



MINNESOTA
DEPARTMENT OF HUMAN SERVICES
MANAGED CARE AND PAYMENT POLICY DIVISION

REQUEST FOR PROPOSALS
FOR
A QUALIFIED GRANTEE(S) TO

Provide Health Care Services to
Medical Assistance (MA) and Minnesota Care
Recipients in

**Anoka, Carver, Dakota, Hennepin,
Ramsey, Scott and Washington Counties**

ORIGINAL

COST BID RESPONSE

June 16, 2011



- COST BID RESPONSE -
Request for Proposals to
Provide Health Care Services to Medical Assistance and MinnesotaCare Recipients
in
Anoka, Carver, Dakota, Hennepin, Ramsey,
Scott and Washington Counties

- I. Table of Contents
- II. Cover Letter
- III. Attachment I – Medical Loss Ratio, Administrative Expense Ratio
& Contribution to Reserve
- IV. Attachment II – Summary of Administrative Expenses
- V. Attachment III – PMAP Bid
- VI. Attachment IV – Minnesota Care Bid
- VII. Attachment V – Actuarial Certification

TRADE SECRET DATA REMOVED

Tab II – Cover Letter except first and last (signature page)



HealthPartners®

Corporate Office:
8170 33rd Avenue South
Bloomington, MN 55425
www.healthpartners.com

Mailing Address:
Mail Stop: 21108T
P.O. Box 1309
Minneapolis, MN 55440-1309

June 16, 2011

Mr. R. Jason Wiley
Managed Care and Payment Policy Division
Minnesota Department of Human Services
P.O. Box 64984
St. Paul MN 55164-0984

Re: Cost Bid to Provide Health Care Services to Medical Assistance (MA) and MinnesotaCare Recipients in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties

Dear Mr. Wiley,

Enclosed you will find the HealthPartners Cost Bid portion of our proposal to provide health care services to Medical Assistance (MA) and MinnesotaCare Beneficiaries in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

This letter, including Appendices A through C contain confidential and trade-secret information including our detailed rating methodology, rating factors, business strategy, and health plan claim data. Each page is marked as trade-secret. Attachments I through V to this letter are public information.

Attached to this cover letter, you will find 5 additional documents:

- Attachment I: Excel template summarizing key financial ratios for the past 5 years
- Attachment II: Excel template containing detailed information on administrative expenses for the past 5 years
- Attachment III: The PMAP bidding form in Excel
- Attachment IV: The MinnesotaCare bidding form in Excel
- Attachment V: Actuarial Certification

The remainder of this cover letter and appendices will provide background information and details on the development of the HealthPartners 2012 Cost Bid. The letter is divided into the following sections:

- Network Additions
- Development of Medical Rates for Families and Children
- Development of Medical Rates for Medical Assistance Adults without Children
- Development of Medical Rates for MinnesotaCare Adults without Children
- Development of Administrative Rate and Reserve Rate
- Other Considerations



HealthPartners.

The results contained in this letter are intended only for use by DHS for the purposes of evaluating HealthPartners' Cost Bid to Provide Health Care Services to Medical Assistance (MA) and MinnesotaCare Recipients in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. The results may not be appropriate for other purposes. HealthPartners does not intend to benefit or create a legal duty to any third party recipient of this work.

In preparing this cost bid, HealthPartners has relied upon data and other information provided by DHS and the DHS Actuary, including the data book and prior rate letters. If these are inaccurate or incomplete, the results of this cost bid may likewise be inaccurate or incomplete.



Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this report.

If you have any questions or comments, please call either me (██████████) or Dori Petersen (██████████).

Sincerely,

David A. Neilman, FSA, MAAA
Senior Actuary

Attachment I

History of Key Expense Ratios
for HealthPartners, Inc.

Calendar Year	MA Parents, Children, and Pregnant Women			MinnesotaCare Parents, Children, Pregnant Women and Adults without Children		
	(1) Medical Loss Ratio	(2) Administrative Expense Ratio	(3) Contribution to Reserves	(4) Medical Loss Ratio	(5) Administrative Expense Ratio	(6) Contribution to Reserves
2006	101.15%	6.99%	(8.14%)	88.24%	7.36%	4.40%
2007	93.05%	6.27%	0.69%	95.78%	6.47%	(2.25%)
2008	83.07%	5.47%	11.46%	105.75%	5.90%	(11.66%)
2009	86.07%	6.36%	7.57%	97.82%	6.61%	(4.43%)
2010	84.75%	6.55%	8.70%	93.69%	6.56%	(0.24%)

* For each year provide the ratio of medical costs to revenue, administrative expense ratio, and contribution to reserves for the enrollees in each of the Minnesota public health programs identified. This should be calculated on a cash basis, and match the information provided on the Minnesota Supplement Report #1, "Statement of Revenue, Expenses, and Net Income" for each year.

