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Eric P. Goetsch, FSA
Principal and Consulting Actuary

December 3, 2009

**Capitated Contracts Ratesetting
Actuarial Certification
Minnesota Senior Health Options / Minnesota Senior Care Plus**

I, Eric P. Goetsch, am associated with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I have been retained by the Minnesota Department of Human Services (DHS) to perform an actuarial certification of the Nursing Facility add-on and Elderly Waiver add-on capitation rates for the contract period of January 1, 2010 through December 31, 2010 for the Minnesota Senior Health Options (MSHO) and Minnesota Senior Care Plus (MSC+) programs. This certification does not cover the basic care capitation rates for the MSHO/MSC+ programs or the Medicare Advantage capitation rates from CMS, which are components of the overall capitation rate paid through the MSHO program. The basic care capitation rates are addressed in a separate certification. The health plans participating in MSHO/MSC+ should consider all sources of capitation when evaluating the program.

I reviewed the actuarial assumptions and actuarial methods used to develop the Nursing Facility add-on and Elderly Waiver add-on payment rates for the contract period of January 1, 2010 through December 31, 2010 for MSHO/MSC+. The payment rates, methodology, data, and assumptions used to update the current 2010 rates are documented in our letters to DHS of November 30, 2009, which are attached to this certification.

In making my opinion, I relied on the accuracy of the data and information provided by DHS. I performed no independent verification as to the accuracy or completeness of this data and information. I did review the data for reasonableness and consistency with data provided in prior years. A reliance letter signed by DHS is attached and forms part of this opinion. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

In my opinion, the payment rates identified above are actuarially sound in that they:

1. Have been developed in accordance with generally accepted actuarial principles and practices and Actuarial Standards of Practice,
2. Are appropriate for the populations to be covered and the services furnished, and
3. Meet the actuarial requirements of the regulation in 42 CFR 438.6(c)(3).

I certify the payment rates to be appropriate in that: (1) they reflect historical fee-for-service costs in aggregate and (2) the assumptions and data used in the development of the rates are reasonable and appropriate.



Actuarial methods, considerations, and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, whose standards form the basis of this Statement of Opinion.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs might differ from these projections and will be dependent on each contracted health plan's situation and experience.

This certification is intended solely for the use of DHS and the federal agencies to which this certification must be submitted. This certification should not be relied upon by other parties. This Opinion assumes the reader is familiar with the Minnesota Medicaid program, MSHO/MSC+, Minnesota's home and community based waivers, Medicaid eligibility rules, and actuarial rating techniques. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the results.

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

Eric P. Goetsch
Member, American Academy of Actuaries

Date: December 3, 2009



Minnesota Department of **Human Services**

December 3, 2009

Mr. Eric Goetsch, FSA, MAAA
Milliman, Inc.
15800 Bluemound Road, Suite 400
Brookfield, WI 53005-6069

RE: Data Reliance for 2010 Minnesota Senior Health Options and Minnesota Senior Care Plus Capitation Rates

Dear Eric:

I, Pam Parker, Manager of Special Needs Purchasing, hereby affirm that the listings and summaries prepared and submitted to Milliman, Inc. were prepared under my direction, and to the best of my knowledge and belief are accurate and complete. These listings and summaries include:

1. Data files containing information on elderly Medicaid status, Medicare status, Medicaid managed care status, Elderly Waiver (EW) status, demographic indicators, and living arrangement status from calendar year 2005.
2. Data files containing fee-for-service nursing facility claims showing average charge per day experience, including institutional spenddown amounts, from calendar years (CYs) 2004 and 2005.
3. Data files containing fee-for-service EW experience (number of member months and total dollars) data from calendar year 2005.
4. Data files containing actual monthly Minnesota Senior Health Options (MSHO) and Minnesota Senior Care Plus (MSC+) enrollment by enrollment category through August 2009 and projected MSHO and MSC+ enrollment by enrollment category through December 2010.
5. Annual trend and other adjustments supplied by the Reports and Forecasting division of DHS to project the fee-for-service data to be used in the calculation of capitation rates for subsequent years.
6. A summary of the 2009 legislative and unallotment changes impacting CY 2009 and CY 2010 contracts.

Mr. Eric Goetsch
December 3, 2009
Page 2

7. Results of analyses performed by the Reports and Forecasting division of the Minnesota Department of Human Services regarding the introduction of EW cost limits, service rate limits for 24-hour customized living services, provider rate reductions for EW services, and the suspension of nursing facility rebasing.
8. Required percentage adjustments for legislated premium tax.

