$14.88	\$540.26	1,023.47	1,002.36
		Non- Dual	44.83	42.99	87.82	1,577.51	1.3593	2,144.31	1,979.50	2,024.33	14.31	540.24	2,578.89	2,534.06

¹ Includes 1% premium tax.

² Does not include MERC Carve-Out or DHU Add-On. Includes 1% premium tax.

³ The plan risk factor and risk adjusted rates will change each quarter

Rate Regions:

Metro 2: Anoka, Carver, Dakota, Ramsey, Scott & Washington Counties

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Appendix 2

SNBC PINs PMPM Cost Models

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Special Needs BasicCare
PINs Base Rate Development for Calendar Year 2010

December 1, 2009

**Appendix 2
Special Need BasicCare - Preferred Integrated Networks (PINs)
2010 Per Member Per Month Rate Development**

Population: Dual Eligibles, Metro Counties, Institutional

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development							2010 Rate Development					
COS	Description	DHS 2005 Liability PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Additional Additive Adjustment	January - September 2009 PMPM Rates	Physician & Professional Services Ratable Reduction & Unallotment	Basic Care Ratable Reduction & Unallotment	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Payment Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Dakota Adjustment	Non-DD Population Under Prediction Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$35.88	1.245	1.260	0.87	\$0.00	\$48.95	\$0.00	\$0.00	\$0.14	1.0000	1.0000	1.0000	\$48.81	1.0520	\$0.00	1.0000	1.0000	1.0774	\$55.32
006	Rehabilitation	0.15	1.245	1.000	0.87	0.00	0.17	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.17	1.0520	0.00	1.0000	1.0000	1.0774	0.19
007	Outpatient Hospital Services	14.66	1.245	1.000	0.87	0.00	15.88	0.00	0.06	0.00	1.0000	1.0000	1.0000	15.82	1.0520	0.00	1.0000	1.0000	1.0774	17.93
015	Inpatient Long Term Hospital	0.65	1.245	1.220	0.87	0.00	0.86	0.00	0.00	0.01	1.0000	1.0000	1.0000	0.85	1.0520	0.00	1.0000	1.0000	1.0774	0.96
020	Home Health Services	0.09	1.037	1.040	0.87	0.00	0.09	0.00	0.00	0.00	1.0000	1.0000	0.9742	0.09	0.9900	0.00	1.0000	1.0000	1.0774	0.10
032	Medical Supply / DME	33.98	1.245	1.000	0.87	0.00	36.80	0.00	0.69	0.00	1.0000	1.0000	1.0000	36.11	1.0520	0.00	1.0000	1.0000	1.0774	40.93
036	Transport, Special	46.48	1.245	1.000	0.87	0.00	50.33	0.00	0.00	0.00	1.0000	1.0000	1.0000	50.33	1.0520	0.00	1.0000	1.0000	1.0774	57.05
037	Transport, Ambulance	7.46	1.245	1.000	0.87	0.00	8.08	0.00	0.00	0.00	1.0000	1.0000	1.0000	8.08	1.0520	0.00	1.0000	1.0000	1.0774	9.16
041	Anesthesia	1.52	1.245	1.000	0.87	0.00	1.65	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.65	1.0520	0.00	1.0000	1.0000	1.0774	1.87
043	Physician Services	41.42	1.245	1.000	0.87	0.80	45.65	0.30	0.00	0.00	1.0000	1.0000	1.0000	45.35	1.0520	0.00	1.0000	1.0000	1.0774	51.40
045	Dental	19.13	1.245	1.000	0.87	0.00	20.72	0.00	0.00	0.00	1.0000	1.0000	1.0000	20.72	1.0520	0.00	0.7750	1.0000	1.0774	18.20
046	Mental Health	29.47	1.245	1.018	0.87	0.00	32.50	0.00	0.00	0.00	1.0000	1.0000	1.0000	32.50	1.0520	0.00	1.0000	1.0000	1.0774	36.84
051	Physical Therapy	6.87	1.245	1.040	0.87	0.00	7.74	0.18	0.00	0.00	1.0000	1.0000	1.0000	7.56	1.0520	0.00	1.0000	1.0000	1.0774	8.57
053	Speech Therapy	2.71	1.245	1.040	0.87	0.00	3.06	0.09	0.00	0.00	1.0000	1.0000	1.0000	2.97	1.0520	0.00	1.0000	1.0000	1.0774	3.37
054	Occupational Therapy	9.68	1.245	1.040	0.87	0.00	10.91	0.45	0.00	0.00	1.0000	1.0000	1.0000	10.46	1.0520	0.00	1.0000	1.0000	1.0774	11.86
055	Podiatry	0.70	1.245	1.000	0.87	0.00	0.76	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.76	1.0520	0.00	1.0000	1.0000	1.0774	0.86
057	Chiropractic	0.04	1.245	1.000	0.87	0.00	0.05	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.05	1.0520	0.00	1.0000	1.0000	1.0774	0.06
058	Audiology	0.51	1.245	1.000	0.87	0.00	0.55	0.01	0.00	0.00	1.0000	1.0000	1.0000	0.54	1.0520	0.00	1.0000	1.0000	1.0774	0.61
062	Chemical Dependency	0.59	1.245	1.040	0.87	0.00	0.67	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.67	1.0520	0.00	1.0000	1.0000	1.0774	0.76
063	CD Extended Care / Halfway House	0.00	1.245	1.000	0.87	0.00	0.00	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.00	1.0520	0.00	1.0000	1.0000	1.0774	0.00
072	Hospice	1.33	1.245	1.000	0.87	0.00	1.44	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.44	1.0520	0.00	1.0000	1.0000	1.0774	1.63
074	Inpatient Hospital 45 Day Psych Contract	0.69	1.245	1.000	0.87	0.00	0.75	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.75	1.0520	0.00	1.0000	1.0000	1.0774	0.85
075	Eyeglasses / Contact Lenses	2.08	1.245	1.000	0.87	0.00	2.25	0.00	0.10	0.00	1.0000	1.0000	1.0000	2.15	1.0520	0.00	1.0000	1.0000	1.0774	2.44
076	Prosthetics and Orthotics	2.86	1.245	1.000	0.87	0.00	3.10	0.00	0.07	0.00	1.0000	1.0000	1.0000	3.03	1.0520	0.00	1.0000	1.0000	1.0774	3.43
077	Hearing Aids	0.78	1.245	1.000	0.87	0.00	0.85	0.00	0.01	0.00	1.0000	1.0000	1.0000	0.84	1.0520	0.00	1.0000	1.0000	1.0774	0.95
078	Vision Care	2.26	1.245	1.000	0.87	0.00	2.44	0.08	0.00	0.00	1.0000	1.0000	1.0000	2.36	1.0520	0.00	1.0000	1.0000	1.0774	2.67
079	Radiology, Technical Component	10.96	1.245	1.000	0.87	0.00	11.86	0.04	0.00	0.00	1.0000	1.0000	1.0000	11.82	1.0520	0.00	1.0000	1.0000	1.0774	13.40
080	Laboratory	1.12	1.245	1.000	0.87	0.00	1.22	0.00	0.02	0.00	1.0000	1.0000	1.0000	1.20	1.0520	0.00	1.0000	1.0000	1.0774	1.36
082	Federal Qualified Health Contract Service	2.84	1.245	1.000	0.87	0.00	3.07	0.00	0.00	0.00	1.0000	1.0000	1.0000	3.07	1.0520	0.00	1.0000	1.0000	1.0774	3.48
087	End-Stage Renal Dialysis	7.72	1.245	1.000	0.87	0.00	8.36	0.00	0.00	0.00	1.0000	1.0000	1.0000	8.36	1.0520	0.00	1.0000	1.0000	1.0774	9.48
091	Nurse Practitioner Services	1.06	1.245	1.000	0.87	0.00	1.15	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.15	1.0520	0.00	1.0000	1.0000	1.0774	1.30
999	Unable to Define	0.25	1.245	1.000	0.87	0.00	0.28	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.28	1.0520	0.00	1.0000	1.0000	1.0774	0.32
	Dialectical Behavioral Therapy	0.67	1.000	1.000	0.87	0.00	0.58	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.58	1.0520	0.00	1.0000	1.0000	1.0774	0.66
	Health Care Home Care Coordination	0.00					0.00							0.00					1.17	1.17
	Total Acute Base Rate	\$286.65					\$322.77							\$320.52						\$359.17
	Prescription Drugs	\$622.75	1.412	0.027	0.87	\$0.05	\$20.70	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$20.70	1.0900	(0.14)	1.0000	1.0000	1.0774	\$24.17
	Spenddown	1.98	1.000	0.500	1.00	(0.13)	0.86	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.86	1.0000	0.00	1.0000	1.0000	1.0000	0.86
	Grand Total	\$911.38					\$344.33							\$342.08						\$384.19
	Mental Health Targeted Case Management	\$296.48	1.124	1.000	0.87	\$0.00	\$289.79	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$289.79	1.0520	0.00	1.0000	1.7076	1.0000	\$520.56
	2005 Eligible Months	19,918																		