TRADE SECRET DATA REMOVED
Tab IV – Administrative expense ratios

Attch. III

Attachment #1
 Bidding Template for PMAP Families and Children, and Adults without Children
 Proposed Rates for 2012

for HealthPartners, Inc.

Rate Cells		Aroka						Carver and Scott						Dakota					
Age	Sex	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate		
Families and Children																			
0 - 1	F	8,382	\$768.19	\$50.30	\$8.38	3,638	\$726.40	\$47.68	\$7.95	9,528	\$734.04	\$48.19	\$8.03						
01 - 02	F	6,473	\$218.30	\$14.33	\$2.39	2,167	\$206.96	\$13.59	\$2.26	6,052	\$209.14	\$13.73	\$2.29						
02 - 15	F	57,144	\$177.69	\$11.66	\$1.94	20,879	\$168.46	\$11.06	\$1.84	48,863	\$170.23	\$11.17	\$1.86						
16 - 20	F	13,169	\$385.13	\$23.97	\$3.99	3,824	\$346.17	\$22.72	\$3.79	9,195	\$349.81	\$22.96	\$3.83						
21 - 49	F	44,519	\$583.58	\$38.97	\$6.49	15,089	\$562.75	\$36.94	\$6.16	33,665	\$568.68	\$37.33	\$6.22						
50 - 64	F	1,849	\$939.58	\$61.68	\$10.28	702	\$890.78	\$58.48	\$9.75	1,200	\$900.16	\$59.09	\$9.85						
Males																			
0 - 1	M	8,418	\$828.29	\$54.37	\$9.06	3,619	\$785.26	\$51.55	\$8.59	9,688	\$793.53	\$52.09	\$8.68						
01 - 02	M	6,130	\$251.49	\$16.51	\$2.75	2,243	\$238.43	\$15.65	\$2.61	6,791	\$240.94	\$15.82	\$2.64						
02 - 15	M	56,079	\$210.10	\$13.79	\$2.30	22,604	\$199.18	\$13.08	\$2.18	51,621	\$201.28	\$13.21	\$2.20						
16 - 20	M	11,562	\$277.66	\$18.23	\$3.04	3,551	\$263.23	\$17.28	\$2.88	8,466	\$266.01	\$17.46	\$2.91						
21 - 49	M	15,092	\$406.53	\$26.69	\$4.45	4,592	\$385.41	\$25.30	\$4.22	9,668	\$399.47	\$25.57	\$4.26						
50 - 64	M	1,497	\$758.38	\$49.78	\$8.30	457	\$718.99	\$47.20	\$7.87	912	\$726.56	\$47.70	\$7.95						
Pregnant Women																			
All Ages																			
		7,736	\$1,478.11	\$97.03	\$16.17	3,065	\$1,401.33	\$91.99	\$15.33	8,250	\$1,416.08	\$92.95	\$15.49						
Adults without Children																			
		8,931	\$1,085.74	\$71.27	\$11.88	3,065	\$1,085.74	\$71.27	\$11.88	7,872	\$1,085.74	\$71.27	\$11.88						
21 - 49	F	6,261	\$1,164.70	\$76.46	\$12.74	2,217	\$1,164.70	\$76.46	\$12.74	5,248	\$1,164.70	\$76.46	\$12.74						
		13,862	\$888.21	\$58.31	\$9.72	3,621	\$888.21	\$58.31	\$9.72	9,621	\$888.21	\$58.31	\$9.72						
21 - 49	M	5,130	\$1,113.83	\$73.12	\$12.19	1,563	\$1,113.83	\$73.12	\$12.19	3,838	\$1,113.83	\$73.12	\$12.19						
50 - 64	M																		
Total for County		272,232	\$470.87	\$30.91	\$5.15	97,006	\$444.74	\$29.20	\$4.87	230,176	\$457.25	\$30.02	\$5.00						

Attachment d

Bidding Template for PMAP Families and Children, and Adults without Children
Proposed Rates for 2012

for HealthPartners, Inc.

