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

Re: Capitation Rate Adjustments for 2011 – PMAP and MNCare

Dear Jason:

This letter contains rate adjustments to be applied to fourth quarter 2010 rates for PMAP Families and Children and MNCare rate cells. Capitation payment rates in 2011 will be derived by applying adjustment factors to the rates in effect as of the fourth quarter of 2010. Adjustments will be made for (1) cost and utilization trend (2) changes to the State's surplus target and (3) policy decisions and legislated changes to benefits and reimbursement levels. This letter contains my analysis of the impact of these factors on 2011 capitation rates for the PMAP and MNCare Families and Children rate cells and the MNCare Adults without Children rate cells.

The letter is divided into several sections, including:

- An introduction;
- Trend and Surplus Adjustments for PMAP and MNCare Families and Children;
- Trend Adjustment for MNCare Adults without Children; and
- Adjustments for policy decisions and legislated 2011 benefit and reimbursement changes.

The purpose of this analysis is to assist the Minnesota Department of Human Services (DHS) with setting payment rates for contracting health plans for these programs. The results may not be appropriate for other purposes.

The results contained in this letter are intended only for use by DHS and CMS, the federal agency that must approve the capitation rates used for the PMAP and MNCare programs. This analysis should be considered preliminary until the resulting capitation rates are approved by DHS and CMS. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work.

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.

This letter should be reviewed only in its entirety. It assumes the reader is familiar with Minnesota's Medicaid programs and managed care rating principles.

The results in this letter are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon specific assumptions and methods nor upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

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.

Introduction

The structure, assumptions, and data used in the development of the rates are summarized below:

- I. The base utilization and cost data used to determine the rate levels is actual experience for calendar year 2009 for the populations enrolled in PMAP and MNCare Families and Children managed care programs in Minnesota.

This analysis includes data from most of the continuing plans and reflects the experience of 88.6% of 2009 enrollment for PMAP Families and Children, 88.1% of 2009 enrollment for MNCare Families and Children, and 83.7% of 2009 enrollment for MNCare Adults without Children.

- II. Health status risk adjustment is used to adjust certain payment rates. Risk assessment is performed using diagnosis codes and the Johns Hopkins Adjusted Clinical Groups (ACG) risk adjuster. Currently, 50% of the rates for the PMAP and MNCare "unlimited" rate cells is based on health status risk adjustment and 50% is based on a traditional demographic rate structure. Beginning in 2011, 75% of the rates for these rate cells will be based on risk adjustment and 25% will be based on the demographic rate structure. An appropriate revenue neutrality adjustment will be applied.
- III. Demographic rates vary by eligibility category, age and gender, and geographic location. For PMAP, the current eligibility categories include Families with Children and Pregnant Women. For MNCare, the current eligibility categories include Pregnant Women, Children, and Parents with incomes up to 275% of the Federal Poverty Guideline (FPG) and Non-Parents up to 250% of the FPG.

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- IV. Rate relationships by demographic rate cell were developed in 2009 and are based on actual claim experience from 2007-2008 for the PMAP and MNCare populations enrolled in managed care programs in Minnesota.
- V. Adjustments are made for trends in utilization and cost per service, on a combined basis. The trends are based on historical claim trends from 2006 to 2009 for public program populations enrolled in managed care programs in Minnesota and on benchmark utilization and provider payment rates for public programs including the Medicare fee-for-service program.
- VI. Administrative costs were projected by trending forward 2009 administrative costs. I used a trend rate of 2.0% for this purpose. I am applying a reduction to administrative cost equal to 1% of revenue to offset the value of assumed investment income earnings.

As directed by DHS, I combined the administrative costs of PMAP, MNCare, MSC+, and MSHO for the purpose of testing projected administrative expenses in 2011 against Minnesota's statutory limit of 8.2% of revenue. This testing requires estimates of cost and revenue levels in 2011. If treated individually, I estimate that not all programs would be projected to achieve an administrative cost level as low as 8.2% of revenue.

- VII. The load for the 2011 contribution to surplus for the PMAP and MNCare Families and Children rate cells in this analysis is 1.18%, before investment income. For this analysis, I have assumed that investment income will be 1.0% of revenue based on my review of the investment income and capital gains/losses reported on the plans' financial statements. This adjustment and the adjustment to administrative costs mentioned above offset each other.

Data Reliance

In performing this analysis, I have relied on data and other information provided to me by DHS and the plans with which it contracts. 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.

For this analysis, I relied on the following data and information:

- Various Enrollment and Capitation reports from DHS that provide detail by rate cell for each health plan and area;
- Copies of the Minnesota State Supplement Report #1, Statement of Revenue, Expenses and Net Income for each health plan as submitted to the State of Minnesota;

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- Restated net hospital and medical expenses for Medicaid-covered services provided by the health plans, based on more recent experience. I also requested from each health plan a certification by a qualified actuary that the restatement reflects a best estimate;
- Summaries of risk factors from DHS by population and payment quarter;
- Certifications, provided by the health plans, certifying the percentage of expenses that were for non-State Plan services;
- Information from DHS regarding withhold amounts returned to the plans; and
- Miscellaneous data and information provided by DHS and the health plans.

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 future experience conforms to the assumptions made for this analysis. It is almost certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience is different than expected. Accordingly, DHS should continue to carefully monitor actual experience and make adjustments as necessary.

Trend and Surplus Adjustments for PMAP and MNCare Families and Children

The trend and surplus adjustments for PMAP and MNCare Families and Children rate cells are based on the historical financial results for the public program business of participating health plans. The adjustment factors are intended to provide rate levels that result in a targeted contribution to surplus as a percentage of income before investment income for the health plans in aggregate, assuming prudent management. For this analysis, I have included an adjustment of 1.18%. In choosing this adjustment, I considered, among other things, the ability of the plans to absorb recently legislated capitation rate reductions and to achieve performance targets set by the state for which they bear financial risk. I also considered available emerging 2010 experience.

Exhibit A provides summaries of the development of the rate increase for each program. Exhibits B and C describe the development of the claim cost trend figures. Exhibit D describes the impact of benefit changes. Exhibit E describes the calculation of 2010 revenue. Exhibit F describes trends in risk scores. Exhibit G describes the development of the trend in demographic and area factors.

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Exhibit H summarizes the development of administrative cost. These exhibits are discussed further below.

Exhibit A (Rate Increase for 2011 Rates)

Exhibits A-1 and A-2 correspond to PMAP and MNCare Families and Children, respectively.

The 2009 claim costs shown in line (a) are developed from actual data received from the plans and enrollment data provided by DHS. They have been adjusted to remove non-State Plan services as provided by the health plans. The plans were asked to provide estimated incurred claims on a “best estimate” basis, meaning the values do not include any margin for adverse deviation.

The annual claim cost trends shown on line (d) are a 50/50 blend of a Benchmark Trend Rate (Exhibit B) and an Experience-based Trend Rate (Exhibit C).

The development of the average 2009 administrative cost per member per month for PMAP in row (f) of Exhibit A-1 is shown in Exhibit H. The per member per month administrative cost for MNCare in Exhibit A-2 was developed using the administrative expenses reported by the plans in their 2009 Minnesota Supplement Report # 1's to the Minnesota Annual Statement, along with membership data provided by DHS. In particular, I divided the 2009 MNCare administrative expenses by total 2009 membership, which resulted in an administrative cost of \$31.90 PMPM. (I made an adjustment to one plan's reported administrative cost for expenses they indicated to me were more appropriately considered service cost for the purpose of this analysis.)

The administrative trend is 2.0%. The administrative margin is capped by Minnesota State law at 8.2% of revenue (recognizing that premium tax and certain provider surcharges are exempt from the stated cap of 6.6% of revenue). As requested by DHS, I tested projected 2011 administrative costs against the cap across several programs, including PMAP, MNCare, MSC, and MSHO, but I did not include MNDHO, SNBC, or PGAMC. In aggregate, administrative costs, exclusive of care coordination costs for seniors not enrolled in the Elderly Waiver program, are not expected to exceed 8.2% of revenue in 2011.

Estimated investment income as a percent of revenue and an offset to administrative margin are shown in rows (i) and (j). For this analysis, I have assumed that investment income will be 1.0% of revenue in 2011, which is approximately equal to the average investment income received by the plans in 2008 and 2009. The administrative offset in row (j) is equal to the assumed investment income.

The impact of legislated benefit and reimbursement changes occurring in October 2009 and 2010 is shown in row (m). This adjustment is applied to restate calendar year 2009 cost levels to reflect

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these changes. Additional detail is included in Exhibits D-1 (PMAP) and D-2 (MNCare Families and Children).

The load for the 2011 contribution to surplus in this analysis is 1.18%, before investment income.

The projected 2011 revenue requirement is calculated in row (q) and compared to the average fourth quarter 2010 rate in row (r). Average revenue is calculated using the 2009 membership distribution of the plans whose claim data is included in row (a). The calculation of 2010 revenue is described on Exhibit E. A rate increase is calculated in row (s) as the ratio of the required 2011 revenue to the average fourth quarter 2010 rate.

Finally, an adjustment to the rate increase for risk-adjusted rates is necessary to avoid double-counting trend in claim cost due to changes in risk scores beyond those reflected in the demographic and area factors. The development of this adjustment is described on Exhibit F. The adjustment is shown at the bottom of Exhibits A-1 and A-2.

Exhibit B (Benchmark Trend Rate)

The benchmark trend rates shown in Exhibits A-1 and A-2 are developed by applying benchmark trend rates for various service categories to an assumed distribution of services among those categories as shown in Exhibit B-1 (PMAP) and B-2 (MNCare Families and Children). The distribution was developed in 2007 using actual claim experience provided by three of the largest plans from 2005 and 2006 for the PMAP and MNCare populations enrolled in managed care programs in Minnesota. (I recommend that data be collected from the plans to update these distributions for next year.)

The benchmark trend rates are intended to reflect trend rates I believe are achievable by MCOs that successfully apply aggressive and effective medical management and contracting strategies and tactics.

The trend targets reflect expected changes in CMS' Medicare FFS fee schedules based on currently available information. I selected the benchmark trend for prescription drugs based on Milliman's general knowledge regarding the drug trends recently experienced among a broad range of health plans. I selected the benchmark dental utilization and cost trends based on Milliman's Health Cost Guidelines – Dental and my judgment.

Exhibit C (Experience-Based Trend Rate)

The Experience-Based trend rates shown in Exhibits A-1 and A-2 were developed based on a weighted average of health plan trends over the last three years, backing out trend due to changes

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in demographic and area mix and the impact of benefit changes.

Trends in benefit, reimbursement, and eligibility changes are shown at the top of Exhibits C-1 (PMAP) and C-2 (MNCare Families and Children). Further detail of these trends is provided in Exhibits D-1 and D-2. Below that, the impact of changes in the mix of business by demographic and area is shown. Further detail behind these calculations is provided in Exhibits G-1 and G-2.

Annual trends in claim cost are then shown before and after changes in benefits and mix. I use the three year weighted average of the trends calculated using weights of 1/6, 1/3, and 1/2, for 2006-07, 2007-08, and 2008-09, respectively.

Shown next is the trend across the PMAP and MNCare Families and Children rate cells. Finally, the "50/50 Blended Experience Trends" is a 50/50 weighting of the trend for that population and the overall trend across all families and children rate cells (MNCare and PMAP). This gives partial credibility to each program population's past trend, but also reflects that the trend for a given population is likely to regress to the overall average.