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 2
Special Need BasicCare - Preferred Integrated Networks (PINs)
2010 Per Member Per Month Rate Development**

Population: Dual Eligibles, Metro Counties, Community

Base Data		January through September 2009 Rate Development						October through December 2009 Rate Development							2010 Rate Development					
COS	Description	DHS 2005 Liability PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Additional Additive Adjustment	January - September 2009 PMPM Rates	Physician & Professional Services Ratable Reduction & Unallotment	Basic Care Ratable Reduction & Unallotment	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Payment Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Dakota Adjustment	Non-DD Population Under Prediction Adjustment	2010 PMPM Rates
001	Inpatient Hospital General	\$28.81	1.245	1.260	1.01	\$0.00	\$45.64	\$0.00	\$0.00	\$0.07	1.0000	1.0000	1.0000	\$45.57	1.0520	\$0.00	1.0000	1.0000	1.0774	\$51.65
006	Rehabilitation	0.20	1.245	1.000	1.01	0.00	0.25	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.25	1.0520	0.00	1.0000	1.0000	1.0774	0.28
007	Outpatient Hospital Services	15.45	1.245	1.000	1.01	0.00	19.43	0.00	0.05	0.00	1.0000	1.0000	1.0000	19.38	1.0520	0.00	1.0000	1.0000	1.0774	21.97
014	Inpatient Hospital IMD	0.11	1.245	1.000	1.01	0.00	0.14	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.14	1.0520	0.00	1.0000	1.0000	1.0774	0.16
015	Inpatient Long Term Hospital	4.82	1.245	1.220	1.01	0.00	7.40	0.00	0.07	1.0000	1.0000	1.0000	7.33	1.0520	0.00	1.0000	1.0000	1.0774	8.31	
020	Home Health Services	24.40	1.037	1.040	1.01	0.00	26.58	0.00	0.00	0.00	1.0000	1.0000	0.9742	25.89	0.9900	0.00	1.0000	1.0000	1.0774	27.61
029	RTC - Mental Health	0.57	1.245	1.000	1.01	0.00	0.72	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.72	1.0520	0.00	1.0000	1.0000	1.0774	0.82
032	Medical Supply / DME	21.46	1.245	1.000	1.01	0.00	26.98	0.00	0.69	0.00	1.0000	1.0000	1.0000	26.29	1.0520	0.00	1.0000	1.0000	1.0774	29.80
036	Transport, Special	12.02	1.245	1.000	1.01	0.00	15.12	0.00	0.00	0.00	1.0000	1.0000	1.0000	15.12	1.0520	0.00	1.0000	1.0000	1.0774	17.14
037	Transport, Ambulance	3.43	1.245	1.000	1.01	0.00	4.31	0.00	0.00	0.00	1.0000	1.0000	1.0000	4.31	1.0520	0.00	1.0000	1.0000	1.0774	4.89
041	Anesthesia	0.99	1.245	1.000	1.01	0.00	1.25	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.25	1.0520	0.00	1.0000	1.0000	1.0774	1.42
043	Physician Services	38.04	1.245	1.000	1.01	0.80	48.62	0.28	0.00	0.00	1.0000	1.0000	1.0000	48.34	1.0520	0.00	1.0000	1.0000	1.0774	54.79
045	Dental	13.77	1.245	1.000	1.01	0.00	17.31	0.00	0.00	0.00	1.0000	1.0000	1.0000	17.31	1.0520	0.00	0.7750	1.0000	1.0774	15.21
046	Mental Health	86.10	1.245	1.018	1.01	0.00	110.23	0.00	0.00	0.00	1.0000	1.0000	1.0000	110.23	1.0520	0.00	1.0000	1.0000	1.0774	124.94
051	Physical Therapy	1.54	1.245	1.040	1.01	0.00	2.01	0.03	0.00	0.00	1.0000	1.0000	1.0000	1.98	1.0520	0.00	1.0000	1.0000	1.0774	2.24
053	Speech Therapy	0.48	1.245	1.040	1.01	0.00	0.62	0.03	0.00	0.00	1.0000	1.0000	1.0000	0.59	1.0520	0.00	1.0000	1.0000	1.0774	0.67
054	Occupational Therapy	2.10	1.245	1.040	1.01	0.00	2.75	0.14	0.00	0.00	1.0000	1.0000	1.0000	2.61	1.0520	0.00	1.0000	1.0000	1.0774	2.96
055	Podiatry	0.34	1.245	1.000	1.01	0.00	0.43	0.01	0.00	0.00	1.0000	1.0000	1.0000	0.42	1.0520	0.00	1.0000	1.0000	1.0774	0.48
056	Ambulatory Surgery	0.04	1.245	1.000	1.01	0.00	0.04	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.04	1.0520	0.00	1.0000	1.0000	1.0774	0.05
057	Chiropractic	0.54	1.245	1.000	1.01	0.00	0.68	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.68	1.0520	0.00	1.0000	1.0000	1.0774	0.77
058	Audiology	0.15	1.245	1.000	1.01	0.00	0.19	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.19	1.0520	0.00	1.0000	1.0000	1.0774	0.22
062	Chemical Dependency	5.55	1.245	1.040	1.01	0.00	7.26	0.00	0.00	0.00	1.0000	1.0000	1.0000	7.26	1.0520	0.00	1.0000	1.0000	1.0774	8.23
063	CD Extended Care / Halfway House	1.10	1.245	1.000	1.01	0.00	1.38	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.38	1.0520	0.00	1.0000	1.0000	1.0774	1.56
072	Hospice	3.43	1.245	1.000	1.01	0.00	4.31	0.00	0.00	0.00	1.0000	1.0000	1.0000	4.31	1.0520	0.00	1.0000	1.0000	1.0774	4.89
074	Inpatient Hospital 45 Day Psych Contract	2.02	1.245	1.000	1.01	0.00	2.54	0.00	0.00	0.00	1.0000	1.0000	1.0000	2.54	1.0520	0.00	1.0000	1.0000	1.0774	2.88
075	Eyeglasses / Contact Lenses	1.95	1.245	1.000	1.01	0.00	2.46	0.00	0.11	0.00	1.0000	1.0000	1.0000	2.35	1.0520	0.00	1.0000	1.0000	1.0774	2.66
076	Prosthetics and Orthotics	1.69	1.245	1.000	1.01	0.00	2.12	0.00	0.05	0.00	1.0000	1.0000	1.0000	2.07	1.0520	0.00	1.0000	1.0000	1.0774	2.35
077	Hearing Aids	0.60	1.245	1.000	1.01	0.00	0.76	0.00	0.01	0.00	1.0000	1.0000	1.0000	0.75	1.0520	0.00	1.0000	1.0000	1.0774	0.85
078	Vision Care	1.05	1.245	1.000	1.01	0.00	1.32	0.04	0.00	0.00	1.0000	1.0000	1.0000	1.28	1.0520	0.00	1.0000	1.0000	1.0774	1.45
079	Radiology, Technical Component	11.28	1.245	1.000	1.01	0.00	14.18	0.07	0.00	0.00	1.0000	1.0000	1.0000	14.11	1.0520	0.00	1.0000	1.0000	1.0774	15.99
080	Laboratory	1.39	1.245	1.000	1.01	0.00	1.74	0.00	0.03	0.00	1.0000	1.0000	1.0000	1.71	1.0520	0.00	1.0000	1.0000	1.0774	1.94
082	Federal Qualified Health Contract Service	3.63	1.245	1.000	1.01	0.00	4.56	0.00	0.00	0.00	1.0000	1.0000	1.0000	4.56	1.0520	0.00	1.0000	1.0000	1.0774	5.17
083	Rural Health Clinic Services	0.01	1.245	1.000	1.01	0.00	0.02	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.02	1.0520	0.00	1.0000	1.0000	1.0774	0.02
087	End-Stage Renal Dialysis	5.44	1.245	1.000	1.01	0.00	6.84	0.00	0.00	0.00	1.0000	1.0000	1.0000	6.84	1.0520	0.00	1.0000	1.0000	1.0774	7.75
088	Public Health Nursing	0.05	1.245	1.000	1.01	0.00	0.06	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.06	1.0520	0.00	1.0000	1.0000	1.0774	0.07
090	Nurse Midwife Services	0.01	1.245	1.000	1.01	0.00	0.01	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.01	1.0520	0.00	1.0000	1.0000	1.0774	0.01
091	Nurse Practitioner Services	0.22	1.245	1.000	1.01	0.00	0.27	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.27	1.0520	0.00	1.0000	1.0000	1.0774	0.31
999	Unable to Define	0.88	1.245	1.000	1.01	0.00	1.11	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.11	1.0520	0.00	1.0000	1.0000	1.0774	1.26
	Dialectical Behavioral Therapy	0.67	1.000	1.000	1.01	0.00	0.68	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.68	1.0520	0.00	1.0000	1.0000	1.0774	0.77
	Health Care Home Care Coordination	0.00					0.00							0.00						1.17
	Total Acute Base Rate	\$296.34					\$382.32							\$379.95						\$425.67
	Prescription Drugs Spenddown	\$411.06	1.412	0.027	1.01	\$0.05	\$15.87	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$15.87	1.0900	(0.14)	1.0000	1.0000	1.0774	\$18.50
	Grand Total	\$735.25	1.000	0.287	1.00	(1.06)	\$405.10	0.00	0.00	0.00	1.0000	1.0000	1.0000	\$402.73	1.0000	0.00	1.0000	1.0000	1.0000	\$451.08
	Mental Health Targeted Case Management	\$296.48	1.124	1.000	1.01	\$0.00	\$336.43	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$336.43	1.0520	0.00	1.0000	1.7076	1.0000	\$604.35
	2005 Eligible Months	233,845																		