I affirm that the above information and any other related data submitted to Milliman, Inc. are, to the best of my knowledge and belief, accurately stated.


Name

12-3-2009
Date



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Eric P. Goetsch, FSA, MAAA
Principal and Consulting Actuary

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 the MSHO, MSC+, and CBP EW Add-on for CY 2010

Dear Pam:

This letter describes the development of the Elderly Waiver (EW) Add-on rates for the Minnesota Senior Health Options (MSHO), Minnesota Senior Care Plus (MSC+), and County Based Purchasing (CBP) programs for the calendar year (CY) 2010 contract period.

Overall, the CY 2010 EW Add-On rates provide an increase of 4.25% from the October through December 2009 EW Add-On rates for all rate cells. All of this increase is due to projected trend in EW costs from 2009 to 2010.

The layout of this letter was structured 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 CY 2010 rate development.

CALENDAR YEAR 2005 MINNESOTA SENIOR CARE EW EXPERIENCE

The EW Add-on rates are based on CY 2005 EW experience. We used the experience of EW clients enrolled in the Minnesota Senior Care (MSC) program for their State Plan services in the rate development. Table 1 contains a comparison of the MSC per member per month (PMPM) EW costs from CY 2005 by geographical region.

Table 1 MSHO / MSC+ / CBP Rate Development Elderly Waiver Services Calendar Year 2005 MSC Experience PMPM	
Region	PMPM
Hennepin / Metro	\$1,041.16
Non-Metro	\$956.03
Statewide	\$984.72

This material assumes that the reader is familiar with Minnesota's Medicaid long term care and acute care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Minnesota Department of Human Services in setting rates for the MSHO, MSC+, and CBP 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.

DEVELOPMENT OF CALENDAR YEAR 2009 EW ADD-ON BASE RATES

The following adjustments were made to the CY 2005 EW experience to develop to CY 2009 EW Add-on base rates.

Trends and Other Cost Adjustments

An annual trend of 5.5% was used to project the MSC CY 2005 EW experience to the CY 2009 rating period. This annual statewide trend for EW monthly costs per recipient was developed from information provided by the Reports and Forecast Division of the Minnesota Department of Human Services (DHS).

In addition, projected 2009 costs for EW services were increased to reflect 2.0% cost of living adjustments (COLAs) that were effective January 1, 2008 and July 1, 2008.

Please note, an adjustment was made to the EW program such that the limit on EW home modifications was increased to \$10,000 effective January 1, 2008. This increase was expected to increase EW costs however, based on discussions with DHS, we estimated the increase would be trivial (less than a 0.2% increase). In addition, DHS expects the home modification limit increase will result in a small reduction in nursing facility (NF) admissions, offsetting any increase in EW costs. Since the effect of this change is trivial for both the EW and NF rate setting, and since the adjustments would offset each other, no adjustment was made in either the EW or NF rate setting for 2009.

Integration of Elderly Waiver with Other Home Health Programs

The overlap of home health services covered under EW and those covered under Minnesota's State Plan is expected to result in a substitution of services that will cause projected EW costs to be less than that observed under FFS. Since 2004, managed care EW costs have been 11% to 13% lower than FFS EW costs, with these percentages projected to increase in the future. In addition, State data indicates significant differences between metro and rural areas in utilization patterns for State Plan home health costs (largely personal care assistance) and assisted living costs covered under EW. To partially reflect these relationships, we multiplied the 2009 EW Non-Metro rates by 0.96 and the 2009 EW Hennepin / Metro rates by 0.94.

Difference in Membership Characteristic in Metro versus Non-Metro Areas

Historically, characteristics of the Metro membership have been such that managed care EW utilization has been lower than the FFS base for these counties, resulting in a multiplicative adjustment of 0.85 to the rates in previous years. However, average FFS costs for the approximately 1,900 MSC members that transitioned to MSC+ in January 2009 were estimated to be 24.3% higher than current EW managed care members in the Metro area and the members that transitioned will account for approximately 26.6% of the EW managed care members in the Metro area. Therefore, in 2009 the Metro multiplicative adjustment changed from 0.85 to 0.9049 ($0.9049 = 0.85 \times (1 + (24.3\% \times 26.6\%))$) to reflect this transition.

Legislated Premium Tax

The MSHO and MSC+ CY 2009 EW rates were increased to include the legislated premium tax of 1%. The CBP 2009 EW rates do not include the premium tax adjustment.