I understand that the state intends to implement a new Medicaid fee-for-service fee schedule in the near future. The change is intended to be revenue neutral with respect to the cost of the state's remaining fee-for-service Medicaid program. I have assumed for this analysis that the change will also be revenue neutral for managed care. The actual impact on managed care costs will depend on the specific changes being implemented (which are not yet available to me) and the extent to which the MCOs' contractual payment rates are linked to the Minnesota FFS fee schedule.

Exhibit D (Impact of Benefit/Eligibility/Reimbursement Changes)

The impact of each benefit, eligibility, and reimbursement change on claim cost is estimated as the claim cost-weighted average of the adjustment factors for each group of rate cells to which the change applies. The claim costs used for weighting purposes are the costs for the base year of the adjustment period. For example, the weights for the 2008-09 adjustments are 2008 claim costs. However, since I do not have 2009 claim costs available by rate cell, I used premium revenue to weight the 2009-2010 Q4 adjustments, instead.

The aggregate impact of changes for each year is estimated as the product of the adjustment factors for each individual change. The adjustment factors were developed in my letters regarding benefit changes for this and prior years.

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Ratable reductions effective for payment rates beginning September 2010 are also included. These adjustments are described in my August 6, 2010 letter regarding Rate Adjustments for the September Amendment. I have considered the MCOs' ability to absorb these reductions in choosing the surplus margin described above.

Exhibit E (Revenue)

Exhibits E-1 (PMAP) and E-2 (MNCare Families and Children) describe the calculation of the average fourth quarter 2010 payment rate used in Exhibit A. Exhibit E-3 describes the calculation of the risk-adjusted component of revenue.

Revenue is calculated using the 2009 membership distribution along with fourth quarter 2010 capitation rates. The 2009 membership distribution is used to be consistent with the projection of 2011 claim cost, which uses 2009 claim cost as a base. The payment rates used exclude MERC and reflect the rate differential for county-based purchasing plans as well as ratable reductions, including those enacted in September 2010.

On Exhibit E-1, for PMAP, the average demographic revenue is weighted 50/50 with the average risk-adjusted revenue. On Exhibit E-2, for MNCare Families and Children, the average revenue for each rate cell is calculated using weights that vary by rate cell. In particular, rates for "F,J A2" rate cells are 100% demographic and rates for all other rate cells are weighted 50/50.

On Exhibit E-3, for PMAP, the average risk-adjusted rate is calculated as the fourth quarter 2010 base rate times the average risk score for the 2009 calendar year assessment period, including adjustments for ratable reductions and withhold. This average risk score includes only those plans whose data is reflected in the average 2009 claim cost shown on Exhibit A-1. Average risk-adjusted rates for MNCare Families and Children are calculated similarly, except there are two base rates.

Exhibit F (Trend in Risk Scores)

As described above, Exhibit A includes an adjustment to the rate increase for risk-adjusted rates due to the trend in risk scores. Exhibit F describes the development of these adjustments.

This year, I considered the trend in risk scores from the 2008 assessment period to the 2009 assessment period. In previous years' analyses, I have considered trends in risk scores over a longer period; however, trends in risk scores were unusually high immediately after the implementation of ACGs version 6.06 which I would not expect to continue.

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The trend in risk scores is calculated separately for PMAP and MNCare unlimited rate cells using average risk scores for the calendar year 2008 and 2009 assessment periods. We excluded two plans from the calculation since they have significant changes in enrollment.

The trends in demographic and area factors are removed from the trends in risk scores. Finally, the weighted average trend in risk scores, net of trend in demographic and area factors, is calculated for each program. The trends for each program are then averaged using member months as weights, producing an average trend of 2.35%.

Exhibit G (Trend in Demographic/Area Factors)

Exhibit G describes the development of the trend in the demographic and area factors shown on Exhibit C. The demographic and area factors are first shown separately and then together for each rate cell/area combination as “rate cell relativities”. Enrollment is shown for each year. For each year, the average demographic/area factor is the enrollment-weighted average rate cell relativity.

Exhibit H (Administrative Expense Calculation)

Exhibit H displays the calculation of administrative costs for PMAP Families, Children and Pregnant Women. The 2009 administrative cost was calculated using the premium revenues and administrative expenses from the MCO’s 2009 Minnesota Supplement Report #1’s.

For PMAP, there are three components used in the calculation of administrative expenses: (1) Minnesota Senior Care Plus (MSC+) Basic Care, (2) Other Medicaid (including MSC+ Elderly Waiver and Nursing Facility Add-On), and (3) PMAP Families, Children and Pregnant Women. I calculated the 2009 revenue for PMAP Families, Children and Pregnant Women by subtracting the MSC+ Basic Care revenue and the MSC+ Elderly Waiver and Nursing Facility Add-On revenue, as provided by DHS, from total PMAP revenue. I assumed that MSC+ has the same administrative expense margin as MSHO (see below). I then subtract the MSC+ administrative expenses from the total PMAP administrative expenses to get PMAP Families, Children and Pregnant Women administrative expenses. Note that an adjustment has been made to the administrative expense of one plan based on information they provided.

For MSHO, there are three components used in the calculation of administrative expenses: (1) MSHO Basic Care, (2) Other Medicaid (including certain Elderly Waiver, Nursing Facility Add-On, and Special Needs Basic Care services) and (3) Medicare. Medicare revenue is calculated as the total 2009 MSHO revenue from the supplemental reports less Basic Care and other Medicaid revenue, as provided by DHS.

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Next, revenue for the Medicaid components is adjusted to account for the 1% premium tax (except on county-based plans). Administrative expenses excluding premium tax are then calculated for each component, using an administrative margin of 6.50% for Medicare and 3.64% for other Medicaid (the average for those programs). The resulting administrative expenses excluding premium tax for those components are then subtracted from the total administrative expenses excluding premium tax to calculate the Basic Care administrative expenses excluding premium tax. I then added the premium tax to get total administrative expenses for MSHO Basic Care. Last, I divide the MSHO Basic Care administrative cost including premium tax by its revenue to calculate an administrative margin. The margin for Basic Care is 6.35%.

Finally, I divide the PMAP Families, Children and Pregnant Women administrative expenses by 2009 member months which results in \$38.05 PMPM which can be seen on Exhibit A-1.

Trend Adjustment for MNCare Adults without Children

I understand DHS' intent for the MNCare Adults without Children (the B and G rates cells) is to maintain the surplus margin implicit in current (Fourth Quarter 2010) rate levels. DHS has indicated to me that the newly enacted actuarial soundness standards in Minnesota Statue 256B.69 do not apply to MNCare adults without children. Neither do federal actuarial soundness requirements apply to these rate cells. Therefore, I have calculated a trend adjustment but not a surplus adjustment for this block.

The comments regarding the trend calculations in Exhibits A, B, and C above generally apply to this block, too. However, given the recent history of this block due to the influx of former PGAMC members, we did not blend the trend of this business with the other blocks. Also, the distribution of hospital inpatient cost versus other costs was taken from data provided by the plans in 2008 for an area study. Finally, I used 1% instead of 5.13% for the benchmark inpatient hospital charge trend because the annual benefit is capped at \$10,000.

Adjustments for Policy Decisions and Legislated 2011 Benefit and Reimbursement Changes

I developed rate adjustments to account for several benefit and reimbursement changes scheduled to be implemented in 2011.

Varicella Vaccine for Adults

Currently, varicella (chicken pox) vaccine is a managed care covered service for children up to age 18, while adults aged 19 and up are covered on a fee-for-service basis. DHS has decided to begin covering the vaccine for MNCare and MA adults under the managed care program in 2011.

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DHS provided 2009 fee-for-service utilization data for managed care enrollees. I allocated the utilization across the impacted adult populations (including PMAP, MNCare, Seniors, PGAMC, and SNBC). I assumed no change in utilization rates for 2011. Based on a 2009 cost per dose of \$83.16 (based on DHS serum and administration costs of \$81.66 and \$1.50, respectively) trended forward two years at the blended annual trend rates used for rate development, the projected cost of providing these vaccinations is \$0.02 PMPM. I divided by projected 2011 claim cost for each program to arrive at the January rate adjustment factors shown in Table 1. (Adjustments for other populations were not significant to four decimal places.)

Table 1: January Adjustment Factors for Varicella

Program	Affected Rate Cells	Adjustment Factor
MNCare	Ages 16-20 (L,K)	1.0001
	Parents (F,J)	1.0001

Increase in Dental Rates

Effective January 1, 2011 for managed care, state operated (SOS) dental clinics are to be paid using a cost-based payment system based on Medicare cost-finding methods and allowable costs. I understand there are currently five such clinics. I used the fiscal note provided by DHS to develop a rate adjustment. The fiscal note estimates a payment increase of \$365,190 to state operated clinics in FY2009 dollars. This \$365,190 includes adjustments for a 25% service reduction and an increase related to critical access dental eligibility. I trended the FY09 cost to CY11 at an annual rate of 5%, the trend rate assumed for the fiscal note. Across PMAP, MNCare, PGAMC, and Seniors, the projected CY11 cost increase amounts to \$0.07 PMPM. I divided by projected 2011 claim cost for each program to arrive at the adjustment factors shown in Table 2.

Table 2: January Adjustment Factors for State Operated Dental Clinics

Program	Affected Rate Cells	Adjustment Factor
PMAP	All	1.0002
MNCare	L,K and F,J	1.0002
	B	1.0001

Ratable Reductions

DHS is applying “ratable reductions” to reduce payments to the MCOs for inpatient services. These reductions were originally effective January 1, 2009 and have changed in magnitude at various times since that date. The amount of these reductions is again scheduled to change on January 1, 2011.

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My rate analysis assumes that the MCOs will be able to absorb the reduction in capitation rates by some combination of decreasing their payments to providers and other means such as reductions in utilization.

A 1.5% ratable reduction implemented in October 2009 for certain PMAP “Basic Care” services is scheduled to sunset on June 30, 2011. October 2009 rates were subject to adjustment factors of 0.9819 for Families and Children and 0.9756 for Pregnant Women rate cells. These rate reductions included the impact of several ratable reductions. Of these reductions, excluding PCA/HH adjustments, 8.82% was for the ratable reduction scheduled to sunset. The adjustment factors to reverse this portion of the reduction taken in October 2009 are shown in Table 3.

Table 3: July Adjustment Factors for Sunset of 1.5% Ratable Reduction

Program	Affected Rate Cells	Adjustment Factor
PMAP	Families and Children	1.0015
	Pregnant Women	1.0021

Health Care Home

Health Care Home payments were required beginning the second half of calendar year 2010. An adjustment was included in 2010 rates to reflect increased cost to the MCOs. For 2011 rates, I developed an adjustment that recognizes more current cost and utilization assumptions provided by DHS. The adjustment factors in this letter are intended to replace the prior factors.

Table 4 shows the projected enrollment distribution by Health Care Home Tier, based on information provided by DHS.

Table 4: Projected Enrollment Distribution

Tier	PMAP			MNCare			
	0-17	18-21	22-64	0-17	18-21	22-64	65+
0	92.6%	78.2%	66.8%	91.4%	78.5%	62.5%	52.4%
1	2.8%	6.8%	7.1%	3.5%	8.9%	10.6%	9.4%
2	3.1%	8.2%	12.3%	3.7%	8.3%	14.7%	15.9%
3	1.2%	4.8%	9.1%	1.1%	3.4%	8.6%	15.3%
4	0.3%	2.0%	4.7%	0.3%	1.0%	3.6%	6.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Table 5 shows projected average Health Care Home payments PMPM for enrollees projected to receive services, as provided to me by DHS. These averages include a 15% increase for enrollees who have a primary language other than English or a serious and persistent mental illness.

