



---

# MNCare Capitation Rate Ranges for Calendar Year 2012

Prepared for:  
**Minnesota Department of Human Services**

Prepared by:  
**Leigh M. Wachenheim, FSA, MAAA**  
Principal & Consulting Actuary

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

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

[milliman.com](http://milliman.com)

---

## TABLE OF CONTENTS

<b>INTRODUCTION AND SCOPE</b>	3
<b>RATE RANGES FOR FAMILIES AND CHILDREN</b>	
Development of 2012 Average Capitation Rate	6
Capitation Rates by Rate Cell	11
Exhibits	12
<b>RATE RANGES FOR ADULTS WITHOUT CHILDREN</b>	
Development of 2012 Average Capitation Rate	21
Capitation Rates by Rate Cell	27
Exhibits	28
<b>2012 BENEFIT AND REIMBURSEMENT CHANGES</b>	31
<b>APPENDIX 1 – SUMMARY OF RATES BY RATE CELL</b>	
<b>APPENDIX 2 – COPY OF JUNE 1, 2011 LETTER – RATE CELL RELATIVITIES FOR FAMILIES AND CHILDREN</b>	
<b>APPENDIX 3 – COPY OF JUNE 7, 2011 LETTER – RATE CELL RELATIVITIES FOR ADULTS WITHOUT CHILDREN</b>	
<b>APPENDIX 4 – COPY OF MARCH 9, 2011 LETTER – DEVELOPMENT OF 2011 MNCARE ADULTS WITHOUT CHILDREN RATES</b>	

---

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.

## SECTION 1 INTRODUCTION AND SCOPE

The Minnesota Department of Human Services (DHS) has engaged Milliman, Inc. to assist it with developing capitation rates for contracting Managed Care Organizations (MCOs) for calendar year 2012.

This report describes and presents the capitation rates we have developed. Section 2 describes the development of calendar year (CY) 2012 demographic rates for the MNCare Families and Children rate cells. Section 3 describes the development of CY 2012 demographic rates for the MNCare Adults without Children rate cells.

I am providing a low and high range rate for each rate cell. The low value is reflective of the rate requirements for an MCO with low trend, low administrative costs, and a high quality and highly efficient provider network. The low value also reflects a reduced average cost compared to 2010 due to recent environmental changes, including changes in the broader economy that appear to be impacting costs. The high value is reflective of the rate requirement for an MCO with relatively higher trend and administrative costs and a network of average efficiency relative to historical norms.

Health status risk adjustment is used to adjust the payment rates for Families and Children enrollees. Risk assessment is performed using diagnosis codes and the Johns Hopkins Adjusted Clinical Groups (ACG) risk adjuster. Fifty percent of the rates for this population is based on health status risk adjustment and 50% is based on a traditional demographic rate structure. Capitation rates for Adults without Children are based on a traditional demographic rate structure alone.

DHS conducted a competitive bidding process for the following counties in the Minneapolis-St. Paul Twin Cities area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. Demographic capitation rates for those counties were set through the competitive bidding and subsequent contracting process. The rate ranges in this report were used by DHS to determine acceptable low and high rates during this process. Demographic rates for the remaining counties were selected by DHS from the rate ranges provided in this report. The risk adjusted portion of the rate is based on a statewide base rate, which reflects an average of the demographic rates across both the bid and non-bid areas.

The rates in this report are before any withholds are taken. Also, in the RFP instructions for the competitive bidding process DHS conducted for certain counties in the Twin Cities area, bidders were asked to exclude administrative costs associated with premium taxes and surtaxes from their bids and include an adjustment for certain ratable reductions which DHS would later remove. However, the rates in this report include these administrative costs and are after all ratable reductions.

Section 4 provides rate adjustments to account for several benefit and reimbursement changes scheduled to be implemented in 2012. The rates provided in this report do not account for any of the benefit or reimbursement differences detailed in Section 4.

There are also several appendices to this report, including:

- Appendix 1—a summary of all the low and high rates;

---

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.

- Appendix 2—a copy of my June 1 report on rate relativities for MNCare Families and Children rates, which are used to develop the rates in Section 2;
- Appendix 3—a copy of my June 7 report on rate relativities for MNCare Adults without Children rates, which are used to develop the rates in Section 3; and
- Appendix 4—a copy of my March 9 report on the development of current 2011 rates for Adults without Children.