DEVELOPMENT OF OCTOBER THROUGH DECEMBER 2009 EW ADD-ON BASE RATES

The following adjustments were made to the CY 2009 EW Add-on base rates to develop the October through December 2009 EW Add-on base rates, resulting in a 3.86% reduction in base rates.

Adjustment for EW Cost Limits

New legislation established monthly service cost limits for EW clients including a new case mix category with low dependencies in activities of daily living. This legislative change was estimated to decrease EW costs 0.41% for the MSHO / MSC+ / CBP populations, as estimated by DHS.

Adjustment for Service Rate Limits for 24-Hour Customized Living Services

New legislation modified service rate limits for 24-hour customized living services, capping them at the 95th percentile of 24-hour rates in effect on March 31, 2009 for each case mix resident class. The DHS is authorized to establish an alternative payment system by applying a single hourly rate for direct services provided in certain housing with services establishments. This legislative change was estimated to decrease EW costs 0.90% for the MSHO / MSC+ / CBP populations, as estimated by DHS.

Adjustment for Reduction Related to Provider Rate Reduction

The provider rate reduction within the new legislation requires a 2.58% reduction in EW rates.

DEVELOPMENT OF CALENDAR YEAR 2010 EW ADD-ON BASE RATES

The following adjustments were made to the October through December 2009 EW Add-on base rates to develop the CY 2010 EW Add-on base rates, resulting in a 4.25% increase in base rates.

Trend

An annual trend adjustment of 4.25% was used to reflect EW cost trends from 2009 to 2010. This annual statewide trend for EW monthly costs per recipient was developed from information provided by the Reports and Forecast Division of DHS.

Calendar Year 2010 Base Rates

Table 2 contains the resulting MSHO / MSC+ EW base rates by region for CY 2010.

Table 2 MSHO / MSC + Elderly Waiver PMPM Base Rates For Calendar Year 2010	
Region	Base Rate
Hennepin / Metro	\$1,156.31
Non-Metro	1,198.32

Table 3 contains the resulting CBP EW base rates by region for CY 2010.

Table 3 County Based Purchasing Elderly Waiver PMPM Base Rates For Calendar Year 2010	
Region	Base Rate
Hennepin / Metro	\$1,144.75
Non-Metro	1,186.34

DEVELOPMENT OF CALENDAR YEAR 2010 EW ADD-ON FINAL RATES

The following factors were applied to the CY 2010 EW Add-on base rates to develop the CY 2010 EW Add-on final rates.

Age / Gender Factors

We developed the age / gender factors to be applied to the CY 2010 EW Add-on base rates using the age / gender relationships underlying the MSC CY 2005 EW cost experience PMPM used to develop the EW Add-on base rates. The age / gender factors are unchanged from those used to develop the 2009 EW Add-on final rates.

Medicare / Non-Medicare Factors

Less than 4% of total statewide EW membership is not dually covered by Medicare. This membership base is not credible to produce separate rates for non-dual eligibles, therefore, EW rates are the same regardless of Medicare status.

Calendar Year 2010 EW Add-on Final Rates

The CY 2010 EW Add-on final rates equal the appropriate base rate times the appropriate age / gender factor. The CY 2010 EW Add-on final rates for MSHO / MSC+ are found in Exhibit 1A. The CY 2010 EW Add-on final rates for CBP are found in Exhibit 1B.

CAVEATS AND LIMITATIONS

This letter was prepared specifically for DHS and the development of CY 2010 EW Add-on rates for MSHO, MSC+, and CBP and may not be appropriate for other purposes. This report is for internal use only and should only be viewed in its entirety. The letter assumes the reader is familiar with the MSHO, MSC+, and CBP programs, managed care rate setting, long term care services and the Minnesota Medicaid program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

The results presented in this letter are estimates only based on historical FFS experience and data from the Reports and Forecasting Division of DHS. Actual CY 2010 experience will vary from these estimates and will only be known with certainty after sufficient time has passed so that all CY 2010 experience has been completed.

This material assumes that the reader is familiar with Minnesota's Medicaid long term care and acute care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Minnesota Department of Human Services in setting rates for the MSHO, MSC+, and CBP 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.

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

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



Pam, please call us with any questions regarding this information.