Table 5: Projected Average Health Care Home Payments PMPM

Tier	Payment
0	\$0.00
1	\$10.47
2	\$21.00
3	\$42.12
4	\$63.27

I calculated the weighted average projected payment PMPM for each population and divided by projected calendar year 2011 claim cost to arrive at the factors shown in Table 6, assuming 1.5 months of payments on average per eligible. The 1.5 months of payments was chosen by DHS. This weighted average, assuming 1.5 months of coverage, varies from \$0.24 to \$3.72 PMPM, depending on the population. The age ranges in the data provided are different from the rate cell age ranges. I assumed a uniform age distribution within an age group for the purpose of calculating the average projected payment. For pregnant women rate cells I used a member weighted average of the 18-21 and 22-64 age groups.

**Table 6: January Adjustment Factors for Health Care Home
(To Replace the Factors Applied for 2010 Rates)**

Program	Affected Rate Cells	Adjustment Factor
PMAP	Ages 0-20	1.0009
	Ages 21-64	1.0023
	Pregnant Women	1.0008
MNCare	L,K Ages 0-20	1.0014
	L,K Pregnant Women	1.0009
	F,J	1.0029
	B	1.0022

Hospice Care Services

Under a new legislative provision, a recipient of MA age 21 and under who elects to receive hospice care does not waive coverage for services related to the treatment of the condition for which a diagnosis of terminal illness has been made. DHS expects the impact of this provision on plan cost to be insignificant.

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Services Provided in Birth Centers

A legislative provision establishes MA coverage for services provided in a licensed birth center by a licensed health professional if such services would otherwise be covered if provided in a hospital. The legislation also provides that licensed traditional midwives are paid 100% of what a physician would receive for performing the same services and that facility fees are reimbursed at 70% of what a hospital would receive for an uncomplicated vaginal birth.

A fiscal note provided by DHS estimates savings of \$44,716 for FY11 and \$268,296 for FY12. These figures assume that 0.2% and 1.2% of births will be performed in birth centers, and that 13% of these cases will transfer to a hospital before birth. In the case of a transfer, the professional charge is assumed not to change, but the average facility cost will be paid to the hospital, in addition to a reduced facility cost specified in the bill at 15% of the usual payment to the birth center.

DHS now projects no savings for FY11 and \$268,296 for FY12 (July 2011-June 2012). I allocated the \$268,296 between PMAP and MNCare based on the distribution of member months to arrive at a FY12 PMPM savings of \$1.87. I divided by the CY11 projected claim cost (trended forward 6 months at the blended trend rate used for rate development) to arrive at the July adjustment factors shown in Table 7.

Table 7: July Adjustment Factors for Birth Centers

Program	Affected Rate Cells	Adjustment Factor
PMAP	Pregnant Women	0.9987
MNCare	Pregnant Women	0.9986

MinnesotaCare Inpatient Carve-Out

For admissions occurring on or after July 1, 2011, inpatient hospital services for MNCare Adults without Children will be paid on a fee-for-service basis. Accordingly, the inpatient component of the capitation rate will be carved out for the BB rate cells. I reviewed data regarding inpatient costs for MNCare adults for the years 2005-2007, the most recent years for which data is readily available. According to this data, in 2007 inpatient services account for 15.6% of all services provided for the five largest MCOs on an allowed cost basis.

After applying the benchmark trend rates used in rate development and recognizing the impact of benefit changes, inpatient services are projected to account for 12.61% of services in the second half of 2011. I reviewed available information regarding seasonality patterns and did not find

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evidence of significant seasonal differences in this percentage. The July adjustment factor is shown in Table 8.

Table 8: July Adjustment Factor for MNCare Inpatient Carve-Out

Program	Affected Rate Cells	Adjustment Factor
MNCare	B	0.8739

PCA ADL and Behavior Thresholds

A rate adjustment was made in October 2009 regarding changes to personal care assistant (PCA) benefits. Additional changes related to activities of daily living (ADLs) and behavior thresholds are scheduled to be implemented in July 2011. These changes impact the PMAP program as well as MNCare children rate cells.

DHS estimates that PMAP families and children PCA payments amounted to \$4.45 PMPM in 2009. Based on 2007 data, the percentage of member months receiving PCA services does not seem to vary significantly by age. DHS estimates that 13.8% of PCA recipients will no longer be eligible effective July 2011. I assumed that the cost impact for these ineligible recipients will be 6.9%, considering that the newly ineligible recipients may be the less complicated cases, and that there may be substitution of services for these recipients. These assumptions give a projected PMPM savings of \$0.31 in 2009. I divided by 2009 claim cost for PMAP (excluding pregnant women) to arrive at the adjustment shown in Table 9. For MNCare, DHS estimates that 2009 PCA payments amounted to \$2.53 PMPM. I used a similar method to arrive at a PMPM savings in 2009 of \$0.17, and the adjustment factor shown in Table 9.

Table 9: July Adjustment Factors for PCA ADL and Behavior Thresholds

Program	Affected Rate Cells	Adjustment Factor
PMAP	Other than Pregnant Women	0.9991
MNCare	L,K other than Pregnant Women	0.9991

Chiropractic Services

Rate adjustment factors were applied to January 2010 rates for the impact of a MNCare coverage change for chiropractic services scheduled to take effect July 1, 2010. While this coverage change had not yet been approved by CMS, a state plan amendment was approved in September 2010 which enacts coverage for both PMAP and MNCare effective January 1, 2011, for managed care. I used data provided by DHS to estimate the cost of providing an annual evaluation to users of

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chiropractic services. Adjustments for cost estimates developed here are intended to replace those applied for 2010 rates.

DHS provided data regarding the number of enrollees who received chiropractic services in 2009 by age group. I assumed that each enrollee will receive an annual evaluation at an average cost of \$24.50, the same cost used in last year's analysis. I verified that this \$24.50 is consistent with current reimbursement information provided by DHS for these evaluations. On a per member per month basis the cost of annual evaluations is projected to be \$0.07 for ages 0-17 and \$0.33 for ages 18-64. I divided by projected 2011 claim cost to arrive at the adjustment factors shown in Table 10.

Table 10: January Adjustment Factors for Chiropractic Services

Program	Affected Rate Cells	Adjustment Factor
PMAP	Ages 0-20	1.0004
	Ages 21-64	1.0007
	Pregnant Women	1.0003
MNCare	Ages 0-20	1.0006
	Ages 21-64	1.0007
	Pregnant Women	1.0003

PPACA Provisions

The recently enacted federal health reform legislation (PPACA) requires drug manufacturers to pay rebates to the State. As this provision is expected to reduce or eliminate rebates paid to the plans, a rate increase is necessary. The plans provided information regarding (A) the ratio of 2009 drug cost after rebates to 2009 net claim cost, (B) the ratio of 2009 rebates to 2009 drug cost before rebates, and (C) the ratio of projected 2011 rebates to 2011 drug cost before rebates. I also considered information regarding the plans' confidence in their estimate of this third item. The adjustment factors shown in Table 11 are developed as follows (referring to the labeled items above):

$$A * (1 - C) / (1 - B) + (1 - A).$$

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**Table 11: January Adjustment Factors for Drug Rebates,
Applies Only to Rate Cells Impacted by the PPACA Provision**

Program	Affected Rate Cells	Adjustment Factor
PMAP and MNCare	Children	1.0034
PMAP and MNCare	Pregnant Women	1.0012
MNCare	Adults w/o Children	1.0079
PMAP and MNCare	Other Adults	1.0056



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

Sincerely,



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

LMW/bc/ral

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Exhibit A-1: Rate Increase for 2011 Rates - PMAP

Development of Rate Increase

(a) 2009 Claim Cost	\$ 338.29	
(b) Annual Trend Rate - Benchmark	5.34%	Exhibit B
(c) Annual Trend Rate - Experience	5.13%	Exhibit C
(d) Annual Trend Rate - 50/50 Blend	5.24%	= (b + c) / 2
(e) Projected 2011 Claim Cost	\$ 374.64	= (a) * (1 + d) ^ 2
(f) 2009 Administrative Cost	\$ 38.05	Exhibit H
(g) Administrative Trend Rate	2.00%	
(h) Projected 2011 Administrative Cost	\$ 39.59	= (f) * (1 + g) ^ 2
(i) Investment Income as a Percent of Revenue	1.00%	
(j) Admin Offset for Investment Income	\$ 4.19	= (e + h) * (i) / (1 - p)
(k) Net Provision for Administrative Margin	\$ 35.40	= (h) - (j)
(l) 2011 Claim and Administrative Cost	\$ 410.03	= (e) + (k)
(m) Impact of Legislated Changes after 1/1/2009	0.9542	Exhibit D
(n) Projected 2011 Claim and Administrative Cost	\$ 391.25	= (l) * (m)
(o) Investment Income Margin	1.00%	= (i)
(p) Surplus Margin (w/o Inv Income, incl. Withhold Adj)	1.18%	
(q) Projected 2011 Required Revenue	\$ 399.97	= (n) / (1 - o - p)
(r) Average 4th Qtr 2010 Payment Rate	\$ 399.97	Exhibit E
(s) Rate Increase for 2011 Rates	0.00%	= (q) / (r) - 1
Trend in Risk Scores Net of Trend in D/A Factors	2.35%	
Adjustment to Rate Increase for Risk-Adjusted Rates	-2.35%	

Notes: (1) For these purposes, "projected claim costs" do not reflect expected actual cost levels. We apply an estimated claim cost trend that is independent of changes in demographic and area factors.
 (2) 2010 Revenue is calculated using the 2009 membership distribution, to be consistent with the claim cost projection.
 (3) All figures in dollars are per member per month.

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Exhibit A-2: Rate Increase for 2011 Rates - MNCare Families and Children

Development of Rate Increase

(a) 2009 Claim Cost	\$ 272.45	
(b) Annual Trend Rate - Benchmark	5.90%	Exhibit B
(c) Annual Trend Rate - Experience	5.48%	Exhibit C
(d) Annual Trend Rate - 50/50 Blend	5.69%	= (b + c) / 2
(e) Projected 2011 Claim Cost	\$ 304.35	= (a) * (1 + d) ^ 2
(f) 2009 Administrative Cost	\$ 31.90	
(g) Administrative Trend Rate	2.00%	
(h) Projected 2011 Administrative Cost	\$ 33.19	= (f) * (1 + g) ^ 2
(i) Investment Income as a Percent of Revenue	1.00%	
(j) Admin Offset for Investment Income	\$ 3.42	= (e + h) * (i) / (1 - p)
(k) Net Provision for Administrative Margin	\$ 29.77	= (h) - (j)
(l) 2011 Claim and Administrative Cost	\$ 334.12	= (e) + (k)
(m) Impact of Legislated Changes after 1/1/2009	0.9594	Exhibit D
(n) Projected 2011 Claim and Administrative Cost	\$ 320.57	= (l) * (m)
(o) Investment Income Margin	1.00%	= (i)
(p) Surplus Margin (w/o Inv Income, incl. Withhold Adj)	1.18%	
(q) Projected 2011 Required Revenue	\$ 327.71	= (n) / (1 - o - p)
(r) Average 4th Qtr 2010 Payment Rate	\$ 324.02	Exhibit E
(s) Rate Increase for 2011 Rates	1.14%	= (q) / (r) - 1
Trend in Risk Scores Net of Trend in D/A Factors	2.35%	
Adjustment to Rate Increase for Risk-Adjusted Rates	-2.35%	

Notes: (1) For these purposes, "projected claim costs" do not reflect expected actual cost levels. We apply an estimated claim cost trend that is independent of changes in demographic and area factors.
 (2) 2010 Revenue is calculated using the 2009 membership distribution, to be consistent with the claim cost projection.
 (3) All figures in dollars are per member per month.