The purpose of this analysis is to assist the Minnesota 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 report are intended only for use by DHS and the Centers for Medicare and Medicaid Services (CMS), the federal agency that must approve the capitation rates used for the MNCare program. This analysis should be considered preliminary until the resulting capitation rates are approved by DHS and CMS.

This report should be reviewed only in its entirety. It assumes the reader is familiar with Minnesota's Medicaid programs and managed care rating principles. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work.

The results in this report 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 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.

#### *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;
- Projected 2012 enrollment assumptions for the MNCare Adults without Children program;
- 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;

---

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.

- 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;
- DHS' RFP for a Qualified Grantee(s) to Provide Health Care Services to Medical Assistance (MA) and MinnesotaCare Recipients in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties, and related addendums, data, instructions, and published questions and answers.
- Information from DHS regarding withhold amounts returned to the plans;
- Copies of various fiscal notes, analyses, and summaries prepared by the state related to 2012 benefit and reimbursement changes; 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.

---

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.

## SECTION 2 DEMOGRAPHIC RATE DEVELOPMENT FOR FAMILIES AND CHILDREN

I developed capitation rate ranges for each MNCare Families and Children rate cell by adjusting MCO 2010 per member per month (PMPM) claim cost experience for this population. Claim cost adjustments were made for trend and changes to benefits, environmental factors, and network management. Additional adjustments were made to provide for administrative costs and a contribution to surplus.

Exhibit 2A, included in this section of the report, summarizes the rate development process.

### *2010 Statewide Member Months (Row (1))*

Total 2010 member months in the MNCare Families and Children rate cells (including Pregnant Women) totaled just over 900,000.

### *Average 2010 Claim Cost (Row (2))*

The average 2010 claim cost was developed using claim data received from the MCOs and enrollment data provided by DHS.

The MCOs were asked to provide estimated incurred claims on a “best estimate” basis using run-out through February 2011 or later. Therefore, this starting value should not include any margin for adverse deviation.

The Affordable Care Act requires drug manufacturers to pay prescription drug rebates to the states, and this provision is expected to significantly reduce if not eliminate rebates paid to contracting health plans. For this reason, the MCOs were instructed to provide their experience before reductions for pharmacy rebates.

Finally, the claim cost shown has been adjusted to remove the value of non-State Plan services based on information provided by the MCOs.

### *Trend (Row (3))*

Trend is broken into two components including “regular trend” and an RBRVS adjustment.

The regular trend provides for projected changes in utilization, provider reimbursement rates (other than those related to the recent change to Minnesota’s RBRVS fee schedule), and mix of services, assuming no unusual changes in provider networks. (A separate adjustment for significant changes in provider networks is included below.) The assumptions I used to develop a high value for regular trend are shown in Table 2-1 below.

The charge trends generally reflect low or no changes in provider fee schedules beyond those described elsewhere in this report, but do anticipate some trend in mix.

Table 2-1 also shows trend rates for the low scenario which have been adjusted to reflect the impact of recently legislated changes in FFS reimbursement levels in September 2010 and later and a 3% reduction made in September 2010 to the non-

---

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.

administrative portion of capitation rates. The changes to FFS reimbursement rates include:

- In September 2010:
  - A 7% ratable reduction for certain physician services—the adjustment factor I used is 0.9933 for all rate cells;
  - A 1.9% ratable reduction for inpatient services—the adjustment factors I used are 0.9990 for males and females in program F,J A2, and 0.9944 for all other rate cells; and
  - Reversal of the January 2010 ratable reduction for inpatient services expiring in September 2010—the adjustment factors I used are 1.0010 for males and females in program F,J A2, and 1.0055 for all other rate cells.
  
- In January 2011:
  - An increase in dental rates for state operated dental clinics—the adjustment factor I used is 1.0002 for all rate cells;
  - A new ratable reduction for inpatient services—the adjustment factors I used are 0.9979 for males and females in program F,J A2, and 0.9970 for all other rate cells; and
  - Reversal of the ratable reduction for inpatient services from September 2010—the adjustment factors I used are 1.0010 for males and females in program F,J A2, and 1.0057 for all other rate cells.
  