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**Appendix 2
Special Need BasicCare - Preferred Integrated Networks (PINs)
2010 Per Member Per Month Rate Development**

Population: Single Eligibles, Metro Counties, Institutional

Base Data		January through September 2009 Rate Development					October through December 2009 Rate Development							2010 Rate Development							
COS	Description	DHS 2005 Liability PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Additional Additive Adjustment	January - September 2009 PMPM Rates	Physician & Professional Services		Basic Care Ratable	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Payment Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Dakota Adjustment	Non-DD Population Under Prediction Adjustment	2010 PMPM Rates
								Reduction & Unallotment	Reduction & Unallotment												
001	Inpatient Hospital General	\$693.66	1.245	1.260	0.87	\$0.00	\$946.45	\$0.00	\$0.00	\$9.46	1.0000	1.0000	1.0000	\$936.99	1.0520	\$0.00	1.0000	1.0000	1.0174	\$1,002.86	
006	Rehabilitation	7.32	1.245	1.000	0.87	0.00	7.93	0.00	0.00	0.08	1.0000	1.0000	1.0000	7.85	1.0520	0.00	1.0000	1.0000	1.0174	8.40	
007	Outpatient Hospital Services	64.76	1.245	1.000	0.87	0.00	70.12	0.00	3.11	0.00	1.0000	1.0000	1.0000	67.01	1.0520	0.00	1.0000	1.0000	1.0174	71.72	
014	Inpatient Hospital IMD	1.98	1.245	1.000	0.87	0.00	2.14	0.00	0.00	0.02	1.0000	1.0000	1.0000	2.12	1.0520	0.00	1.0000	1.0000	1.0174	2.27	
015	Inpatient Long Term Hospital	8.70	1.245	1.220	0.87	0.00	11.49	0.00	0.00	0.11	1.0000	1.0000	1.0000	11.38	1.0520	0.00	1.0000	1.0000	1.0174	12.18	
020	Home Health Services	0.73	1.037	1.040	0.87	0.00	0.68	0.00	0.00	0.00	1.0000	1.0000	0.9742	0.66	0.9900	0.00	1.0000	1.0000	1.0174	0.66	
032	Medical Supply / DME	77.77	1.245	1.000	0.87	0.00	84.21	0.00	2.40	0.00	1.0000	1.0000	1.0000	81.81	1.0520	0.00	1.0000	1.0000	1.0174	87.56	
036	Transport, Special	40.18	1.245	1.000	0.87	0.00	43.51	0.00	0.00	0.00	1.0000	1.0000	1.0000	43.51	1.0520	0.00	1.0000	1.0000	1.0174	46.57	
037	Transport, Ambulance	57.90	1.245	1.000	0.87	0.00	62.70	0.00	0.00	0.00	1.0000	1.0000	1.0000	62.70	1.0520	0.00	1.0000	1.0000	1.0174	67.11	
040	Child and Teen Checkup	0.05	1.245	1.000	0.87	0.00	0.05	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.05	1.0520	0.00	1.0000	1.0000	1.0174	0.05	
041	Anesthesia	9.34	1.245	1.000	0.87	0.00	10.12	0.00	0.00	0.00	1.0000	1.0000	1.0000	10.12	1.0520	0.00	1.0000	1.0000	1.0174	10.83	
043	Physician Services	162.01	1.245	1.000	0.87	4.00	179.44	9.34	0.00	0.00	1.0000	1.0000	1.0000	170.10	1.0520	0.00	1.0000	1.0000	1.0174	182.06	
045	Dental	19.07	1.245	1.000	0.87	0.00	20.65	0.00	0.00	0.00	1.0000	1.0000	1.0000	20.65	1.0520	0.00	0.7750	1.0000	1.0174	17.13	
046	Mental Health	42.94	1.245	1.018	0.87	0.00	47.35	0.00	0.00	0.00	1.0000	1.0000	1.0000	47.35	1.0520	0.00	1.0000	1.0000	1.0174	50.68	
051	Physical Therapy	46.12	1.245	1.040	0.87	0.00	51.94	3.38	0.00	0.00	1.0000	1.0000	1.0000	48.56	1.0520	0.00	1.0000	1.0000	1.0174	51.97	
053	Speech Therapy	15.09	1.245	1.040	0.87	0.00	17.00	1.11	0.00	0.00	1.0000	1.0000	1.0000	15.89	1.0520	0.00	1.0000	1.0000	1.0174	17.01	
054	Occupational Therapy	40.90	1.245	1.040	0.87	0.00	46.07	2.99	0.00	0.00	1.0000	1.0000	1.0000	43.08	1.0520	0.00	1.0000	1.0000	1.0174	46.11	
055	Podiatry	2.44	1.245	1.000	0.87	0.00	2.64	0.17	0.00	0.00	1.0000	1.0000	1.0000	2.47	1.0520	0.00	1.0000	1.0000	1.0174	2.64	