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Mr. R Jason Wiley
December 17, 2010

Exhibit A-3: MNCare Adults without Children

Development of Claim Cost Trend

(a) Annual Trend Rate - Benchmark	5.70%	Exhibit B
(b) Annual Trend Rate - Experience	9.41%	Exhibit C
(c) Annual Trend Rate - 50/50 Blend	7.55%	= (a + b) / 2
(d) 2009 Administrative Margin as a Percent of Revenue	7.69%	
(e) Administrative Trend Rate	2.00%	
(f) Admin-Adjusted Annual Trend Rate	7.13%	= (1 - d) * (1 + c) + (d) * (1 + e) - 1

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Exhibit B-1: Benchmark Trend Rate - PMAP

Benefit	Distribution	Utilization	Trend Rate	
			Charge	Total Cost
Hospital Inpatient	33.19%	-1.00%	5.13%	4.08%
Hospital Outpatient	17.41%	3.50%	3.88%	7.52%
Physician and Other	34.45%	3.00%	1.76%	4.81%
Drugs	10.93%			7.50%
Dental	4.02%	0.50%	4.50%	5.02%
Composite Trend Rate	100.00%			5.34%

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Exhibit B-2: Benchmark Trend Rate - MNCare Families and Children

Benefit	Distribution	Utilization	Trend Rate	
			Charge	Total Cost
Hospital Inpatient	18.66%	-1.00%	5.13%	4.08%
Hospital Outpatient	23.24%	3.50%	3.88%	7.52%
Physician and Other	32.37%	3.00%	1.76%	4.81%
Drugs	21.93%			7.50%
Dental	3.80%	0.50%	4.50%	5.02%
Composite Trend Rate	100.00%			5.90%

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Exhibit B-3: Benchmark Trend Rate - MNCare Adults without Children

Benefit	Distribution	Utilization	Trend Rate	
			Charge	Total Cost
Hospital Inpatient	12.78%	-1.00%	1.00%	-0.01%
Hospital Outpatient	26.27%	3.50%	3.88%	7.52%
Physician and Other	28.36%	3.00%	1.76%	4.81%
Drugs	29.24%			7.50%
Dental	3.34%	0.50%	4.50%	5.02%
Composite Trend Rate	100.00%			5.70%

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Exhibit C-1: Experience-Based Trend Rate - PMAP

<u>Benefit/Reim/Eligibility Changes</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Claim Cost Impact of Benefit/Eligibility Changes (compared to the prior year)	1.0028	1.0041	0.9942

<u>Demog/Area Factors</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Avg Demog/Area Factor	0.996	1.002	0.997	0.983
Trend in D/A Factors		0.6%	-0.5%	-1.4%

Weighted Avg Trend in D/A Factors -0.7%

<u>Claim Costs</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Member Months	2,682,686	2,725,087	2,909,508	3,236,126
Claim Cost PMPM	\$ 290.03	\$ 314.43	\$ 332.57	\$ 338.29
Claim Cost Trend		8.4%	5.8%	1.7%
Net of Ben/Elig Changes		8.1%	5.3%	2.3%
Also Net of Trend in D/A Ftrs		7.4%	5.8%	3.8%

Weighted Avg Experience Trend 5.1%

<u>Claim Costs (All Programs)*</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2-Year Rolling Avg Claim Cost (000s)	\$ 817,450	\$ 912,221	\$ 1,031,171
% of Total for All Programs (Weights)	80.5%	82.8%	84.7%
Weighted Avg Trend (All Programs)	9.0%	4.9%	4.1%

All Program Weighted Avg Experience Trend 5.2%

<u>Experience-Based Trend</u>	
50/50 Blended Experience Trend	5.1%

Notes: All trends are annual, over the prior year.

The weights are 1/6, 1/3, and 1/2, with increasing weight on more recent years.

* Includes PMAP and MNCare Families and Children

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Exhibit C-2: Experience-Based Trend Rate - MNCare Families and Children

<u>Benefit/Eligibility Changes</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Claim Cost Impact of Benefit/Eligibility Changes (compared to the prior year)	1.0053	1.0065	0.9943

<u>Demog/Area Factors</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Avg Demog/Area Factor	0.742	0.741	0.742	0.749
Trend in D/A Factors		-0.2%	0.1%	1.0%

Weighted Avg Trend in D/A Factors 0.5%

<u>Claim Costs</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Member Months	925,328	772,029	719,829	697,287
Claim Cost PMPM	\$ 218.21	\$ 252.77	\$ 255.57	\$ 272.45
Claim Cost Trend		15.8%	1.1%	6.6%
Net of Ben/Elig Changes		15.2%	0.5%	7.2%
Also Net of Trend in D/A Ftrs		15.4%	0.4%	6.1%

Weighted Avg Experience Trend 5.8%

<u>Claim Costs (All Programs)*</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2-Year Rolling Avg Claim Cost (000s)	\$ 198,529	\$ 189,554	\$ 186,971
% of Total for All Programs (Weights)	19.5%	17.2%	15.3%
Weighted Avg Trend (All Programs)	9.0%	4.9%	4.1%

All Program Weighted Avg Experience Trend 5.2%

<u>Experience-Based Trend</u>	
50/50 Blended Experience Trend	5.5%

Notes: All trends are annual, over the prior year.

The weights are 1/6, 1/3, and 1/2, with increasing weight on more recent years.

* Includes PMAP and MNCare Families and Children

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Exhibit C-3: Experience-Based Trend Rate - MNCare Adults without Children

<u>Benefit/Eligibility Changes</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Claim Cost Impact of Benefit/Eligibility Changes (compared to the prior year)	1.0045	1.0411	0.9993

<u>Demog/Area Factors</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Avg Demog/Area Factor	1.391	1.429	1.414	1.398
Trend in D/A Factors		2.7%	-1.1%	-1.2%

Weighted Avg Trend in D/A Factors -0.5%

<u>Claim Costs</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Member Months	285,102	376,698	421,647	505,152
Claim Cost PMPM	\$ 364.81	\$ 425.09	\$ 509.34	\$ 521.32
Claim Cost Trend		16.5%	19.8%	2.4%
Net of Ben/Elig Changes		16.0%	15.1%	2.4%
Also Net of Trend in D/A Ftrs		12.9%	16.3%	3.6%

Weighted Avg Experience Trend 9.4%

Notes: All trends are annual, over the prior year.
The weights are 1/6, 1/3, and 1/2, with increasing weight on more recent years.

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December 17, 2010

Exhibit D-1: Impact of Benefit/Eligibility/Reimbursement Changes - PMAP (Under 65)

Change	Type	Assumed Effective Date	Rate Impact on Subpop.	Subpopulation Affected (Rate Cells)	% of Claims Affected	Net Impact	2006-07 Impact	2007-08 Impact	2008-09 Impact	2009-2010 Q4 Adjustment
Infant Circumcision	Benefit	1/1/07	0.9989	Males, Ages 0-1	10.10%	0.9999	0.9999	1.0001	1.0000	1.0000
		1/1/08	1.0011	Males, Ages 0-1	11.26%	1.0001				
Critical Access MH Rates	Reimb.	7/1/07 *	1.0006	All Except Ages 0-2	77.54%	1.0005	1.0005	1.0006	1.0000	1.0000
		1/1/08	1.0001	All	100.00%	1.0001				
Gardasil Vaccine	Benefit	1/1/07	1.0039	Females, Ages 2-15	10.07%	1.0009	1.0009	0.9993	1.0000	1.0000
			1.0052	Females, Ages 16-20	5.11%					
			1.0011	Females, Ages 21-49	25.15%					
		1/1/08	0.9984	Females, Ages 2-15	10.00%	0.9993	1.0000	0.9993	1.0000	1.0000
			0.9948	Females, Ages 16-20	4.85%					
			0.9989	Females, Ages 21-49	24.37%					
1/1/10	1.0001	Males, Ages 2-15, 21-49	21.81%	1.0000	1.0000	1.0000	1.0000	1.0000		
	1.0006	Males, Ages 16-20	3.75%							
Model Benefit Set for MH Svcs	Benefit	1/1/07	1.0040	Females, Ages 16+	31.96%	1.0015	1.0015	1.0031	1.0000	1.0000
			1.0016	Males, Ages 16+	8.81%					
			1.0005	Pregnant Women	14.97%					
		1/1/08	1.0064	Females, Ages 16+	30.93%	1.0031	1.0031	1.0031	1.0000	1.0000
			1.0105	Males, Ages 16+	8.69%					
1.0014	Pregnant Women	14.92%								
Shingles Vaccine	Benefit	1/1/08	1.0010	Ages 50-64	2.75%	1.0000	1.0000	1.0000	1.0000	1.0000
Family Planning Rates	Reimb.	1/1/08	1.0005	Female, Ages 16-49	29.22%	1.0001	1.0000	1.0001	1.0000	1.0000
Halfway House/Extended Care	Benefit	7/1/08 *	1.0011	Ages 2+	76.39%	1.0008	1.0000	1.0008	1.0008	1.0000
MH Targeted Case Management	Benefit	7/1/09 *	1.0062	Females, Ages 2+	41.82%	1.0056	1.0000	1.0000	1.0056	1.0056
			1.0137	Males, Ages 2+	21.05%					
			1.0005	Pregnant Women	15.25%					
Rule 5 Treatment Services	Benefit	1/1/09	1.0054	Ages 2-20	29.77%	1.0016	1.0000	1.0000	1.0016	1.0000
MH Outpatient Services	Benefit	1/1/09	1.0001	All	100.00%	1.0001	1.0000	1.0000	1.0001	1.0000
Removal of Rm & Bnd Costs from FS Resid CD	Benefit	1/1/09	0.9992	All	100.00%	0.9992	1.0000	1.0000	0.9992	1.0000
Income Based Copay Limits	Benefit	1/1/09	1.0001	Adults, Ages 21+	33.09%	1.0000	1.0000	1.0000	1.0000	1.0000
Inpatient Ratable Reduction	Reimb.	1/1/09	0.9917	All	100.00%	1.0000	1.0000	1.0000	0.9917	1.0000
October 2009 Rate Amendment	Reimb.	10/1/09	0.9819	Non-Pregnant	84.75%	0.9809	1.0000	1.0000	0.9952	0.9857
			0.9756	Pregnant Women	15.25%					
Reversal of Inpatient Ratable Reduction	Reimb.	1/1/10	1.0084	All	100.00%	1.0084	1.0000	1.0000	1.0000	1.0084
Inpatient Ratable Reduction	Reimb.	1/1/10	0.9943	All	100.00%	0.9943	1.0000	1.0000	1.0000	0.9943
Changes in Dental Benefit	Benefit	1/1/10	0.9961	Ages 2-20	41.94%	0.9929	1.0000	1.0000	1.0000	0.9929
			0.9802	Ages 21-64	27.84%					
Post-Partum Depression Screen	Benefit	1/1/10	1.0000	Pregnant Women	10.07%	1.0000	1.0000	1.0000	1.0000	1.0000
Health Care Home	Benefit	7/1/10	1.0002	Ages 0-20, Pregnant Women	72.16%	1.0003	1.0000	1.0000	1.0000	1.0003
			1.0005	Ages 21-64	27.84%					
Ratable Reduction for Non-Admin Services	Reimb.	9/1/10	0.9724	All	100.00%	0.9724	1.0000	1.0000	1.0000	0.9724
Reversal of Inpatient Ratable Reduction	Reimb.	9/1/10	1.0058	All	100.00%	1.0058	1.0000	1.0000	1.0000	1.0058
Inpatient Ratable Reduction	Reimb.	9/1/10	0.9941	All	100.00%	0.9941	1.0000	1.0000	1.0000	0.9941
Ratable Reduction for Physician & Professional Services	Reimb.	10/1/10	0.9956	All	100.00%	0.9941	1.0000	1.0000	1.0000	0.9941
Rate Increase for Certain Basic Services	Reimb.	10/1/10	1.0002	All	100.00%	1.0003	1.0000	1.0000	1.0000	1.0003
Total Impact:	Benefit and Eligibility Changes						1.0028	1.0041	0.9942	0.9542

* Adjustment factors for effective dates of July 1 are applied for two successive years (to reflect year-long coverage in the second year).