Sincerely,



Eric P. Goetsch, FSA, MAAA
Principal and Consulting Actuary

EPG/zh

Exhibit 1A

**Minnesota Senior Health Options and Minnesota Senior Care Plus Programs
Elderly Waiver Add-On Rates (PMPM)**

January 2010 to December 2010 Contract Period

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Hennepin/Metro	\$968.73	\$1,052.45	\$1,081.75	\$1,035.87	\$1,087.49	\$1,594.83
Non Metro	1,256.23	1,102.77	1,293.79	966.19	1,137.26	1,408.06

Exhibit 1B

**County Based Purchasing Program
Elderly Waiver Add-On Rates (PMPM)**

January 2010 to December 2010 Contract Period

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Non Metro	\$1,243.67	\$1,091.74	\$1,280.86	\$956.53	\$1,125.89	\$1,393.98



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Minnesota Department of Human Services
540 Cedar Street
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St. Paul, MN 55155-3854

Re: Rate Development for the MSHO, MSC+, and CBP 180-Day NF Add-On for CY 2010

Dear Pam:

This letter describes the development of the 180-day Nursing Facility (NF) Add-on rates for the Minnesota Senior Health Options (MSHO), Minnesota Senior Care Plus (MSC+), and County Based Purchasing (CBP) programs for the calendar year (CY) 2010 contract period.

Overall, the CY 2010 NF Add-On rates provide an increase of 5.5% from the October through December 2009 NF Add-On rates for all rate cells.

The 180-day NF Add-on rates are calculated using the following components:

- > Monthly frequency of nursing facility admissions,
- > Average length of stay, and
- > Average charge per day.

The 180-day NF Add-on rates reflect actual enrollment through August 2009 and projected enrollment provided by Minnesota Department of Human Services (DHS) staff thereafter. The components of the rate calculation are contained in Exhibit 1.

The data source for the calculation is CY 2005 experience, including living arrangement data compiled by the DHS staff.

FREQUENCY

The frequency of NF admissions in Exhibit 1 is expressed as the expected admissions per eligible, per month and is based on the experience of the Minnesota Senior Care (MSC) program in CY 2005. Table 1 contains the annual MSC frequency of admission in 2004 and 2005. The decrease from 2004 to 2005 is consistent with recent trends in frequency of NF admissions.

This material assumes that the reader is familiar with Minnesota's Medicaid long term care and acute care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Minnesota Department of Human Services in setting rates for the MSHO, MSC+, and CBP program. 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.

Table 1
MSC Population
Annual Frequency Of Nursing Facility Admissions By Calendar Year

2004	9.4%
2005	8.6%

The frequencies of admission were determined based on changes in living arrangement status (from a community living arrangement status to a NF living arrangement status) for each MSC enrollee. Admissions were counted only for those who were enrolled in MSC (i.e., not in FFS and not enrolled in MSHO or MSC+) when admitted.

The projected frequency is based on statewide living arrangement data. An adjustment is made later in the rate setting process to account for the difference in the frequency between Hennepin / Metro and the Non-Metro Counties and between age / gender combinations.

In addition, we compared nursing facility days per member per month (which combines admission frequency and average length-of-stay data) for the MSHO and MSC populations and the MSHO days were much lower. Because the 2005 MSHO data was not fully credible, we did not use it as the Table 1 starting point for the admission rate development. However, in order for our starting point to be more appropriate for an MSHO / MSC+ population, we partially accounted for this difference in expected frequency by reducing the starting MSC frequency of admission by 10%, resulting in a starting frequency of 7.74% ($8.6\% \times 0.90 = 7.74\%$).

Please note, an adjustment was made to the Elderly Waiver (EW) program such that the limit on EW home modifications was increased to \$10,000 effective January 1, 2008. This increase is expected to reduce NF admissions, however, based on discussion with DHS, we are estimating the reduction of admissions as a percentage of total admissions would be trivial and therefore we did not adjust our frequency assumptions specifically for this EW benefit change. In addition, DHS estimates that any reductions in NF costs as a result of this EW benefit modification will be offset by the increase in EW costs, which DHS also estimated was trivial as a percent of total EW costs.

AVERAGE LENGTH-OF-STAY

The MSHO and MSC+ NF benefit includes, as a maximum, only the first 180 days per stay. The benefit excludes days that would occur beyond 180 days and days outside of the contract period. All skilled NF days that qualify for Medicare payment count toward the benefit and therefore are included in the 180-day length-of-stay.

The average length-of-stay (ALOS) in Exhibit 1 is calculated over a 180-day benefit period and is based on CY 2004 MSC NF experience. It was necessary to use admissions from 2004 to allow sufficient time to measure the entire length of stay of 180 days. The ALOS was determined based on changes in living arrangement status (from a NF living arrangement status to either a community living arrangement status or until date of death) for each MSHO enrollee.