056	Ambulatory Surgery	0.54	1.245	1.000	0.87	0.00	0.59	0.00	0.03	0.00	1.0000	1.0000	1.0000	0.56	1.0520	0.00	1.0000	1.0000	1.0174	0.60	
057	Chiropractic	0.09	1.245	1.000	0.87	0.00	0.10	0.01	0.00	0.00	1.0000	1.0000	1.0000	0.09	1.0520	0.00	1.0000	1.0000	1.0174	0.10	
058	Audiology	0.70	1.245	1.000	0.87	0.00	0.76	0.05	0.00	0.00	1.0000	1.0000	1.0000	0.71	1.0520	0.00	1.0000	1.0000	1.0174	0.76	
062	Chemical Dependency	3.50	1.245	1.040	0.87	0.00	3.94	0.00	0.00	0.00	1.0000	1.0000	1.0000	3.94	1.0520	0.00	1.0000	1.0000	1.0174	4.22	
063	CD Extended Care / Halfway House	0.02	1.245	1.000	0.87	0.00	0.03	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.03	1.0520	0.00	1.0000	1.0000	1.0174	0.03	
072	Hospice	2.44	1.245	1.000	0.87	0.00	2.64	0.00	0.00	0.00	1.0000	1.0000	1.0000	2.64	1.0520	0.00	1.0000	1.0000	1.0174	2.83	
074	Inpatient Hospital 45 Day Psych Contract	21.18	1.245	1.000	0.87	0.00	22.94	0.00	0.00	0.00	1.0000	1.0000	1.0000	22.94	1.0520	0.00	1.0000	1.0000	1.0174	24.55	
075	Eyeglasses / Contact Lenses	2.24	1.245	1.000	0.87	0.00	2.43	0.00	0.11	0.00	1.0000	1.0000	1.0000	2.32	1.0520	0.00	1.0000	1.0000	1.0174	2.48	
076	Prosthetics and Orthotics	14.46	1.245	1.000	0.87	0.00	15.65	0.00	0.70	0.00	1.0000	1.0000	1.0000	14.95	1.0520	0.00	1.0000	1.0000	1.0174	16.00	
077	Hearing Aids	1.50	1.245	1.000	0.87	0.00	1.63	0.00	0.02	0.00	1.0000	1.0000	1.0000	1.61	1.0520	0.00	1.0000	1.0000	1.0174	1.72	
078	Vision Care	2.46	1.245	1.000	0.87	0.00	2.66	0.17	0.00	0.00	1.0000	1.0000	1.0000	2.49	1.0520	0.00	1.0000	1.0000	1.0174	2.67	
079	Radiology, Technical Component	54.96	1.245	1.000	0.87	0.00	59.51	3.86	0.00	0.00	1.0000	1.0000	1.0000	55.65	1.0520	0.00	1.0000	1.0000	1.0174	59.56	
080	Laboratory	35.13	1.245	1.000	0.87	0.00	38.04	0.00	1.71	0.00	1.0000	1.0000	1.0000	36.33	1.0520	0.00	1.0000	1.0000	1.0174	38.88	
082	Federal Qualified Health Contract Service	7.83	1.245	1.000	0.87	0.00	8.48	0.00	0.00	0.00	1.0000	1.0000	1.0000	8.48	1.0520	0.00	1.0000	1.0000	1.0174	9.08	
083	Rural Health Clinic Services	0.02	1.245	1.000	0.87	0.00	0.02	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.02	1.0520	0.00	1.0000	1.0000	1.0174	0.02	
087	End-Stage Renal Dialysis	17.62	1.245	1.000	0.87	0.00	19.08	0.00	0.84	0.00	1.0000	1.0000	1.0000	18.24	1.0520	0.00	1.0000	1.0000	1.0174	19.52	
090	Nurse Midwife Services	0.02	1.245	1.000	0.87	0.00	0.02	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.02	1.0520	0.00	1.0000	1.0000	1.0174	0.02	
091	Nurse Practitioner Services	8.78	1.245	1.000	0.87	0.00	9.51	0.58	0.00	0.00	1.0000	1.0000	1.0000	8.93	1.0520	0.00	1.0000	1.0000	1.0174	9.56	
	Dialectical Behavioral Therapy	0.67	1.000	1.000	0.87	0.00	0.58	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.58	1.0520	0.00	1.0000	1.0000	1.0174	0.62	
	Health Care Home Care Coordination	0.00					0.00							0.00						2.51	
	Total Acute Base Rate	\$1,465.13					\$1,793.10							\$1,752.83						\$1,873.56	
	Prescription Drugs	\$706.17	1.412	1.000	0.87	\$0.57	\$867.80	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$867.80	1.0900	(0.14)	1.0000	1.0000	1.0174	\$962.22	
	Spenddown	2.63	1.000	0.500	1.00	(0.19)	1.13	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.13	1.0000	0.00	1.0000	1.0000	1.0000	1.13	
	Grand Total	\$2,173.93					\$2,662.03							\$2,621.76						\$2,836.91	
	Mental Health Targeted Case Management	\$332.35	1.124	1.000	0.87	\$0.00	\$324.85	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$324.85	1.0520	0.00	1.0000	1.5232	1.0000	\$520.55	
	2005 Eligible Months	8,584																			