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December 17, 2010

Exhibit D-2: Impact of Benefit/Eligibility/Reimbursement Changes - MNCare Families and Children

Change	Type	Assumed Effective Date	Rate Impact on Subpop.	Subpopulation Affected (Rate Cells)	% of Claims Affected	Net Impact	2006-07 Impact	2007-08 Impact	2008-09 Impact	2009-2010 Q4 Adjustment
Infant Circumcision	Benefit	1/1/07	0.9984	Males, Ages 0-1	3.07%	1.0000	1.0000	1.0001	1.0000	1.0000
		1/1/08	1.0016	Males, Ages 0-1	3.37%	1.0001				
Remove Restorative Dental Copay	Benefit	7/1/07	1.0060	F,J (M) Females 21-49	24.34%	1.0027	1.0027	1.0027	1.0000	1.0000
			1.0064	F,J (M) Females 50-64	4.42%					
			1.0044	F,J (M) Females 65+	0.00%					
			1.0068	F,J (M) Males 21-49	10.58%					
			1.0069	F,J (M) Males 50-64	3.84%					
			1.0047	F,J (M) Males 65+	0.02%					
Critical Access MH Rates	Reimb.	7/1/07	1.0013	All Except Ages 0-2	93.22%	1.0012	1.0012	1.0013	1.0000	1.0000
		1/1/08	1.0001	All	100.00%	1.0001				
Gardaail Vaccine	Benefit	1/1/07	1.0067	L,K Females 2-15	9.65%	1.0013	1.0013	0.9991	1.0000	1.0001
			1.0073	L,K Females 16-20	7.43%					
			1.0004	F,J (A) Females 21-49	6.43%					
			1.0005	F,J (M) Females 21-49	24.34%					
		1/1/08	0.9973	L,K Females 2-15	9.24%	0.9991				
			0.9928	L,K Females 16-20	6.63%					
			0.9996	F,J (A) Females 21-49	6.19%					
			0.9995	F,J (M) Females 21-49	24.93%					
		1/1/10	1.0002	Males, Ages 2-15	11.31%	1.0001				
			1.0006	Males, Ages 16-20	5.33%					
			1.0001	Males, F,J 21-49	12.98%					
Model Benefit Set for MH Svcs	Benefit	1/1/07	1.0002	L,K Ages 16-20, PW	18.12%	1.0000	1.0000	1.0012	1.0000	1.0000
		1/1/08	1.0011	L,K Ages 16-20, PW	17.34%	1.0012				
			1.0019	All Other Adults	55.10%					
Shingles Vaccine	Benefit	1/1/08	1.0029	Ages 50-64	11.11%	1.0003	1.0000	1.0003	1.0000	1.0000
			1.0113	Ages 65+	0.10%					
Family Planning Rates	Reimb.	1/1/08	1.0003	Female, Ages 16-49	37.75%	1.0001	1.0000	1.0001	1.0000	1.0000
Halfway House/Extended Care	Benefit	7/1/08	1.0017	Ages 2+	92.62%	1.0016	1.0000	1.0016	1.0016	1.0000
MH Targeted Case Management	Benefit	7/1/09	1.0049	Ages 2-20	33.08%	1.0040	1.0000	1.0000	1.0040	1.0040
			1.0038	Ages 21+	56.45%					
			1.0049	Pregnant Women	4.81%					
Rule 5 Treatment Services	Benefit	1/1/09	1.0012	Ages 2-20	33.08%	1.0004	1.0000	1.0000	1.0004	1.0000
Removal of Rm & Brd Costs from FS Resid CD	Benefit	1/1/09	0.9990	All Ages	100.00%	0.9990	1.0000	1.0000	0.9990	1.0000
Inpatient Ratable Reduction	Reimb.	1/1/09	0.9920	K,L and F,J M2	88.46%	0.9928	1.0000	1.0000	0.9928	1.0000
			0.9986	F,J A2	11.54%					
October 2009 Rate Amendment	Reimb.	10/1/09	0.9857	L,K Ages 0-20	38.73%	0.9861	1.0000	1.0000	0.9865	0.9896
			0.9864	F,J Ages 21+	56.45%					
			0.9861	Pregnant Women	4.81%					
Reversal of Inpatient Ratable Reduction	Reimb.	1/1/10	1.0081	K,L and F,J M2	94.10%	1.0077	1.0000	1.0000	1.0000	1.0077
			1.0014	F,J A2	5.90%					
Inpatient Ratable Reduction	Reimb.	1/1/10	0.9945	K,L and F,J M2	94.10%	0.9948	1.0000	1.0000	1.0000	0.9948
			0.9990	F,J A2	5.90%					
Changes in Dental Benefit	Benefit	1/1/10	0.9960	L,K Ages 2-20	33.25%	0.9969	1.0000	1.0000	1.0000	0.9969
			0.9977	Ages 21-49	42.80%					
			0.9941	F,J Ages 50+	13.40%					
Expansion of Chiropractic Services	Benefit	7/1/10	1.0005	L,K Ages 0-20, F,J and PW	100.00%	1.0005	1.0000	1.0000	1.0000	1.0005
Post-Partum Depression Screen	Benefit	1/1/10	1.0000	PW	4.74%	1.0000	1.0000	1.0000	1.0000	1.0000
Health Care Home	Benefit	7/1/10	1.0003	L,K Ages 0-20	39.05%	1.0005	1.0000	1.0000	1.0000	1.0005
			1.0007	F,J (K2, M2)	56.20%					
			1.0002	PW	4.74%					
Ratable Reduction for Non-Admin Services	Reimb.	9/1/10	0.9719	All	100.00%	0.9719	1.0000	1.0000	1.0000	0.9719
Reversal of Inpatient Ratable Reduction	Reimb.	9/1/10	1.0055	K,L and F,J M2	94.10%	1.0052	1.0000	1.0000	1.0000	1.0052
			1.0010	F,J A2	5.90%					
Inpatient Ratable Reduction	Reimb.	9/1/10	0.9944	K,L and F,J M2	94.10%	0.9946	1.0000	1.0000	1.0000	0.9946
			0.9990	F,J A2	5.90%					
Ratable Reduction for Physician & Professional Services	Reimb.	10/1/10	0.9950	All	100.00%	0.9933	1.0000	1.0000	1.0000	0.9933
Total Impact:	Benefit and Eligibility Changes						1.0053	1.0065	0.9943	0.9594

* Adjustment factors for effective dates of July 1 are applied for two successive years (to reflect year-long coverage in the second year).

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Exhibit D-3: Impact of Benefit/Eligibility/Reimbursement Changes - MNCare Adults without Children

Change	Type	Assumed Effective Date	Rate Impact on Subpop.	Subpopulation Affected (Rate Cells)	% of Claims Affected	Net Impact	2006-07 Impact	2007-08 Impact	2008-09 Impact	
Removal of Limited Benefit Set	Benefit	1/1/08	1.0949	B (M3)	33.96%	1.0322	1.0000	1.0322	1.0000	
Remove Restorative Dental Copay	Benefit	7/1/07 *	1.0054	B (M1) Females 21-49	14.14%	1.0026	1.0026	1.0026	1.0000	
			1.0057	B (M1) Females 50-64	11.72%					
			1.0039	B (M1) Females 65+	0.21%					
			1.0063	B (M1) Males 21-49	11.12%					
			1.0062	B (M1) Males 50-64	7.67%					
1.0042	B (M1) Males 65+	0.15%								
Critical Access MH Rates	Reimb.	7/1/07 *	1.0013	All	100.00%	1.0013	1.0013	1.0014	1.0000	
		1/1/08	1.0001	All	100.00%	1.0001				
Gardasil Vaccine	Benefit	1/1/07	1.0017	B (M1,M2) Females 21-49	14.14%	1.0006	1.0006	0.9996	1.0000	
			1.0024	B (M3) Females 21-49	14.82%					
		1/1/08	0.9983	B (M1,M2) Females 21-49	10.67%					
			0.9976	B (M3) Females 21-49	9.29%					
Model Benefit Set for MH Svcs	Benefit	1/1/08	1.0019	All	100.00%	1.0019	1.0019	1.0000		
Shingles Vaccine	Benefit	1/1/08	1.0029	Ages 50-64	41.31%	1.0012	1.0000	1.0012	1.0000	
			1.0113	Ages 65+	0.38%					
Family Planning Rates	Reimb.	1/1/08	1.0003	Female, Ages 21-49	30.39%	1.0001	1.0000	1.0001	1.0000	
Halfway House/Extended Care	Benefit	7/1/08 *	1.0017	All	100.00%	1.0017	1.0000	1.0017	1.0017	
MH Targeted Case Management	Benefit	7/1/09 *	1.0038	All	100.00%	1.0038	1.0000	1.0000	1.0038	
Removal of Rm & Brd Costs from FS Resid CD	Benefit	1/1/09	0.9990	All	100.00%	0.9990	1.0000	1.0000	0.9990	
Inpatient Ratable Reduction	Reimb.	1/1/09	0.9986	All	100.00%	0.9986	1.0000	1.0000	0.9986	
October 2009 Rate Amendment	Reimb.	10/1/09	0.9851	All	100.00%	0.9851	1.0000	1.0000	0.9963	
Total Impact:	Benefit and Eligibility Changes							1.0045	1.0411	0.9993

* Adjustment factors for effective dates of July 1 are applied for two successive years (to reflect year-long coverage in the second year).