Table 2 contains the ALOS for 2004 NF admissions. The Medicare covered ALOS in Table 2 is the average number of days that are fully covered by Medicare.

Table 2
MSC Population
Average Length Of Stay Over 180 Day Benefit Period

Year of Admission	Medicare Covered ALOS ⁽¹⁾	Medicare Coinsurance and Non-Medicare Covered ALOS	Total ALOS
2004	10.3	89.1	99.4

⁽¹⁾ The Medicare covered ALOS is based on 1998 and 1999 FFS data as these were the last years of FFS data for which the Medicare covered days could be separated from total days. Since the structure of the Medicare nursing facility benefit has not changed over time, the estimated ALOS for the first 20 days of fully-covered has not been modified.

The ALOS within the contract year depends on the pattern of enrollment by month. The projected CY 2010 ALOS of 76.9 days (from Exhibit 1) within the CY 2010 contract period is based on the most recent enrollment projections.

The projected ALOS is based on statewide living arrangement data. An adjustment is made later in the rate setting process to account for the difference in the ALOS between Hennepin / Metro and the Non-Metro Counties.

TREND FOR FREQUENCY AND AVERAGE LENGTH-OF-STAY

We examined historical trends in the frequency of admissions and ALOS based on the CY 2003 through CY 2005 NF data provided. The combination of frequency and ALOS, the expected days per enrollee, showed a decreasing trend from CY 2003 through CY 2005. Current trends from the Reports and Forecast Division continue to show a similar decrease in recent years, even as the MSC population has transitioned to the MSHO and MSC+ programs during this time. Given these two sources, we continued to assume that the number of days per enrollee would decrease by 1.5% per year. This results in an overall trend factor of 0.9272 for the five-year period between the center of experience period (7/1/05) to the center of the contract period (7/1/10) ($0.985^5 = 0.9272$).

We applied the full amount of the overall trend factor to the admission frequency for simplicity. The end result would have been the same if we had made adjustments to both the admission frequency and average length-of-stay if the data was available to determine the appropriate split. This results in a final frequency assumption of $7.74\% \times 0.9272 = 7.18\%$.

CHARGE PER DAY

The average charge per day was developed from the CY 2005 MSC NF claims data. The CY 2005 MSC NF average charge per day of \$144.21 reflects MA reimbursed amounts and institutional spend-down amounts. The average charge per Medicaid payment day excludes days that were covered exclusively by Medicare. However, coinsurance days paid by Medicaid are included.

Table 3 contains the calendar year trend assumptions for the average charge per day.

Table 3 Average Nursing Facility Charge Per Day Annualized Trend Assumptions	
Calendar Year	Trend ¹
2006	2.6%
2007	3.8%
2008	3.8%
2009	3.4%
2010	1.1%

¹ Per the Reports and Forecast Division, the annual trends include cost of living adjustments (COLAs) implemented in 2007 and 2008 and include the impact of the new legislation's suspension of nursing facility rebasing for FY 2010.

These trends are based on information on the average NF charge per day from DHS' Reports and Forecasts Division. The 1.1% annual trend from 2009 to 2010 includes the impact of the new legislation's suspension of nursing facility rebasing for FY 2010.

The projected average charge per Medicaid payment day for CY 2010 is \$166.65. This is calculated as follows:

	\$144.21	Average MSC charge per Medicaid payment day for CY 2005
x	1.026	2.6% annual increase trended from a midpoint of 7/1/05 to 7/1/06
x	1.038	3.8% annual increase trended from a midpoint of 7/1/06 to 7/1/07
x	1.038	3.8% annual increase trended from a midpoint of 7/1/07 to 7/1/08
x	1.034	3.4% annual increase trended from a midpoint of 7/1/08 to 7/1/09
x	1.011	1.1% annual increase trended from a midpoint of 7/1/09 to 7/1/10
=	\$166.65	Projected CY 2010 average charge per day

The projected average charge per day is based on statewide experience. An adjustment is made later in the rate setting process to account for the difference in the average charge per day between Hennepin / Metro and the Non-Metro Counties.