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**Appendix 2
Special Need BasicCare - Preferred Integrated Networks (PINs)
2010 Per Member Per Month Rate Development**

Population: Single Eligibles, Metro Counties, Community

Base Data		January through September 2009 Rate Development					October through December 2009 Rate Development							2010 Rate Development							
COS	Description	DHS 2005 Liability PMPM	Trend	Additional Multiplicative Adjustment	Over/Under Prediction Adjustment	Additional Additive Adjustment	January - September 2009 PMPM Rates	Physician & Professional Services Ratable Reduction & Unallotment	Basic Care Ratable Reduction & Unallotment	Inpatient Ratable Reduction	Reimb. Rates for Births: Physician Services	Payment Rates for Births: Inpatient	2.58% Provider Rate Reduction	October - December 2009 PMPM Rates	Trend	Prescription Drug Adjustment	Dental Services Adjustment	MH-TCM Dakota Adjustment	Non-DD Population Under Prediction Adjustment	2010 PMPM Rates	
001	Inpatient Hospital General	\$337.31	1.245	1.260	1.01	\$0.00	\$534.30	\$0.00	\$0.00	\$5.34	1.0000	1.0000	1.0000	\$528.96	1.0520	\$0.00	1.0000	1.0000	1.0174	\$566.15	
006	Rehabilitation	6.65	1.245	1.000	1.01	0.00	8.36	0.00	0.00	0.08	1.0000	1.0000	1.0000	8.28	1.0520	0.00	1.0000	1.0000	1.0174	8.86	
007	Outpatient Hospital Services	44.96	1.245	1.000	1.01	0.00	56.52	0.00	2.54	0.00	1.0000	1.0000	1.0000	53.98	1.0520	0.00	1.0000	1.0000	1.0174	57.78	
014	Inpatient Hospital IMD	0.89	1.245	1.000	1.01	0.00	1.12	0.00	0.00	0.01	1.0000	1.0000	1.0000	1.11	1.0520	0.00	1.0000	1.0000	1.0174	1.19	
015	Inpatient Long Term Hospital	13.08	1.245	1.220	1.01	0.00	20.05	0.00	0.00	0.20	1.0000	1.0000	1.0000	19.85	1.0520	0.00	1.0000	1.0000	1.0174	21.25	
020	Home Health Services	16.90	1.037	1.040	1.01	0.00	18.41	0.00	0.00	0.00	1.0000	1.0000	0.9742	17.94	0.9900	0.00	1.0000	1.0000	1.0174	18.07	
029	RTC - Mental Health	2.74	1.245	1.000	1.01	0.00	3.45	0.00	0.00	0.00	1.0000	1.0000	1.0000	3.45	1.0520	0.00	1.0000	1.0000	1.0174	3.69	
032	Medical Supply / DME	37.39	1.245	1.000	1.01	0.00	47.01	0.00	2.06	0.00	1.0000	1.0000	1.0000	44.95	1.0520	0.00	1.0000	1.0000	1.0174	48.11	
036	Transport, Special	5.18	1.245	1.000	1.01	0.00	6.51	0.00	0.00	0.00	1.0000	1.0000	1.0000	6.51	1.0520	0.00	1.0000	1.0000	1.0174	6.97	
037	Transport, Ambulance	15.14	1.245	1.000	1.01	0.00	19.03	0.00	0.00	0.00	1.0000	1.0000	1.0000	19.03	1.0520	0.00	1.0000	1.0000	1.0174	20.37	
040	Child and Teen Checkup	0.05	1.245	1.000	1.01	0.00	0.06	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.06	1.0520	0.00	1.0000	1.0000	1.0174	0.06	
041	Anesthesia	4.82	1.245	1.000	1.01	0.00	6.05	0.00	0.00	0.00	1.0000	1.0000	1.0000	6.05	1.0520	0.00	1.0000	1.0000	1.0174	6.48	
043	Physician Services	107.29	1.245	1.000	1.01	4.00	138.88	7.28	0.00	0.00	1.0000	1.0000	1.0000	131.60	1.0520	0.00	1.0000	1.0000	1.0174	140.85	
045	Dental	11.88	1.245	1.000	1.01	0.00	14.94	0.00	0.00	0.00	1.0000	1.0000	1.0000	14.94	1.0520	0.00	0.7750	1.0000	1.0174	12.39	
046	Mental Health	67.78	1.245	1.018	1.01	0.00	86.78	0.00	0.00	0.00	1.0000	1.0000	1.0000	86.78	1.0520	0.00	1.0000	1.0000	1.0174	92.88	
051	Physical Therapy	3.38	1.245	1.040	1.01	0.00	4.41	0.29	0.00	0.00	1.0000	1.0000	1.0000	4.12	1.0520	0.00	1.0000	1.0000	1.0174	4.41	
053	Speech Therapy	0.77	1.245	1.040	1.01	0.00	1.00	0.07	0.00	0.00	1.0000	1.0000	1.0000	0.93	1.0520	0.00	1.0000	1.0000	1.0174	1.00	
054	Occupational Therapy	2.18	1.245	1.040	1.01	0.00	2.85	0.19	0.00	0.00	1.0000	1.0000	1.0000	2.66	1.0520	0.00	1.0000	1.0000	1.0174	2.85	
055	Podiatry	0.93	1.245	1.000	1.01	0.00	1.17	0.08	0.00	0.00	1.0000	1.0000	1.0000	1.09	1.0520	0.00	1.0000	1.0000	1.0174	1.17	
