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August 18, 2011

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

Re: September 2011 Rate Adjustments – Kids PINs

Dear Jason:

Recently, the State of Minnesota legislated a 2.82% reduction to capitation rates paid to managed care organizations to provide medical assistance for families and children (PMAP). The reduction is to be effective September 1, 2011.

You requested that I revise the capitation rates provided in my letter dated December 6, 2011 to reflect this change. Exhibit A to this letter contains the revised rates. Because my earlier letter contains important information regarding the development of the 2011 rates, this letter should be considered a follow up to that one and should not be distributed separately from it.

I also considered the continued actuarial soundness of these rates. In particular, I considered that the original rates included a margin of 1.18%. I also considered that subsequent analysis indicates that recent trend rates have been lower than assumed in the original analysis. 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 activity of daily living or Level I behavior, which will increase costs, 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 2.82% reduction.

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. I also continue to rely on data and other information provided to me by DHS, as described in my December 6, 2010 letter. 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

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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.

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.



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

LMW/mtf

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**Exhibit A: PINs PMPM Plan Payment Calculation for
Rates Effective September 1, 2011 through December 31, 2011**

Area and Age Group	Base Rate (a)	Ratable Reductions (b)	Adjusted Base Rate (c)=(a)-(b)	Medical Education Carve Out (d)	2011 Rates Excl. Med. Educ. and RR (e)=(c)-(d)	TCM Component (f)	TCM Withhold (g)=(f)*.095	Base Rate less TCM Add-On (h)=(e)-(f)	Base Rate Withhold (i)=(h)*.095	Withhold (j)=(g)+(i)	2011 Rates Excl. Withhold (k)=(h)-(j)+(d)	2011 Rates less MERC less Withhold (l)=(k)-(d)
Dakota County												
1-5	\$4,577.33	\$1.17	\$4,576.16	\$91.52	\$4,484.64	\$576.66	\$54.78	\$3,907.98	\$371.26	\$426.04	\$3,573.46	\$3,481.94
6-12	\$2,933.31	\$0.69	\$2,932.63	\$58.65	\$2,873.97	\$576.66	\$54.78	\$2,297.31	\$218.24	\$273.03	\$2,082.94	\$2,024.29
13-17	\$2,506.64	\$0.56	\$2,506.08	\$50.12	\$2,455.95	\$576.66	\$54.78	\$1,879.29	\$178.53	\$233.32	\$1,696.10	\$1,645.98

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