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Exhibit E-1: Revenue - PMAP (Under 65)

2009 Enrollment

Rate Cell		Hennepin	Carver	Core Metro	Greater Metro	NE	NW	Olmsted	Ramsay	SE	SW	Total
Families with Children	0-1 Female	31,698	810	18,943	3,621	4,856	22,271	3,397	16,256	16,767	14,765	133,384
Families with Children	1-2 Female	21,629	563	12,812	2,625	3,634	17,244	2,704	11,645	12,727	10,198	95,781
Families with Children	2-15 Female	181,605	4,859	103,866	20,479	30,808	134,526	21,919	103,736	91,506	76,924	770,228
Families with Children	16-20 Female	44,291	890	22,064	3,817	7,753	31,551	4,540	28,724	19,026	17,402	180,058
Families with Children	21-49 Female	109,771	3,581	77,203	16,401	25,763	113,262	15,278	66,738	70,005	56,201	554,203
Families with Children	50+ Female	6,439	198	2,832	508	771	3,515	815	3,446	2,306	1,810	22,640
Families with Children	0-1 Male	31,146	814	20,172	3,647	4,556	23,584	3,898	16,418	17,155	14,779	136,169
Families with Children	1-2 Male	22,197	557	13,549	2,660	3,605	18,496	2,971	11,844	13,001	10,565	99,445
Families with Children	2-15 Male	180,606	4,885	105,376	19,907	30,993	139,788	21,270	105,307	96,353	79,013	783,498
Families with Children	16-20 Male	36,992	932	18,136	3,507	6,730	25,495	3,759	25,936	16,427	13,621	151,535
Families with Children	21-50 Male	27,464	980	22,398	5,454	8,474	42,500	4,478	22,052	20,169	17,321	171,290
Families with Children	50+ Male	3,471	122	2,138	319	577	3,018	840	2,632	1,890	1,314	16,321
Pregnant Women	All Ages Female	28,971	746	17,337	3,521	4,144	21,746	3,337	11,641	15,936	14,195	121,574
Total		726,280	19,937	436,826	86,466	132,664	596,996	89,206	426,375	393,268	328,108	3,236,126

2010 Demographic Rates

Rate Cell		Hennepin	Carver	Core Metro	Greater Metro	NE	NW	Olmsted	Ramsay	SE	SW	Average
Families with Children	0-1 Female	\$ 763.88	\$ 741.99	\$ 843.28	\$ 843.30	\$ 755.67	\$ 771.93	\$ 600.88	\$ 699.31	\$ 664.19	\$ 747.23	\$ 751.83
Families with Children	1-2 Female	245.28	238.28	270.81	270.81	242.67	247.87	192.95	224.56	213.30	239.98	240.91
Families with Children	2-15 Female	181.21	176.02	200.05	200.05	179.28	183.09	142.55	165.89	157.54	177.27	178.10
Families with Children	16-20 Female	363.87	353.45	401.75	401.72	360.00	367.66	286.23	333.12	316.41	355.96	357.12
Families with Children	21-49 Female	607.28	589.95	670.49	670.48	600.86	613.69	477.72	555.97	527.97	594.07	597.75
Families with Children	50+ Female	983.50	955.31	1,085.83	1,085.80	973.06	993.29	773.66	900.42	855.08	962.53	964.56
Families with Children	0-1 Male	937.50	910.62	1,035.03	1,035.05	927.51	947.15	737.48	858.28	815.17	917.17	922.84
Families with Children	1-2 Male	289.32	281.04	319.41	319.41	286.25	292.31	227.58	264.88	251.52	283.05	284.26
Families with Children	2-15 Male	215.18	209.02	237.57	237.58	212.89	217.42	169.27	197.01	187.07	210.51	211.42
Families with Children	16-20 Male	271.01	263.23	299.17	299.19	268.10	273.76	213.17	248.10	235.64	265.12	265.60
Families with Children	21-50 Male	441.14	428.52	487.03	487.04	436.46	445.70	347.03	403.87	383.61	431.50	434.42
Families with Children	50+ Male	877.40	852.30	968.62	968.63	868.07	886.78	690.16	803.23	763.11	858.65	856.01
Pregnant Women	All Ages Female	1,558.56	1,513.98	1,720.69	1,720.60	1,541.91	1,575.03	1,226.01	1,426.86	1,354.82	1,524.30	1,536.03
Average		\$ 408.05	\$ 402.48	\$ 463.35	\$ 466.88	\$ 402.11	\$ 421.58	\$ 326.14	\$ 358.86	\$ 363.97	\$ 412.88	\$ 405.70

Demographic Rate \$ 405.70
Risk-Adjusted Rate \$ 394.24

Weight on Demographic Revenue 50%
Weight on Risk-Adjusted Revenue 50%

2010 Revenue \$ 399.97

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Exhibit E-2: Revenue - MNCare Families and Children

2009 Enrollment			Metro	Non-Metro
Rate Cell				
0-1	Female	(L,K)	2,334	3,740
1-2	Female	(L,K)	2,708	3,373
2-15	Female	(L,K)	50,041	83,036
16-20	Female	(L,K)	19,329	32,817
0-1	Male	(L,K)	2,833	4,317
1-2	Male	(L,K)	2,621	4,178
2-15	Male	(L,K)	52,628	85,230
16-20	Male	(L,K)	18,994	32,627
Pregnant Women		(I,K)	2,684	4,581
Parent >215%	21-49	Female (F,J)	4,689	7,692
Parent <215%	21-49	Female (F,J)	52,247	85,887
Parent >215%	50+	Female (F,J)	887	1,694
Parent <215%	50+	Female (F,J)	8,411	12,796
Parent >215%	21-49	Male (F,J)	1,870	4,223
Parent <215%	21-49	Male (F,J)	28,284	57,703
Parent >215%	50+	Male (F,J)	656	1,452
Parent <215%	50+	Male (F,J)	7,914	12,811
Total Enrollment			697,287	

2010 Revenue - MNCare Families and Children \$ 324.02

Weight on Demographic Rate		2010 Demographic Rates (after rateable reductions) (after county-based adj)		Weight on Risk-Adjusted Rate		2010 Risk-Adjusted Rates (after rateable reductions)		2010 Blended Rates	
Metro	Non-Metro	Metro	Non-Metro	Metro	Non-Metro	Metro	Non-Metro	Metro	Non-Metro
50%	50%	\$ 582.27	555.75	50%	50%	\$ 268.10	\$ 268.10	\$ 425.18	\$ 411.92
50%	50%	172.12	164.26	50%	50%	268.10	268.10	220.11	216.18
50%	50%	164.33	156.82	50%	50%	268.10	268.10	216.21	212.46
50%	50%	303.39	289.52	50%	50%	268.10	268.10	285.74	278.81
50%	50%	745.84	711.77	50%	50%	268.10	268.10	506.97	489.93
50%	50%	262.78	250.82	50%	50%	268.10	268.10	265.44	259.46
50%	50%	182.24	173.93	50%	50%	268.10	268.10	225.17	221.01
50%	50%	241.58	230.57	50%	50%	268.10	268.10	254.84	249.33
50%	50%	1,403.76	1,339.54	50%	50%	268.10	268.10	835.93	803.82
100%	100%	459.83	438.75	0%	0%			459.83	438.75
50%	50%	480.00	457.98	50%	50%	403.22	403.22	441.61	430.60
100%	100%	610.10	582.27	0%	0%			610.10	582.27
50%	50%	636.86	607.71	50%	50%	403.22	403.22	520.04	505.46
100%	100%	353.09	336.86	0%	0%			353.09	336.86
50%	50%	368.61	351.66	50%	50%	403.22	403.22	385.91	377.44
100%	100%	566.22	540.42	0%	0%			566.22	540.42
50%	50%	591.09	564.11	50%	50%	403.22	403.22	497.15	483.66

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Exhibit E-3: Risk Adjusted Revenue

PMAP

Base Rate	Average Risk Score	Rateable Reductions	Withhold	Adjusted Rate
\$ 304.90	1.1999	0.9752	1.1050	\$ 394.24

MNCare Families and Children

Eligibility Type	Base Rate	Membership Distribution	Average Risk Score	Rateable Reductions	Withhold	Adjusted Rate
K,L and I,K	\$ 183.77	33.9%	1.3999	0.990	1.0526	\$ 268.10
F,J (M2,M4)	276.39	22.1%	1.3999	0.990	1.0526	403.22

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Exhibit F: Trend in Risk Scores

Risk Scores for Calendar Year Assessment Period

<u>Population</u>	<u>2008</u>	<u>2009</u>
FC & PW	1.2038	1.2146
MNCare ULH	1.3670	1.4383

Trends in Risk Scores

<u>Population</u>	<u>2009</u>
FC & PW	0.90%
MNCare ULH	5.22%
Weighted Average	1.74%

Trends in Demographic and Area Factors

<u>Population</u>	<u>2009</u>
FC & PW	-1.49%
MNCare ULH	3.10%
Weighted Average	-0.59%

Trends in Risk Scores Net of Trends in Demographic and Area Factors

<u>Population</u>	<u>2009</u>
FC & PW	2.42%
MNCare ULH	2.05%
Combined Programs	2.35%
Selected Trend	2.35%

Notes: All trends are annual, over the prior year.

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Exhibit G-1: Trend in Demographic/Area Factors - PMAP

	2006	2007	2008	2009
Average Demographic/Area Factor	0.996	1.002	0.997	0.983
Trend in Demographic/Area Factors		0.6%	-0.5%	-1.4%

Demographic Factors

Families and Children

Female	0-1	1.817
	1-2	0.584
	2-15	0.430
	16-20	0.864
	21-49	1.464
Male	50+	2.371
	0-1	2.230
	1-2	0.688
	2-15	0.507
	16-20	0.638
	21-50	1.055
	50+	2.099

Pregnant Women

All Ages	3.730
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Area Factors

Hennepin	1.019
Carver	0.990
Core Metro	1.125
Greater Metro	1.125
NE	1.008
NW	1.024
Olmsted	0.793
Ramsey	0.933
SE	0.880
SW	0.990

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Exhibit G-1: Trend in Demographic/Area Factors - PMAP

Rate Cell Relativities

Rate Cell	Hennepin	Carver	Core Metro	Greater Metro	Northeast	Northwest	Olmsted	Ramsey	Southeast	Southwest	
<u>Families with Children</u>											
Female	0-1	1.851	1.798	2.044	2.044	1.832	1.860	1.442	1.695	1.599	1.798
	1-2	0.595	0.578	0.656	0.656	0.588	0.597	0.463	0.544	0.513	0.578
	2-15	0.438	0.426	0.484	0.484	0.433	0.440	0.341	0.401	0.378	0.426
	16-20	0.880	0.855	0.971	0.971	0.871	0.884	0.685	0.806	0.760	0.855
	21-49	1.492	1.449	1.647	1.647	1.476	1.499	1.162	1.366	1.288	1.449
	50+	2.416	2.347	2.667	2.667	2.390	2.427	1.881	2.212	2.087	2.347
Male	0-1	2.272	2.207	2.509	2.509	2.248	2.283	1.770	2.080	1.963	2.207
	1-2	0.701	0.681	0.774	0.774	0.694	0.705	0.546	0.642	0.606	0.681
	2-15	0.516	0.502	0.570	0.570	0.511	0.519	0.402	0.473	0.446	0.502
	16-20	0.650	0.631	0.718	0.718	0.643	0.653	0.506	0.595	0.561	0.631
	21-50	1.075	1.045	1.187	1.187	1.080	1.080	0.837	0.985	0.929	1.045
	50+	2.139	2.078	2.361	2.361	2.116	2.149	1.666	1.958	1.847	2.078
<u>Pregnant Women</u>											
Female	All Ages	3.800	3.691	4.195	4.195	3.760	3.818	2.959	3.479	3.282	3.691

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Exhibit G-1: Trend in Demographic/Area Factors - PMAP