Rate Cells		Hennepin						County						Washington					
		2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate		
Families and Children	Sex																		
0 - 1	F	37,300	\$712.03	\$46.49	\$3.87	20,943	\$628.41	\$40.81	\$0.00	3,528	\$721.50	\$46.85	\$0.00						
01 - 02	F	27,819	\$202.87	\$13.24	\$1.10	16,623	\$179.04	\$11.63	\$0.00	2,348	\$205.56	\$13.35	\$0.00						
02 - 15	F	241,866	\$165.12	\$10.78	\$0.90	149,701	\$145.73	\$9.46	\$0.00	21,132	\$167.32	\$10.86	\$0.00						
16 - 20	F	58,061	\$339.32	\$22.15	\$1.85	41,359	\$299.47	\$19.45	\$0.00	4,874	\$343.83	\$22.33	\$0.00						
21 - 49	F	156,185	\$551.62	\$36.01	\$3.00	108,023	\$486.84	\$31.61	\$0.00	18,148	\$558.98	\$36.30	\$0.00						
50 - 64	F	8,748	\$873.16	\$57.01	\$4.75	5,060	\$770.62	\$50.04	\$0.00	688	\$884.77	\$57.45	\$0.00						
0 - 1	M	38,372	\$789.73	\$60.25	\$4.19	22,042	\$679.34	\$44.11	\$0.00	3,875	\$779.97	\$50.85	\$0.00						
01 - 02	M	27,346	\$233.71	\$15.26	\$1.27	17,257	\$206.27	\$13.39	\$0.00	2,409	\$286.82	\$15.38	\$0.00						
02 - 15	M	241,512	\$195.25	\$12.75	\$1.06	153,772	\$172.32	\$11.19	\$0.00	21,357	\$197.84	\$12.85	\$0.00						
16 - 20	M	50,887	\$258.03	\$16.85	\$1.40	36,795	\$227.73	\$14.79	\$0.00	4,340	\$261.46	\$16.98	\$0.00						
21 - 49	M	42,394	\$377.78	\$24.67	\$2.06	35,250	\$333.42	\$21.65	\$0.00	5,195	\$382.81	\$24.86	\$0.00						
50 - 64	M	5,408	\$704.77	\$46.01	\$3.83	3,890	\$622.01	\$40.39	\$0.00	471	\$714.14	\$46.37	\$0.00						
Pregnant Women																			
All Ages	F	33,499	\$1,373.62	\$89.68	\$7.47	16,289	\$1,212.30	\$78.72	\$0.00	3,251	\$1,381.88	\$90.38	\$0.00						
Adults without Children																			
21 - 49	F	49,185	\$868.18	\$56.99	\$9.50	20,911	\$968.39	\$63.57	\$10.60	3,991	\$1,064.45	\$69.88	\$11.95						
50 - 64	F	27,631	\$935.20	\$61.39	\$10.23	12,115	\$1,070.97	\$70.30	\$11.72	2,390	\$1,141.86	\$74.95	\$12.49						
21 - 49	M	90,389	\$710.82	\$46.66	\$7.78	30,619	\$804.21	\$52.79	\$8.80	5,448	\$870.80	\$57.16	\$9.53						
50 - 64	M	32,890	\$694.53	\$58.72	\$9.79	12,982	\$1,063.71	\$69.83	\$11.64	1,714	\$1,091.99	\$71.68	\$11.95						
Total for County		1,168,493	\$436.00	\$28.52	\$3.14	688,630	\$377.00	\$24.55	\$1.12	104,959	\$459.54	\$29.93	\$1.42						

Attachment IV

Bidding Template for MinnesotaCare Families and Children, Adults without Children
Proposed Rates for 2012

for HealthPartners, Inc.

