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August 19, 2011

Mr. R. Jason Wiley  
Managed Care Rate Setter  
Minnesota Department of Human Services  
540 Cedar Street  
St. Paul, MN 55101-2208

**Re: September 2011 Rate Adjustments – PMAP and MNCare**

Dear Jason:

Recently, the State of Minnesota legislated specified reductions in capitation rate changes, to be effective September 1, 2011. These include:

- MA Families and Children – 2.82%
- MA Adults without Children – 10.10%
- MNCare Families and Children – 6.00%

No rate changes were specified for MNCare Adults without Children, and I understand those rates will not be changed.

A number of other legislative changes impacting provider payment rates, MCO capitation rates, and benefits were also passed with 2011 effective dates. This includes a change to eligibility requirements for PCA services for enrollees with a dependency in one activity of daily living (ADL) or Level 1 behavior, which is included in the MCO contract amendment for September. However, I understand that DHS does not intend to adjust 2011 capitation rates for these changes.

You have requested I provide an amendment to my 2011 rate certification recognizing these changes.

My development of current 2011 capitation rate levels is detailed in two prior letters including:

- 2011 Trend & Surplus, Benefit Changes 1217.pdf,
- MA Expansion Rate Letter 0309 Rev.pdf

These are attached to this letter for reference.

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This material assumes that the reader is familiar with MN Medicaid programs, their eligibility rules, rating approaches and other factors. The material was prepared solely to provide assistance to DHS to set capitation rates. 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.

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In assessing the continued actuarial soundness of the 2011 rates, I considered that the original Families and Children rates for both PMAP and MNCare included a margin of 1.18%. (The original PMAP Adults without Children rates included no margin.) I also considered that subsequent analysis indicates recent trend rates, including 2010 experience, have been lower than assumed in the original analysis completed before the more recent data was available.

Finally, I considered that the legislature has also made changes to the eligibility criteria for PCA services to include recipients who have a dependency in one ADL or Level I behavior, which will increase costs slightly, but for which no rate adjustment is planned. After considering all of these changes together, I anticipate that the average rate paid in 2011 will continue to be actuarially sound even with the reductions summarized above.

An amendment to my original actuarial certification is attached to this letter.

#### *Data Reliance*

In performing this analysis, I have relied on data and other information provided to me by DHS and the MCOs regarding the legislated changes and 2010 experience, including the rate adjustments to be implemented in September. I also continue to rely on the information provided for the development of current 2011 rates as listed in my letters 2011 Trend & Surplus, Benefit Changes 1217.pdf and MA Expansion Rate Letter 0309 Rev.pdf. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of my analysis may likewise be inaccurate or incomplete.

I have performed a limited review of the data used directly in my analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of this assignment.

#### *Variability*

Differences between estimates and actual amounts depend on the extent to which experience conforms to the assumptions made for this analysis. It is almost certain that actual experience does not conform exactly to the assumptions used in this analysis.

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Mr. Jason Wiley  
August 19, 2011



Jason, I am available for questions by phone at [REDACTED] and by e-mail at [REDACTED].

Sincerely,

A handwritten signature in blue ink that reads "Leigh M. Wachenheim".

Leigh M. Wachenheim, FSA, MAAA  
Principal & Consulting Actuary

Attachments (3)

LMW/mtf

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