2006 Enrollment

Rate Cell	Hennepin	Carver	Core Metro	Greater Metro	Northeast	Northwest	Olmsted	Ramsey	Southeast	Southwest	
<u>Families with Children</u>											
Female	0-1	28,569	848	16,506	2,814	4,734	17,259	3,970	14,123	15,882	12,939
	1-2	18,242	450	9,915	1,970	3,212	12,222	2,603	9,908	10,852	8,540
	2-15	154,359	3,394	79,464	14,597	28,692	99,515	19,581	96,783	79,334	66,352
	16-20	38,437	573	17,425	2,668	7,407	23,384	4,715	24,840	17,205	13,901
	21-49	96,112	2,218	61,985	12,006	23,399	78,569	13,970	60,883	57,621	44,978
	50+	5,569	73	1,972	327	569	2,286	780	3,358	1,688	1,445
Male	0-1	30,523	728	16,647	3,110	4,646	17,766	3,999	14,978	16,599	14,351
	1-2	19,684	419	11,024	1,993	3,568	13,099	2,617	10,061	10,889	9,024
	2-15	151,669	3,279	82,110	14,726	28,603	101,125	19,442	97,775	82,055	65,674
	16-20	32,313	475	14,267	2,214	6,007	17,959	3,517	22,300	13,175	10,593
	21-50	22,197	563	15,343	2,831	6,957	25,944	4,158	18,873	16,005	13,033
	50+	3,072	33	1,453	175	375	1,452	601	2,339	1,236	1,088
<u>Pregnant Women</u>											
Female	All Ages	28,251	790	15,258	3,209	4,007	17,033	3,638	10,536	16,090	13,151

2007 Enrollment

Rate Cell	Hennepin	Carver	Core Metro	Greater Metro	Northeast	Northwest	Olmsted	Ramsey	Southeast	Southwest	
<u>Families with Children</u>											
Female	0-1	31,495	785	17,725	3,444	4,388	18,097	4,047	14,570	16,855	13,597
	1-2	19,189	417	10,520	2,121	3,538	11,922	2,456	10,095	11,105	8,571
	2-15	156,389	3,713	80,850	16,055	27,950	101,086	19,899	95,112	78,846	67,045
	16-20	38,462	587	17,108	3,059	6,951	23,371	4,472	24,796	16,923	14,026
	21-49	96,144	2,570	62,380	12,894	23,268	80,495	13,955	59,479	59,628	46,250
	50+	5,740	88	2,002	424	745	2,369	813	3,087	1,895	1,587
Male	0-1	32,578	810	17,930	3,428	4,321	19,706	4,085	15,290	17,413	14,774
	1-2	20,081	383	10,706	2,321	3,442	12,854	2,661	10,580	11,588	9,594
	2-15	154,212	3,538	83,408	15,465	28,279	102,398	19,812	95,706	82,623	67,396
	16-20	32,692	616	14,578	2,545	5,697	18,766	3,630	22,453	13,298	11,027
	21-50	22,628	706	15,946	3,562	6,359	27,483	4,152	18,585	16,406	12,974
	50+	3,058	31	1,429	239	455	1,685	686	2,203	1,408	1,094
<u>Pregnant Women</u>											
Female	All Ages	29,881	644	15,225	3,397	3,605	17,802	3,783	10,260	16,064	13,203

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Mr. R Jason Wiley
December 17, 2010

Exhibit G-1: Trend in Demographic/Area Factors - PMAP

2008 Enrollment

Rate Cell	Hennepin	Carver	Core Metro	Greater Metro	Northeast	Northwest	Olmsted	Ramsey	Southeast	Southwest	
<u>Families with Children</u>											
Female	0-1	31,734	665	18,111	3,409	4,576	20,563	3,710	15,156	17,671	14,248
	1-2	21,019	476	11,989	2,451	3,472	15,080	2,550	10,621	11,638	9,187
	2-15	163,605	3,956	88,954	17,270	28,245	117,486	20,172	96,472	81,883	69,149
	16-20	40,851	674	18,315	3,373	7,251	27,360	4,422	25,646	17,621	15,120
	21-49	100,892	2,850	66,822	14,376	23,750	96,646	14,193	60,656	62,716	49,193
	50+	5,987	144	2,169	435	866	2,959	794	3,108	1,950	1,565
Male	0-1	32,108	753	18,697	3,879	4,284	22,433	4,307	15,256	17,176	14,553
	1-2	21,609	453	12,167	2,399	3,530	16,160	2,685	11,395	12,377	10,159
	2-15	163,618	3,596	89,915	16,672	28,905	120,334	20,292	97,432	87,036	70,655
	16-20	33,022	738	15,560	2,911	5,827	22,218	3,559	23,442	13,818	11,845
	21-50	23,748	784	17,882	4,171	7,030	34,233	4,104	19,544	16,524	14,111
	50+	3,275	83	1,615	238	548	2,360	722	2,312	1,516	1,181
<u>Pregnant Women</u>											
Female	All Ages	28,311	714	16,614	3,594	4,018	19,934	3,290	11,497	16,238	13,425

2009 Enrollment

Rate Cell	Hennepin	Carver	Core Metro	Greater Metro	Northeast	Northwest	Olmsted	Ramsey	Southeast	Southwest	
<u>Families with Children</u>											
Female	0-1	31,698	810	18,943	3,621	4,856	22,271	3,397	16,256	16,767	14,765
	1-2	21,629	563	12,812	2,625	3,634	17,244	2,704	11,645	12,727	10,198
	2-15	181,605	4,859	103,866	20,479	30,808	134,526	21,919	103,736	91,506	76,924
	16-20	44,291	890	22,064	3,817	7,753	31,551	4,540	28,724	19,026	17,402
	21-49	109,771	3,581	77,203	16,401	25,763	113,262	15,278	66,738	70,005	56,201
	50+	6,439	198	2,832	508	771	3,515	815	3,446	2,306	1,810
Male	0-1	31,146	814	20,172	3,647	4,556	23,584	3,898	16,418	17,155	14,779
	1-2	22,197	557	13,549	2,660	3,605	18,496	2,971	11,844	13,001	10,565
	2-15	180,606	4,885	105,376	19,907	30,993	139,788	21,270	105,307	96,353	79,013
	16-20	36,992	932	18,136	3,507	6,730	25,495	3,759	25,936	16,427	13,621
	21-50	27,464	980	22,398	5,454	8,474	42,500	4,478	22,052	20,169	17,321
	50+	3,471	122	2,138	319	577	3,018	840	2,632	1,890	1,314
<u>Pregnant Women</u>											
Female	All Ages	28,971	746	17,337	3,521	4,144	21,746	3,337	11,641	15,936	14,195

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Exhibit G-2: Trend in Demographic/Area Factors - MNCare

MNCare Families and Children	2006	2007	2008	2009
Average Demographic/Area Factor	0.742	0.741	0.742	0.749
Trend in Demographic/Area Factors		-0.2%	0.1%	1.0%

MNCare Adults without Children	2006	2007	2008	2009
Average Demographic/Area Factor	1.391	1.429	1.414	1.398
Trend in Demographic/Area Factors		2.7%	-1.1%	-1.2%

Demographic Factors

Area Factors

Female	0 - 1	(L,K)	1.310	Metro	1.026
	1 - 2	(L,K)	0.391	Non-Metro	0.981
	2 - 15	(L,K)	0.372		
	16 - 20	(L,K)	0.687		
Male	0 - 1	(L,K)	1.693		
	1 - 2	(L,K)	0.596		
	2 - 15	(L,K)	0.412		
	16 - 20	(L,K)	0.546		
Female Pregnant Women		(L,K)	3.165		
Female	Parent >215%	21 - 49 (F,J)	1.041		
	Parent <215%	21 - 49 (F,J)	1.087		
	(M1,M2)	21 - 49 (B)	1.321		
	TM (MC)	21 - 49 (G)	1.619		
	(M3)	21 - 49 (B)	1.321		
	Parent >215%	50 - 64 (F,J)	1.382		
	Parent <215%	50 - 64 (F,J)	1.444		
	(M1,M2)	50 - 64 (B)	1.755		
	TM (MC)	50 - 64 (G)	2.151		
	(M3)	50 - 64 (B)	1.755		
	Parent >215%	65+ (F,J)	1.382		
	Parent <215%	65+ (F,J)	1.444		
	(M1,M2)	65+ (B)	1.755		
	TM (MC)	65+ (G)	2.151		
	(M3)	65+ (B)	1.755		
Male	Parent >215%	21 - 49 (F,J)	0.794		
	Parent <215%	21 - 49 (F,J)	0.829		
	(M1,M2)	21 - 49 (B)	1.008		
	TM (MC)	21 - 49 (G)	1.236		
	(M3)	21 - 49 (B)	1.008		
	Parent >215%	50 - 64 (F,J)	1.280		
	Parent <215%	50 - 64 (F,J)	1.337		
	(M1,M2)	50 - 64 (B)	1.626		
	TM (MC)	50 - 64 (G)	1.992		
	(M3)	50 - 64 (B)	1.626		
	Parent >215%	65+ (F,J)	1.280		
	Parent <215%	65+ (F,J)	1.337		
	(M1,M2)	65+ (B)	1.626		
	TM (MC)	65+ (G)	1.992		
	(M3)	65+ (B)	1.626		

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Exhibit G-2: Trend in Demographic/Area Factors - MNCare

Rate Cell Relativities

				Metro	Non-Metro
Female		0 - 1	(L,K)	1.344	1.284
		1 - 2	(L,K)	0.401	0.383
		2 - 15	(L,K)	0.382	0.365
		16 - 20	(L,K)	0.705	0.674
Male		0 - 1	(L,K)	1.737	1.660
		1 - 2	(L,K)	0.611	0.584
		2 - 15	(L,K)	0.423	0.404
		16 - 20	(L,K)	0.561	0.536
Female Pregnant Women			(I,K)	3.248	3.104
Female	Parent >215%	21 - 49	(F,J)	1.068	1.020
	Parent <215%	21 - 49	(F,J)	1.116	1.066
	(M1,M2)	21 - 49	(B)	1.356	1.296
	TM (MC)	21 - 49	(G)	1.662	1.588
	(M3)	21 - 49	(B)	1.356	1.296
	Parent >215%	50 - 64	(F,J)	1.419	1.355
	Parent <215%	50 - 64	(F,J)	1.482	1.416
	(M1,M2)	50 - 64	(B)	1.801	1.721
	TM (MC)	50 - 64	(G)	2.207	2.109
	(M3)	50 - 64	(B)	1.801	1.721
	Parent >215%	65+	(F,J)	1.419	1.355
	Parent <215%	65+	(F,J)	1.482	1.416
	(M1,M2)	65+	(B)	1.801	1.721
	TM (MC)	65+	(G)	2.207	2.109
	(M3)	65+	(B)	1.801	1.721
	Male	Parent >215%	21 - 49	(F,J)	0.815
Parent <215%		21 - 49	(F,J)	0.851	0.813
(M1,M2)		21 - 49	(B)	1.035	0.989
TM (MC)		21 - 49	(G)	1.268	1.212
(M3)		21 - 49	(B)	1.035	0.989
Parent >215%		50 - 64	(F,J)	1.314	1.255
Parent <215%		50 - 64	(F,J)	1.372	1.311
(M1,M2)		50 - 64	(B)	1.668	1.594
TM (MC)		50 - 64	(G)	2.044	1.953
(M3)		50 - 64	(B)	1.668	1.594
Parent >215%		65+	(F,J)	1.314	1.255
Parent <215%		65+	(F,J)	1.372	1.311
(M1,M2)		65+	(B)	1.668	1.594
TM (MC)		65+	(G)	2.044	1.953
(M3)		65+	(B)	1.668	1.594

