



8500 Normandale Lake Blvd.
Suite 1850
Minneapolis, MN 55437
USA

Tel +1 952 897 5300
Fax +1 952 897 5301

milliman.com

March 25, 2011

Capitated Contracts Ratesetting
Actuarial Certification
Prepaid Medical Assistance Program—Medicaid Expansion

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

I have been retained by the Minnesota Department of Human Services (DHS) to perform an actuarial certification of the 2011 capitation rates for the expansion population to be covered by the Prepaid Medical Assistance Program (PMAP) beginning on April 1, 2011.

I reviewed the actuarial assumptions and actuarial methods used to develop payment rates for these programs. The methodology, data, and assumptions used to develop the rates are described in my letter "MA Expansion Rate Letter 0309 Rev.pdf" which is attached to and part of this certification.

In making my opinion, I relied on the accuracy of the data and information provided by DHS and the health plans with which they contract. The letter referenced above includes a description of the data and information on which I relied. I performed no independent verification as to the accuracy or completeness of this data and information. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

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

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

I certify the payment rates to be appropriate in that: (1) they have been set to target a reasonable profit/risk margin for the health plans in aggregate and (2) the assumptions and data used in the development of the rates are reasonable and appropriate.

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

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

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



Leigh M. Wachenheim
Member, American Academy of Actuaries

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