056	Ambulatory Surgery	1.20	1.245	1.000	1.01	0.00	1.51	0.00	0.07	0.00	1.0000	1.0000	1.0000	1.44	1.0520	0.00	1.0000	1.0000	1.0174	1.54	
057	Chiropractic	0.67	1.245	1.000	1.01	0.00	0.84	0.05	0.00	0.00	1.0000	1.0000	1.0000	0.79	1.0520	0.00	1.0000	1.0000	1.0174	0.85	
058	Audiology	0.20	1.245	1.000	1.01	0.00	0.26	0.02	0.00	0.00	1.0000	1.0000	1.0000	0.24	1.0520	0.00	1.0000	1.0000	1.0174	0.26	
062	Chemical Dependency	11.33	1.245	1.040	1.01	0.00	14.82	0.00	0.00	0.00	1.0000	1.0000	1.0000	14.82	1.0520	0.00	1.0000	1.0000	1.0174	15.86	
063	CD Extended Care / Halfway House	1.56	1.245	1.000	1.01	0.00	1.96	0.00	0.00	0.00	1.0000	1.0000	1.0000	1.96	1.0520	0.00	1.0000	1.0000	1.0174	2.10	
072	Hospice	6.78	1.245	1.000	1.01	0.00	8.53	0.00	0.00	0.00	1.0000	1.0000	1.0000	8.53	1.0520	0.00	1.0000	1.0000	1.0174	9.13	
074	Inpatient Hospital 45 Day Psych Contract	31.56	1.245	1.000	1.01	0.00	39.68	0.00	0.00	0.00	1.0000	1.0000	1.0000	39.68	1.0520	0.00	1.0000	1.0000	1.0174	42.47	
075	Eyeglasses / Contact Lenses	1.99	1.245	1.000	1.01	0.00	2.50	0.00	0.11	0.00	1.0000	1.0000	1.0000	2.39	1.0520	0.00	1.0000	1.0000	1.0174	2.56	
076	Prosthetics and Orthotics	3.92	1.245	1.000	1.01	0.00	4.92	0.00	0.22	0.00	1.0000	1.0000	1.0000	4.70	1.0520	0.00	1.0000	1.0000	1.0174	5.03	
077	Hearing Aids	0.40	1.245	1.000	1.01	0.00	0.50	0.00	0.01	0.00	1.0000	1.0000	1.0000	0.49	1.0520	0.00	1.0000	1.0000	1.0174	0.52	
078	Vision Care	1.11	1.245	1.000	1.01	0.00	1.39	0.09	0.00	0.00	1.0000	1.0000	1.0000	1.30	1.0520	0.00	1.0000	1.0000	1.0174	1.39	
079	Radiology, Technical Component	37.98	1.245	1.000	1.01	0.00	47.75	3.10	0.00	0.00	1.0000	1.0000	1.0000	44.65	1.0520	0.00	1.0000	1.0000	1.0174	47.79	
080	Laboratory	16.82	1.245	1.000	1.01	0.00	21.15	0.00	0.95	0.00	1.0000	1.0000	1.0000	20.20	1.0520	0.00	1.0000	1.0000	1.0174	21.62	
082	Federal Qualified Health Contract Service	16.98	1.245	1.000	1.01	0.00	21.34	0.00	0.00	0.00	1.0000	1.0000	1.0000	21.34	1.0520	0.00	1.0000	1.0000	1.0174	22.84	
083	Rural Health Clinic Services	0.07	1.245	1.000	1.01	0.00	0.09	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.09	1.0520	0.00	1.0000	1.0000	1.0174	0.10	
087	End-Stage Renal Dialysis	8.28	1.245	1.000	1.01	0.00	10.41	0.00	0.47	0.00	1.0000	1.0000	1.0000	9.94	1.0520	0.00	1.0000	1.0000	1.0174	10.64	
088	Public Health Nursing	0.15	1.245	1.000	1.01	0.00	0.18	0.00	0.01	0.00	1.0000	1.0000	1.0000	0.17	1.0520	0.00	1.0000	1.0000	1.0174	0.18	
090	Nurse Midwife Services	0.12	1.245	1.000	1.01	0.00	0.15	0.01	0.00	0.00	1.0000	1.0000	1.0000	0.14	1.0520	0.00	1.0000	1.0000	1.0174	0.15	
091	Nurse Practitioner Services	1.65	1.245	1.000	1.01	0.00	2.08	0.08	0.00	0.00	1.0000	1.0000	1.0000	2.00	1.0520	0.00	1.0000	1.0000	1.0174	2.14	
999	Unable to Define	0.01	1.245	1.000	1.01	0.00	0.01	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.01	1.0520	0.00	1.0000	1.0000	1.0174	0.01	
	Dialectical Behavioral Therapy	0.67	1.000	1.000	1.01	0.00	0.68	0.00	0.00	0.00	1.0000	1.0000	1.0000	0.68	1.0520	0.00	1.0000	1.0000	1.0174	0.73	
	Health Care Home Care Coordination	0.00					0.00						0.00							2.51	
	Total Acute Base Rate	\$822.76					\$1,151.65						\$1,127.85							\$1,204.92	
	Prescription Drugs	\$271.65	1.412	1.000	1.01	\$0.57	\$387.86	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$387.86	1.0900	(0.14)	1.0000	1.0000	1.0174	\$429.99	
	Spenddown	6.96	1.000	0.363	1.00	(0.40)	2.12	0.00	0.00	0.00	1.0000	1.0000	1.0000	2.12	1.0000	0.00	1.0000	1.0000	1.0000	2.12	
	Grand Total	\$1,101.36					\$1,541.63						\$1,517.83							\$1,637.03	
	Mental Health Targeted Case Management	\$332.35	1.124	1.000	1.01	\$0.00	\$377.13	\$0.00	\$0.00	\$0.00	1.0000	1.0000	1.0000	\$377.13	1.0520	0.00	1.0000	1.5232	1.0000	\$604.33	
	2005 Eligible Months	235,448																			