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Exhibit G-2: Trend in Demographic/Area Factors - MNCare

2006 Enrollment

			Metro	Non-Metro	
Female	0 - 1	(L,K)	4,265	6,276	
	1 - 2	(L,K)	4,252	6,238	
	2 - 15	(L,K)	66,872	113,834	
	16 - 20	(L,K)	23,226	44,700	
Male	0 - 1	(L,K)	4,824	6,779	
	1 - 2	(L,K)	4,313	6,351	
	2 - 15	(L,K)	68,191	118,305	
	16 - 20	(L,K)	22,944	43,480	
Female Pregnant Women			4,804	7,133	
Female	Parent >215%	21 - 49 (F,J)	13,806	29,142	
	Parent <215%	21 - 49 (F,J)	56,651	99,261	
	(M1,M2)	21 - 49 (B)	17,586	22,507	
	TM (MC)	21 - 49 (G)	1,287	1,873	
	(M3)	21 - 49 (B)	19,628	32,214	
	Parent >215%	50 - 64 (F,J)	1,798	3,758	
	Parent <215%	50 - 64 (F,J)	6,752	11,032	
	(M1,M2)	50 - 64 (B)	8,200	13,393	
	TM (MC)	50 - 64 (G)	365	623	
	(M3)	50 - 64 (B)	13,711	32,768	
	Parent >215%	65+ (F,J)	14	2	
	Parent <215%	65+ (F,J)	21	2	
	(M1,M2)	65+ (B)	240	133	
	TM (MC)	65+ (G)	0	0	
	(M3)	65+ (B)	121	166	
	Male	Parent >215%	21 - 49 (F,J)	6,899	18,541
		Parent <215%	21 - 49 (F,J)	31,047	65,153
		(M1,M2)	21 - 49 (B)	18,845	20,943
		TM (MC)	21 - 49 (G)	1,881	2,381
		(M3)	21 - 49 (B)	13,745	21,023
Parent >215%		50 - 64 (F,J)	1,412	4,230	
Parent <215%		50 - 64 (F,J)	6,805	12,160	
(M1,M2)		50 - 64 (B)	5,744	9,921	
TM (MC)		50 - 64 (G)	439	601	
(M3)		50 - 64 (B)	7,415	16,781	
Parent >215%		65+ (F,J)	11	0	
Parent <215%		65+ (F,J)	30	14	
(M1,M2)		65+ (B)	193	64	
TM (MC)		65+ (G)	0	0	
(M3)		65+ (B)	183	128	

2007 Enrollment

			Metro	Non-Metro	
Female	0 - 1	(L,K)	3,706	5,618	
	1 - 2	(L,K)	3,402	4,832	
	2 - 15	(L,K)	55,788	95,649	
	16 - 20	(L,K)	19,931	36,757	
Male	0 - 1	(L,K)	4,151	5,947	
	1 - 2	(L,K)	3,863	5,348	
	2 - 15	(L,K)	57,007	99,537	
	16 - 20	(L,K)	19,374	36,498	
Female Pregnant Women			3,535	5,439	
Female	Parent >215%	21 - 49 (F,J)	11,396	23,220	
	Parent <215%	21 - 49 (F,J)	46,605	81,833	
	(M1,M2)	21 - 49 (B)	17,001	23,319	
	TM (MC)	21 - 49 (G)	16,399	17,162	
	(M3)	21 - 49 (B)	16,269	29,412	
	Parent >215%	50 - 64 (F,J)	1,690	3,432	
	Parent <215%	50 - 64 (F,J)	6,236	10,371	
	(M1,M2)	50 - 64 (B)	8,553	15,533	
	TM (MC)	50 - 64 (G)	4,895	5,529	
	(M3)	50 - 64 (B)	12,965	31,446	
	Parent >215%	65+ (F,J)	1	6	
	Parent <215%	65+ (F,J)	10	11	
	(M1,M2)	65+ (B)	261	118	
	TM (MC)	65+ (G)	2	0	
	(M3)	65+ (B)	99	153	
	Male	Parent >215%	21 - 49 (F,J)	5,096	14,248
		Parent <215%	21 - 49 (F,J)	25,291	54,240
		(M1,M2)	21 - 49 (B)	19,267	23,753
		TM (MC)	21 - 49 (G)	25,300	25,615
		(M3)	21 - 49 (B)	11,534	19,020
Parent >215%		50 - 64 (F,J)	1,451	3,257	
Parent <215%		50 - 64 (F,J)	6,083	11,098	
(M1,M2)		50 - 64 (B)	6,406	11,962	
TM (MC)		50 - 64 (G)	5,307	5,485	
(M3)		50 - 64 (B)	7,068	16,342	
Parent >215%		65+ (F,J)	10	11	
Parent <215%		65+ (F,J)	45	6	
(M1,M2)		65+ (B)	222	56	
TM (MC)		65+ (G)	0	0	
(M3)		65+ (B)	144	101	

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Exhibit G-2: Trend in Demographic/Area Factors - MNCare

2008 Enrollment

			Metro	Non-Metro
Female	0 - 1	(L,K)	3,289	3,969
	1 - 2	(L,K)	3,018	4,525
	2 - 15	(L,K)	51,903	87,752
	16 - 20	(L,K)	19,081	34,280
Male	0 - 1	(L,K)	3,111	4,872
	1 - 2	(L,K)	3,320	4,720
	2 - 15	(L,K)	54,149	90,891
	16 - 20	(L,K)	19,008	34,387
Female Pregnant Women			3,122	5,021
		(I,K)		
Female	Parent >215%	21 - 49 (F,J)	10,790	21,943
	Parent <215%	21 - 49 (F,J)	44,321	75,316
	(M1,M2)	21 - 49 (B)	38,637	61,193
	TM (MC)	21 - 49 (G)	15,643	15,237
	(M3)	21 - 49 (B)	0	0
	Parent >215%	50 - 64 (F,J)	1,759	3,631
	Parent <215%	50 - 64 (F,J)	6,480	10,297
	(M1,M2)	50 - 64 (B)	25,745	53,086
	TM (MC)	50 - 64 (G)	4,969	4,205
	(M3)	50 - 64 (B)	0	0
	Parent >215%	65+ (F,J)	0	0
	Parent <215%	65+ (F,J)	7	16
	(M1,M2)	65+ (B)	265	265
	TM (MC)	65+ (G)	3	0
	(M3)	65+ (B)	0	0
	Male	Parent >215%	21 - 49 (F,J)	4,750
Parent <215%		21 - 49 (F,J)	24,023	50,897
(M1,M2)		21 - 49 (B)	39,756	54,138
TM (MC)		21 - 49 (G)	24,460	23,361
(M3)		21 - 49 (B)	0	0
Parent >215%		50 - 64 (F,J)	1,421	3,462
Parent <215%		50 - 64 (F,J)	6,296	10,785
(M1,M2)		50 - 64 (B)	16,938	33,898
TM (MC)		50 - 64 (G)	4,979	4,464
(M3)		50 - 64 (B)	0	0
Parent >215%		65+ (F,J)	0	5
Parent <215%		65+ (F,J)	31	6
(M1,M2)		65+ (B)	267	122
TM (MC)		65+ (G)	9	7
(M3)		65+ (B)	0	0

2009 Enrollment

			Metro	Non-Metro
Female	0 - 1	(L,K)	2,334	3,740
	1 - 2	(L,K)	2,708	3,373
	2 - 15	(L,K)	50,041	83,036
	16 - 20	(L,K)	19,329	32,817
Male	0 - 1	(L,K)	2,833	4,317
	1 - 2	(L,K)	2,621	4,178
	2 - 15	(L,K)	52,628	85,230
	16 - 20	(L,K)	18,994	32,627
Female Pregnant Women			2,684	4,581
		(I,K)		
Female	Parent >215%	21 - 49 (F,J)	4,689	7,692
	Parent <215%	21 - 49 (F,J)	52,247	85,887
	(M1,M2)	21 - 49 (B)	49,491	71,751
	TM (MC)	21 - 49 (G)	14,761	14,946
	(M3)	21 - 49 (B)	0	0
	Parent >215%	50 - 64 (F,J)	887	1,694
	Parent <215%	50 - 64 (F,J)	8,411	12,796
	(M1,M2)	50 - 64 (B)	33,462	61,222
	TM (MC)	50 - 64 (G)	4,217	4,096
	(M3)	50 - 64 (B)	0	0
	Parent >215%	65+ (F,J)	0	0
	Parent <215%	65+ (F,J)	0	0
	(M1,M2)	65+ (B)	0	0
	TM (MC)	65+ (G)	0	0
	(M3)	65+ (B)	0	0
	Male	Parent >215%	21 - 49 (F,J)	1,870
Parent <215%		21 - 49 (F,J)	28,284	57,703
(M1,M2)		21 - 49 (B)	55,857	68,507
TM (MC)		21 - 49 (G)	27,101	26,841
(M3)		21 - 49 (B)	0	0
Parent >215%		50 - 64 (F,J)	656	1,452
Parent <215%		50 - 64 (F,J)	7,914	12,811
(M1,M2)		50 - 64 (B)	22,821	40,697
TM (MC)		50 - 64 (G)	4,693	4,689
(M3)		50 - 64 (B)	0	0
Parent >215%		65+ (F,J)	0	0
Parent <215%		65+ (F,J)	0	0
(M1,M2)		65+ (B)	0	0
TM (MC)		65+ (G)	0	0
(M3)		65+ (B)	0	0

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Mr. R Jason Wiley
December 17, 2010

Exhibit H : Administrative Expense Calculation

Step 1: Allocate PMAP Admin

	MSC+		PMAP < 65	Total
	Basic Care	Other Medicaid		
Revenue	\$ 96,264,578	\$ 67,278,462	\$1,531,173,960	\$1,694,717,000 *
Administrative Margin	6.35%	3.07%	9.23%	
Administration	\$ 6,115,678	\$ 2,067,840	\$141,377,520	\$149,561,038 **
Member Months	136,025		3,715,270	
Admin PMPM	\$ 44.96		\$ 38.05	

*From 2009 MCO Minnesota Supplement Report #1

**From 2009 MCO Minnesota Supplement Report #1 with an adjustment for one plan

Step 2: Allocate MSHO Admin

	Basic Care	Other Medicaid	Medicare	Total
Revenue	\$ 272,926,843	\$ 262,258,603	\$585,043,554	\$1,120,229,000 *
Premium Tax (1% of Medicaid Revenue)***	\$2,504,001	\$2,289,708		\$4,793,709
Revenue Excl. Premium Tax	\$ 270,422,842	\$259,968,894	\$585,043,554	\$1,115,435,291
Premium Tax	\$2,504,001	\$2,289,708		\$4,793,709
Admin. Expenses Excl. Premium Tax	\$14,835,012	\$7,261,854	\$38,027,831	\$60,124,697
Administrative Expenses	\$17,339,013	\$9,551,563	\$38,027,831	\$64,918,407 **
Administrative Margin	6.35%	3.64%	6.50%	5.80%
Member Months	443,504			
Admin PMPM	\$39.10			

*From 2009 MCO Minnesota Supplement Report #1

**From 2009 MCO Minnesota Supplement Report #1 with an adjustment for one plan

***Does not apply to County-Based plans

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