Rate Cells			Arkata					Carver and Scott					Dakota				
Age	Sex	Family Status	Income Level	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate		
0-1	F	child	<275% FPL	373	\$595.77	\$39.11	\$5.52	289	\$526.07	\$4.53	\$5.76	388	\$509.95	\$33.48	\$5.58		
1-2	F	child	<275% FPL	278	\$153.51	\$10.08	\$1.68	235	\$135.55	\$8.90	\$1.48	323	\$131.40	\$6.63	\$1.44		
2-15	F	child	<275% FPL	9,550	\$171.77	\$11.28	\$1.88	5,488	\$151.87	\$9.96	\$1.66	9,724	\$147.02	\$9.55	\$1.61		
16-20	F	child	<275% FPL	3,999	\$306.71	\$20.27	\$3.38	1,992	\$272.59	\$17.89	\$2.98	3,040	\$264.24	\$17.35	\$2.89		
21-49	F	parent	215-275%	1,018	\$401.17	\$26.33	\$4.39	384	\$383.57	\$23.18	\$4.20	807	\$393.57	\$25.18	\$4.20		
21-49	F	parent	<215%	12,156	\$491.28	\$32.25	\$5.38	6,076	\$483.81	\$28.48	\$4.75	11,784	\$420.52	\$27.81	\$4.80		
21-49	F	adult	75-250%	6,987	\$486.52	\$32.20	\$5.37	2,220	\$469.52	\$32.20	\$5.37	5,392	\$469.52	\$32.20	\$5.37		
50+	F	parent	215-275%	180	\$532.27	\$34.94	\$5.82	107	\$508.32	\$33.41	\$5.57	142	\$506.92	\$33.41	\$5.57		
50+	F	parent	<215%	1,694	\$632.63	\$41.53	\$6.92	828	\$556.61	\$36.67	\$6.11	1,632	\$541.50	\$35.55	\$5.92		
50+	F	adult	75-250%	4,408	\$630.46	\$41.39	\$6.90	1,630	\$630.46	\$41.39	\$6.90	3,671	\$630.46	\$41.39	\$6.90		
Pregnant Women	F		<275% FPL	519	\$1,822.64	\$89.45	\$14.91	364	\$1,203.21	\$79.99	\$13.16	533	\$1,488.35	\$78.57	\$12.76		
0-1	M	child	<275% FPL	297	\$762.58	\$52.03	\$8.67	281	\$699.83	\$45.84	\$7.88	510	\$678.40	\$44.53	\$7.42		
1-2	M	child	<275% FPL	384	\$185.44	\$12.83	\$2.14	257	\$172.57	\$11.33	\$1.89	431	\$167.28	\$10.88	\$1.85		
2-15	M	child	<275% FPL	10,019	\$187.86	\$12.32	\$2.05	5,654	\$169.70	\$10.88	\$1.81	9,627	\$160.83	\$10.54	\$1.76		
16-20	M	child	<275% FPL	3,808	\$266.78	\$17.57	\$2.92	2,288	\$255.57	\$15.46	\$2.53	3,288	\$228.35	\$14.99	\$2.50		
21-49	M	parent	215-275%	497	\$308.04	\$20.22	\$3.37	169	\$294.53	\$19.33	\$3.22	275	\$294.53	\$19.33	\$3.22		
21-49	M	parent	<215%	7,988	\$331.38	\$21.75	\$3.69	3,700	\$292.59	\$19.21	\$3.20	6,398	\$283.63	\$18.62	\$3.10		
21-49	M	adult	75-250%	9,804	\$418.91	\$27.37	\$4.59	2,800	\$418.91	\$27.37	\$4.59	6,563	\$418.91	\$27.37	\$4.59		
50+	M	parent	215-275%	141	\$468.98	\$32.43	\$5.40	44	\$472.32	\$31.01	\$5.17	116	\$472.32	\$31.01	\$5.17		
50+	M	parent	<215%	1,835	\$555.97	\$38.47	\$6.41	780	\$517.41	\$33.97	\$5.66	1,728	\$501.56	\$32.93	\$5.49		
50+	M	adult	75%-250%	3,368	\$607.60	\$38.89	\$6.65	1,093	\$607.60	\$38.89	\$6.65	2,445	\$607.60	\$38.89	\$6.65		
Total enrollment and average rate for County				79,152	\$399.16	\$25.55	\$4.26	36,448	\$340.93	\$22.38	\$5.73	68,798	\$349.13	\$22.92	\$3.82		

Attachment IV

Bidding Template for MinnesotaCare Families and Children, Adults without Children
Proposed Rates for 2012

for HealthPartners, Inc.