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Appendix 3

SNBC PINs 2010 NF Add-On Rate Development

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.

Special Needs BasicCare
PINs Base Rate Development for Calendar Year 2010

December 1, 2009

Appendix 3
Special Needs BasicCare - Preferred Integrated Networks
100 Day Nursing Facility Add-On Rate Calculation
Calendar Year 2010
Single Eligible Population

	CY 2008	1/09 - 9/09	10/09 - 12/09	CY 2010
NF Add-On	\$12.67	\$14.01	\$13.92	\$15.29
Per Diem	\$168.28	\$172.09	\$171.06	\$173.99
Monthly Freq	0.125%	0.125%	0.125%	0.125%

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		
					CY2008	CY2009	CY2010	CY 2008	CY 2009	CY 2010
2008	January	23	291	0.0288	72.0	0.0		348	0	
	February	34	431	0.0425	72.0	0.0		515	0	
	March	67	849	0.0838	72.0	0.0		1,015	0	
	April	100	1,267	0.1250	72.0	0.0		1,515	0	
	May	154	1,951	0.1925	72.0	0.0		2,332	0	
	June	349	4,422	0.4363	72.0	0.0		5,286	0	
	July	724	9,174	0.9050	72.0	0.0		10,965	0	
	August	834	10,568	1.0425	72.0	0.0		12,631	0	
	September	884	11,201	1.1050	72.0	0.0		13,388	0	
	October	910	11,530	1.1375	54.6	17.4		10,443	3,415	
	November	938	11,885	1.1725	35.0	37.0		6,900	7,472	
	December	922	11,683	1.1525	12.6	59.4		2,443	11,782	
Total 2008 Contract Period		5,939	\$75,252		54.3	17.7		\$67,781	\$22,668	
2009	January	941	13,181	1.1763		72.0	0.0		14,574	0
	February	947	13,265	1.1838		72.0	0.0		14,667	0
	March	984	13,784	1.2300		72.0	0.0		15,240	0
	April	1,027	14,386	1.2838		72.0	0.0		15,906	0
	May	1,061	14,862	1.3263		72.0	0.0		16,433	0
	June	1,077	15,086	1.3463		72.0	0.0		16,681	0
	July	1,102	15,437	1.3775		72.0	0.0		17,068	0
	August	1,151	16,123	1.4388		72.0	0.0		17,827	0
	September	1,173	16,436	1.4667		72.0	0.0		18,173	0
	October	1,196	16,644	1.4947		54.6	17.4		13,948	4,537
	November	1,218	16,956	1.5226		35.0	37.0		9,108	9,810
	December	1,240	17,267	1.5506		12.6	59.4		3,341	16,026
Total 2009 Contract Period		13,118	\$183,428			61.4	10.6		\$172,968	\$30,372
2010	January	1,263	19,303	1.5785			72.0			19,774
	February	1,285	19,645	1.6065			72.0			20,125
	March	1,308	19,986	1.6344			72.0			20,475
	April	1,330	20,328	1.6624			72.0			20,825
	May	1,352	20,670	1.6903			72.0			21,175
	June	1,375	21,012	1.7183			72.0			21,525
	July	1,397	21,354	1.7462			72.0			21,875
	August	1,419	21,696	1.7742			72.0			22,226
	September	1,442	22,037	1.8021			72.0			22,576
	October	1,464	22,379	1.8301			54.6			17,371
	November	1,486	22,721	1.8580			35.0			11,305
	December	1,509	23,063	1.8860			12.6			4,134
Total 2010 Contract Period		16,630	\$254,194				61.8			\$223,387
Grand Total								\$195,636	\$253,759	

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Appendix 3
Special Needs BasicCare - Preferred Integrated Network
100 Day Nursing Facility Add-On Rate Calculation
Calendar Year 2010
Dual Eligible Population