180 – DAY NURSING FACILITY ADD-ON RATE CALCULATION (EXHIBITS 2A AND 2B)

The 180-day NF Add-on rate is calculated by the following formula:

$$\begin{array}{rcl} \text{Monthly Rate} & = & \text{Adjusted Monthly Frequency of Nursing Facility Admissions} \\ & \times & \text{Average Length of Stay within the contract period} \\ & \times & \text{Average Charge per Day} \end{array}$$

The calculation of the initial rate as well as subsequent adjustments is outlined in Exhibit 2A for MSHO / MSC+ and Exhibit 2B for CBP.

Section A of Exhibits 2A and 2B shows the calculation of the initial rate of \$66.63 PMPM for CY 2010. The CY 2010 NF ALOS of 66.6 days in Section A is the CY 2010 ALOS of 76.9 days from Exhibit 1 reduced for the 10.3 Medicare covered days from Table 3.

Section B of Exhibits 2A and 2B contains the calculation of the tail rate. The tail rate is equal to the expected nursing facility costs for days in CY 2010 from admissions occurring in CY 2009, divided by projected community eligible months in CY 2010. The tail rate for CY 2010 is \$22.01 PMPM.

Section C of Exhibit 2 contains the calculation of the value of the enrollment adjustment based on updated enrollment. There is an enrollment adjustment of \$1.02 for CY 2010. The positive enrollment adjustment accounts for plans being underpaid in CY 2009 due to the CY 2009 rates being based on projected CY 2009 enrollment. Actual 2009 enrollment indicates the CY 2009 rates should have been set slightly higher.

Section D of Exhibit 2A contains an initial MSHO / MSC+ base rate for CY 2010 of \$89.66 PMPM. The initial base rate has been decreased by 1.7% for the elimination of disenrollment fees. In addition, the initial base rate has been increased for the legislated premium tax of 1%. The final MSHO / MSC+ base rate for CY 2010 is \$89.03 PMPM. The October through December 2009 final base rate was \$84.42 for MSHO / MSC+.

Rates for County Based Purchasing (CBP) entities are excluded from the 1% premium tax. Section D of Exhibit 2B contains an initial CBP base rate for CY 2010 of \$89.66 PMPM. The initial base rate has been decreased by 1.7% for the elimination of disenrollment fees. The final CBP base rate for CY 2010 is \$88.14 PMPM.

Section E of Exhibits 2A (MSHO / MSC+ non-CBP) and 2B (MSHO / MSC+ CBP) contains aggregate 180-day NF Add-on rates specific to enrollees eligible for both Medicaid and Medicare versus Medicaid-only enrollees. The adjustment to calculate these rates reflects differences in frequency and ALOS for Medicare versus Non-Medicare enrollees based on statewide CY 2005 MSC experience. The aggregate Medicare and Non-Medicare rates equal the overall 180-day NF Add-on rates times the corresponding Medicare and Non-Medicare adjustment.

180-DAY NURSING FACILITY ADD-ON RATES (EXHIBITS 3A AND 3B)

Exhibits 3A (MSHO / MSC+ non-CBP) and 3B (MSHO / MSC+ CBP) contain the CY 2010 180-day NF Add-on rates by age, gender and region for enrollees eligible for both Medicaid and Medicare versus Medicaid-only enrollees. The relationships by age, gender and region are based on statewide MSHO and MSC CY 2003 and CY 2005 NF cost experience.

CAVEATS AND LIMITATIONS

This report was prepared specifically for DHS and the development of CY 2010 180-day NF Add-on rates for MSHO and MSC+ and may not be appropriate for other purposes. This report is for internal use only and should only be viewed in its entirety. The report assumes the reader is familiar with the MSHO and MSC+ programs, managed care rate setting, long term care services and the Minnesota Medicaid program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

The results presented in this letter are estimates only based on historical living arrangement and NF claim experience. Actual CY 2010 experience will vary from these estimates and will only be known with certainty after sufficient time has passed so that all CY 2010 experience has been completed.

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

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



Please call us with any questions regarding this information.

Sincerely,



Eric P. Goetsch, FSA, MAAA
Principal and Consulting Actuary

EPG/zh

Attachments

Exhibit 1
Minnesota Senior Health Options, Minnesota Senior Care Plus, and County Based Purchasing Programs
180 Day Nursing Facility Add-On Rate Calculation for January 2010 Through December 2010
Projected Enrollment after August 2009

	2008 Contract Period	1/09 - 9/09 Contract Period	10/09 - 12/09 Contract Period	2010 Contract Period
NF Add-On	\$89.64	\$84.93	\$84.42	\$89.03
Per Diem	\$159.42	\$164.84	\$163.85	\$166.65
Monthly Freq	0.6167%	0.6083%	0.6083%	0.6000%