Rate Code				Hennepin				Ramsey				Washington			
Age	Sex	Family Status	Income level	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate	2010 Enrollment	Medical Rate	Admin. Rate	Reserve Rate
0-1	F	child	<75% FPL	1,222	\$437.87	\$28.59	\$2.38	819	\$494.24	\$32.09	\$0.00	252	\$571.15	\$37.08	\$0.00
1-2	F	child	<75% FPL	1,191	\$112.82	\$7.37	\$0.91	797	\$127.85	\$8.27	\$0.00	332	\$147.19	\$9.58	\$0.00
2-15	F	child	<75% FPL	27,922	\$129.24	\$8.24	\$0.69	16,692	\$142.49	\$9.25	\$0.00	5,904	\$164.67	\$10.99	\$0.00
18-20	F	child	<75% FPL	9,877	\$239.89	\$14.81	\$1.23	7,019	\$258.10	\$16.93	\$0.00	2,791	\$295.95	\$19.22	\$0.00
21-49	F	parent	215-275%	1,384	\$409.47	\$26.89	\$4.48	861	\$492.85	\$25.79	\$4.30	378	\$573.63	\$24.53	\$4.09
21-49	F	parent	<15%	28,592	\$361.08	\$23.57	\$1.96	17,418	\$407.57	\$26.47	\$0.00	6,222	\$470.99	\$30.58	\$0.00
21-49	F	adult	75-250%	23,695	\$404.58	\$26.58	\$4.43	11,946	\$461.64	\$30.50	\$5.05	2,947	\$490.52	\$32.20	\$6.87
50+	F	parent	215-275%	365	\$543.28	\$35.69	\$5.94	217	\$521.24	\$34.22	\$5.70	96	\$455.74	\$32.54	\$5.42
50+	F	parent	<15%	5,929	\$464.95	\$30.36	\$2.65	3,141	\$524.82	\$34.08	\$0.00	1,119	\$606.48	\$38.38	\$0.00
50+	F	adult	75-250%	13,082	\$520.01	\$34.14	\$6.69	6,882	\$593.35	\$38.95	\$8.49	1,840	\$630.46	\$41.39	\$8.90
Pregnant Women	F		<75% FPL	1,488	\$1,001.49	\$65.39	\$5.45	1,070	\$1,130.42	\$73.40	\$0.00	360	\$1,306.32	\$84.83	\$0.00
0-1	M	child	<75% FPL	1,365	\$392.50	\$38.03	\$3.17	1,003	\$657.49	\$42.69	\$0.00	345	\$759.81	\$49.34	\$0.00
1-2	M	child	<75% FPL	1,319	\$143.84	\$9.58	\$0.78	984	\$162.13	\$10.59	\$0.00	283	\$187.36	\$12.17	\$0.00
2-15	M	child	<75% FPL	27,308	\$137.92	\$9.00	\$0.75	17,534	\$155.68	\$10.11	\$0.00	5,893	\$179.90	\$11.68	\$0.00
18-20	M	child	<75% FPL	9,514	\$186.97	\$12.80	\$1.07	7,501	\$221.32	\$14.37	\$0.00	1,898	\$255.75	\$16.61	\$0.00
21-49	M	parent	215-275%	563	\$314.41	\$20.64	\$3.44	394	\$301.59	\$19.80	\$3.30	119	\$265.90	\$18.83	\$3.14
21-49	M	parent	<15%	14,712	\$243.54	\$15.90	\$1.33	9,344	\$274.89	\$17.85	\$0.00	3,513	\$317.67	\$20.63	\$0.00
21-49	M	adult	75-250%	31,019	\$343.97	\$22.57	\$3.76	14,883	\$392.37	\$25.76	\$4.29	3,921	\$416.91	\$27.37	\$4.56
50+	M	parent	215-275%	271	\$504.21	\$33.10	\$5.52	184	\$483.75	\$31.76	\$5.29	60	\$460.09	\$30.20	\$6.03
50+	M	parent	<15%	5,186	\$493.87	\$28.12	\$2.34	3,028	\$486.11	\$31.57	\$0.00	901	\$561.75	\$36.48	\$6.00
50+	M	adult	75%-250%	9,899	\$501.16	\$32.90	\$5.46	5,178	\$571.93	\$37.54	\$6.26	1,228	\$607.90	\$39.89	\$8.65
Total enrollment and average rate for County				214,989	\$308.22	\$20.18	\$2.52	128,885	\$338.70	\$22.10	\$1.65	39,479	\$369.82	\$24.11	\$1.45



Attachment V: Actuarial Certification

I, David A. Neiman, Senior Actuary with HealthPartners, 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.

This Cost Bid has been prepared for the Minnesota Department of Human Services to provide health care services to Medical Assistance (MA) and MinnesotaCare Recipients in calendar year 2012. The purpose of this certification is to provide an opinion as to the actuarial soundness of the medical rates, administrative rates and reserve rates contained in Attachments III and IV.

In making my opinion, I have 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. Additionally, I have relied on the accuracy of the projected administrative costs as provided by Kathy Johnson, Finance Director at HealthPartners.

In my opinion and subject to the qualifications above, the average medical rates, administrative rates and reserve rates developed for calendar year 2012, are actuarially sound in that they:

1. The data and assumptions used in the development of the bid are reasonable and are consistent with the organization's current business plan,
2. Have been developed in accordance with generally accepted actuarial principles and practices and Actuarial Standards of Practice, and
3. Are appropriate for the populations to be covered and the services furnished.

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 HealthPartners' 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. 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.

The impact of unanticipated events subsequent to the date of this bid submission is beyond the scope of my certification.

A handwritten signature in black ink, appearing to read "D. Neiman", written over a horizontal line.

June 16, 2011

David A. Neiman, FSA, MAAA
Senior Actuary
HealthPartners
P.O. Box 1309
Minneapolis, MN 55440-1309

██████████
████████████████████████████████████████