	CY 2008	1/09 - 9/09	10/09 - 12/09	CY 2010
NF Add-On	\$10.20	\$13.75	\$13.67	\$13.23
Per Diem	\$168.28	\$172.09	\$171.06	\$173.99
Monthly Freq	0.125%	0.125%	0.125%	0.125%

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		
					CY2008	CY2009	CY2010	CY 2008	CY 2009	CY 2010
2008	January	559	5,704	0.6988	73.0	0.0		7,373	0	
	February	599	6,112	0.7488	73.0	0.0		7,900	0	
	March	686	7,000	0.8575	73.0	0.0		9,048	0	
	April	733	7,479	0.9163	73.0	0.0		9,667	0	
	May	813	8,295	1.0163	73.0	0.0		10,723	0	
	June	1,114	11,367	1.3925	73.0	0.0		14,692	0	
	July	1,493	15,234	1.8663	73.0	0.0		19,691	0	
	August	1,624	16,571	2.0300	73.0	0.0		21,419	0	
	September	1,684	17,183	2.1050	73.0	0.0		22,210	0	
	October	1,727	17,622	2.1588	55.3	17.7		16,352	6,571	
	November	1,757	17,928	2.1963	35.5	37.5		9,298	14,190	
	December	1,810	18,468	2.2625	12.8	60.2		941	23,450	
Total 2008 Contract Period		14,599	\$148,961		58.9	14.1		\$149,314	\$44,210	
2009	January	1,849	25,428	2.3113		73.0	0.0		24,938	0
	February	1,898	26,102	2.3725		73.0	0.0		25,599	0
	March	1,956	26,899	2.4450		73.0	0.0		26,382	0
	April	2,016	27,724	2.5200		73.0	0.0		27,191	0
	May	2,101	28,893	2.6263		73.0	0.0		28,337	0
	June	2,162	29,732	2.7025		73.0	0.0		29,160	0
	July	2,213	30,434	2.7663		73.0	0.0		29,848	0
	August	2,302	31,657	2.8775		73.0	0.0		31,048	0
	September	2,347	32,273	2.9334		73.0	0.0		31,652	0
	October	2,391	32,691	2.9893		55.3	17.7		23,017	9,199
	November	2,436	33,302	3.0452		35.5	37.5		13,104	19,892
	December	2,481	33,914	3.1011		12.8	60.2		1,311	32,497
Total 2009 Contract Period		26,152	\$359,049			62.2	10.8		\$291,589	\$61,588
2010	January	2,526	33,417	3.1570			73.0			34,441
	February	2,570	34,009	3.2129			73.0			35,050
	March	2,615	34,600	3.2688			73.0			35,660
	April	2,660	35,192	3.3247			73.0			36,270
	May	2,705	35,784	3.3806			73.0			36,880
	June	2,749	36,376	3.4365			73.0			37,490
	July	2,794	36,967	3.4925			73.0			38,100
	August	2,839	37,559	3.5484			73.0			38,710
	September	2,883	38,151	3.6043			73.0			39,320
	October	2,928	38,743	3.6602			55.3			28,666
	November	2,973	39,334	3.7161			35.5			16,265
	December	3,018	39,926	3.7720			12.8			1,622
Total 2010 Contract Period		33,259	\$440,059				62.6			\$378,474
Grand Total								\$149,314	\$335,799	\$440,061

* Days that are 100% covered by Medicare are included.

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Appendix 3
Special Needs BasicCare - Preferred Integrated Network
100 Day Nursing Facility Add-On Rate Calculation
Calendar Year 2010
Single Eligible Population

Rate Component	1/09 - 9/09	10/09 - 12/09	2010
Section A			
Monthly Claim Frequency (Rounded)			0.125 %
(x) Truncated Medicaid Length of Stay			61.8
(x) Charge per Day			<u>\$173.99</u>
= Initial Rate (1)	\$13.17		\$13.43
Section B			
2010 NF \$ for 2009 Admits			\$30,372
(/) 2010 Eligible Months			<u>16,630</u>
= Tail Rate (2)	\$1.64		\$1.83
Section C			
2009 NF Rates to Health Plans			(\$183,428)
2008 Enrollment Adjustment in 2009			(\$7,346)
(+) 2009 NF \$ for 2008 Admits			\$22,668
(+) 2009 NF \$ for 2009 Admits			<u>\$172,968</u>
= Enrollment Adjustment Dollars			\$4,862
(/) 2010 Eligible Months			<u>16,630</u>
= Enrollment Adjustment Rate (3)	(\$0.56)		\$0.29
Section D			
Initial Base Rate = (1)+(2)+(3)	\$14.25	\$14.16	\$15.55
Disenrollment Fee Adjustment	<u>0.983</u>	<u>0.983</u>	<u>0.983</u>
Final Base Rate	\$14.01	\$13.92	\$15.29

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Appendix 3
Special Needs BasicCare - Preferred Integrated Network
100 Day Nursing Facility Add-On Rate Calculation
Calendar Year 2010
Dual Eligible Population

Rate Component	1/09 - 9/09	10/09 - 12/09	2010
Section A			
Monthly Claim Frequency (Rounded)			0.125 %
(x) Truncated Medicaid Length of Stay			52.3
(x) Charge per Day			<u>\$173.99</u>
= Initial Rate (1)	\$11.14		\$11.38
Section B			
2010 NF \$ for 2009 Admits			\$61,588
(/) 2010 Eligible Months			<u>33,259</u>
= Tail Rate (2)	\$1.67		\$1.85
Section C			
2009 NF Rates to Health Plans			(\$359,049)
2008 Enrollment Adjustment in 2009			\$30,860
(+) 2009 NF \$ for 2008 Admits			\$44,210
(+) 2009 NF \$ for 2009 Admits			<u>\$291,589</u>
= Enrollment Adjustment Dollars			\$7,610
(/) 2010 Eligible Months			<u>33,259</u>
= Enrollment Adjustment Rate (3)	\$1.18		\$0.23
Section D			
Initial Base Rate = (1)+(2)+(3)	\$13.99	\$13.91	\$13.46
Disenrollment Fee Adjustment	<u>0.983</u>	<u>0.983</u>	<u>0.983</u>
Final Base Rate	\$13.75	\$13.67	\$13.23

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