Year	Month	Monthly Enrollment	Total NF Add-On Paid to Health Plans	Admissions	NF Days for Admissions in Month by Contract Period *			Health Plan Payments to NF for Admissions in Month by Contract Period		
					2008 Contract Period	2009 Contract Period	2010 Contract Period	2008 Contract Period	2009 Contract Period	2010 Contract Period
2008 Contract Period										
2008	January	26,382	\$2,364,882	162.7	99.4	0.0		\$2,310,858	\$0	
	February	26,475	2,373,219	163.3	99.4	0.0		2,319,004	0	
	March	26,667	2,390,430	164.4	99.4	0.0		2,335,822	0	
	April	27,006	2,420,818	166.5	99.4	0.0		2,365,516	0	
	May	27,271	2,444,572	168.2	99.4	0.0		2,388,728	0	
	June	27,602	2,474,243	170.2	99.4	0.0		2,417,721	0	
	July	27,745	2,487,062	171.1	93.0	6.4		2,256,792	179,352	
	August	27,949	2,505,348	172.4	79.6	19.8		1,903,103	563,543	
	September	28,007	2,510,547	172.7	65.0	34.4		1,506,607	978,773	
	October	28,171	2,525,248	173.7	49.3	50.1		1,079,149	1,435,618	
	November	28,308	2,537,529	174.6	31.6	67.8		592,219	1,951,511	
	December	28,332	2,539,680	174.7	11.4	88.0		29,970	2,535,051	
Total 2008 Contract Period		329,915	\$29,573,581	2,034.5	76.6	22.8		\$21,505,491	\$7,643,848	
2009 Contract Period										
2009	January	33,266	\$2,825,281	202.4		99.4	0.0		\$2,972,199	\$0
	February	33,445	2,840,484	203.5		99.4	0.0		2,988,192	0
	March	33,538	2,848,382	204.0		99.4	0.0		2,996,501	0
	April	33,630	2,856,196	204.6		99.4	0.0		3,004,721	0
	May	33,818	2,872,163	205.7		99.4	0.0		3,021,518	0
	June	33,849	2,874,796	205.9		99.4	0.0		3,024,288	0
	July	33,866	2,876,239	206.0		93.0	6.4		2,809,845	218,335
	August	33,802	2,870,804	205.6		79.6	19.8		2,347,741	679,738
	September	34,056	2,892,361	207.2		65.0	34.4		1,868,687	1,186,985
	October	34,135	2,881,678	207.7		49.3	50.1		1,325,804	1,734,904
	November	34,213	2,888,227	208.1		31.6	67.8		725,704	2,352,265
	December	34,352	2,899,957	209.0		11.4	88.0		36,843	3,065,449
Total 2009 Contract Period		405,969	\$34,426,569	2,469.6		77.0	22.4		\$27,122,044	\$9,237,676
2010 Contract Period										
2010	January	34,528	\$3,074,015	207.2			99.4			\$3,076,124
	February	34,544	3,075,412	207.3			99.4			3,077,522
	March	34,645	3,084,410	207.9			99.4			3,086,526
	April	34,749	3,093,708	208.5			99.4			3,095,830
	May	34,818	3,099,833	208.9			99.4			3,101,960
	June	34,867	3,104,211	209.2			99.4			3,106,341
	July	35,007	3,116,635	210.0			93.0			2,896,177
	August	35,098	3,124,818	210.6			79.6			2,430,822
	September	35,191	3,133,034	211.1			65.0			1,925,444
	October	35,302	3,142,975	211.8			49.3			1,375,473
	November	35,426	3,154,016	212.6			31.6			753,823
	December	35,499	3,160,461	213.0			11.4			38,194
Total 2010 Contract Period		419,673	\$37,363,529	2,518.0			76.9			\$27,964,239
Grand Total									\$34,765,891	\$37,201,914

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

Exhibit 2A
Minnesota Senior Health Options and Minnesota Senior Care Plus Programs
180 Day Nursing Facility Add-On Rate Calculation
Contract Period January 2010 to December 2010

Rate Component	1/09 - 9/09	10/09 - 12/09	2010
Section A			
Monthly Claim Frequency	0.006083		0.006000
(x) Medicaid Length of Stay *	66.5		66.6
(x) Charge per Day *	<u>\$164.84</u>		<u>\$166.65</u>
= Initial Rate (1)	\$66.72		\$66.63
Section B			
2010 NF \$ for 2009 Admits			\$9,237,676
(/) 2010 Eligible Months			<u>419,673</u>
= Tail Rate (2)	\$18.59		\$22.01
Section C			
2009 NF Rates to Health Plans			(\$34,426,569)
(+) 2008 Enrollment Adjustment in 2009			\$89,313
(+) 2009 NF \$ for 2008 Admits			\$7,643,848
(+) 2009 NF \$ for 2009 Admits			<u>\$27,122,044</u>
= Enrollment Adjustment Dollars			\$428,636
(/) 2010 Eligible Months			<u>419,673</u>
= Enrollment Adjustment Rate (3)	\$0.22		\$1.02
Section D			
Initial Base Rate = (1)+(2)+(3)	\$85.53	\$85.02	\$89.66
Disenrollment Fee Adjustment	0.9830	0.9830	0.9830
Legislated Premium Tax Adjustment	<u>1.0101</u>	<u>1.0101</u>	<u>1.0101</u>
Final Base Rate	\$84.93	\$84.42	\$89.03
Section E			
(x) Medicare Adjustment	1.000	1.000	1.000
(x) Non Medicare Adjustment	0.669	0.669	0.669
= Aggregate Medicare Rate	\$84.93	\$84.42	\$89.03
= Aggregate Non-Medicare Rate	\$56.82	\$56.48	\$59.56

* The ALOS and charge per day exclude days that are 100% covered by Medicare.

Exhibit 2B
County Based Purchasing Program
180 Day Nursing Facility Add-On Rate Calculation
Contract Period January 2010 to December 2010

Rate Component	1/09 - 9/09	10/09 - 12/09	2010
Section A			
Monthly Claim Frequency	0.006083		0.006000
(x) Medicaid Length of Stay *	66.5		66.6
(x) Charge per Day *	<u>\$164.84</u>		<u>\$166.65</u>
= Initial Rate (1)	\$66.72		\$66.63
Section B			
2010 NF \$ for 2009 Admits			\$9,237,676
(/) 2010 Eligible Months			<u>419,673</u>
= Tail Rate (2)	\$18.59		\$22.01
Section C			
2009 NF Rates to Health Plans			(\$34,426,569)
(+) 2008 Enrollment Adjustment in 2009			\$89,313
(+) 2009 NF \$ for 2008 Admits			\$7,643,848
(+) 2009 NF \$ for 2009 Admits			<u>\$27,122,044</u>
= Enrollment Adjustment Dollars			\$428,636
(/) 2010 Eligible Months			<u>419,673</u>
= Enrollment Adjustment Rate (3)	\$0.22		\$1.02
Section D			
Initial Base Rate = (1)+(2)+(3)	\$85.53	\$85.02	\$89.66
Disenrollment Fee Adjustment	<u>0.9830</u>	<u>0.9830</u>	<u>0.9830</u>
Final Base Rate	\$84.08	\$83.57	\$88.14
Section E			
(x) Medicare Adjustment	1.000	1.000	1.000
(x) Non Medicare Adjustment	0.669	0.669	0.669
= Aggregate Medicare Rate	\$84.08	\$83.57	\$88.14
= Aggregate Non-Medicare Rate	\$56.25	\$55.91	\$58.97

* The ALOS and charge per day exclude days that are 100% covered by Medicare.

Exhibit 3A

**Minnesota Senior Health Options and Minnesota Senior Care Plus Programs
Nursing Facility Add-On Rates (PMPM)
180 Day Benefit Period**

January 2010 to December 2010 Contract Period

Medicare Population

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Hennepin/Metro	\$44.60	\$103.21	\$170.70	\$34.21	\$100.90	\$160.41
Non Metro	50.76	117.48	194.31	38.95	114.85	182.60

Non-Medicare Population

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Hennepin/Metro	\$29.83	\$69.05	\$114.20	\$22.89	\$67.50	\$107.32
Non Metro	33.96	78.60	130.00	26.06	76.84	122.16

Exhibit 3B

**County Based Purchasing Program
Nursing Facility Add-On Rates (PMPM)
180 Day Benefit Period**

January 2010 to December 2010 Contract Period

Medicare Population

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Non Metro	\$50.26	\$116.31	\$192.37	\$38.56	\$113.71	\$180.78

Non-Medicare Population

Area	Males			Females		
	65-74	75-84	85+	65-74	75-84	85+
Non Metro	\$33.62	\$77.81	\$128.70	\$25.79	\$76.07	\$120.94