- In July 2011:
  - A new ratable reduction for inpatient services—the adjustment factors I used are 0.9975 for males and females in program F,J A2, and 0.9963 for all other rate cells.

The combined impact of FFS reimbursement changes and the 3% adjustment for non-administrative services is 3.56%. I am reflecting the entire adjustment in the regular trend for the “low” rate and none of the adjustment in the regular trend for the “high” rate.

---

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.

**Table 2-1  
Annual Trend Rate Development – MNCare Families & Children**

Benefit	2010 Claims		Annual Trend Rate		
	Sum (000's)	Distribution	Utilization	Charge	Total
Hospital Inpatient	46,687	18.4%	0.00%	3.00%	3.00%
Hospital Outpatient	64,779	25.6%	3.50%	2.50%	6.09%
Physician / Other	84,186	33.3%	3.00%	1.00%	4.03%
Drugs	42,726	16.9%			5.50%
Dental	14,754	5.8%	0.00%	3.00%	3.00%
<b>Total</b>	<b>253,133</b>	<b>100.0%</b>			<b>4.55%</b>

High Annual Trend Rate	4.55%
FFS Reimbursement Reductions and 3% Non-Administrative Reduction	0.9644
Low Annual Trend Rate	2.67%

I am also including an adjustment to reflect the impact that changes in DHS' FFS RBRVS fee schedule may have on MCO costs. This adjustment varies from 0% for the low rate to 2% for the high rate. The adjustments were developed using data received from DHS and from other information provided by the MCOs during prior contract negotiations.

The trend rate, RBRVS impact, and resulting claim cost are shown in rows (3a), (3b), and (3c) of Exhibit 2A, respectively.

*Benefit Adjustment Factors (Row (4))*

Exhibit 2A includes a factor to reflect the impact of benefit and eligibility changes as well as reimbursement changes. The benefit and eligibility changes include:

- In January 2011:
  - Adding coverage for varicella (chicken pox) vaccine for adults over age 18—the adjustment factor I used is 1.0001 for males and females over age 15 (excluding pregnant women);
  - Coverage for Health Care Home benefits—the adjustment factors I used are 1.0009 for pregnant women, 1.0014 for males and females ages 0-20, and 1.0029 for males and females over age 20; and
  - Expanding coverage of chiropractic services—the adjustment factors I used are 1.0006 for ages 0-20, 1.0007 for ages over 20, and 1.0003 for pregnant women.

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.



- In July 2011:
  - Adding coverage for services provided in birth centers—the adjustment factor I used is 0.9986 for pregnant women; and
  - Changes to activities of daily living (ADL) and behavior thresholds for personal care assistant (PCA) benefits—the adjustment factor I used is 0.9991 for children ages 0-20.

#### *Environmental Adjustment (Row (5))*

Based on recent financial results for the MCOs, there is reason to believe that significant changes in morbidity levels, enrollment patterns, or other systemic cost drivers have occurred over the past 2-3 years, which may be the result of the ongoing economic downturn. For example, it is possible that more recent entrants into the program are significantly healthier than past enrollees or have different utilization patterns, which may be resulting in lower claim costs.

To estimate the potential magnitude of this phenomenon, we examined the year over year trend in the health plans' recent experience after adjusting for known changes in benefits and demographic mix (including area). The results of this analysis are contained in Exhibit 2B in this section of the report.

Section (a) of Exhibit 2B, shows the PMPM claim cost for this population in each of the past four years, using claim data provided by the MCOs. The data for 2008 through 2010 came from data recently submitted for a rate cell study and the 2007 experience was submitted in the past for other analyses. (All the claim costs in Exhibit 2B are presented net of pharmacy rebates, so that they could be compared with the 2007 claim costs provided by the MCOs.)

Trends in benefit and eligibility changes are shown in Section (b). The benefit and eligibility changes do not reflect any changes to FFS provider reimbursement rates. Further detail regarding the adjustments for benefits and eligibility changes is included in my June 1 letter on rate cell relativities for this population which is included in Appendix 2. Section (c) shows the impact of changes in the mix of business by demographic cell and area. The area and demographic trend rates are developed using the new rate cell relativities described in Appendix 2 of this report. Section (d) shows annual trends in claim cost before and after changes in benefits and mix.

The trends in Section (d), after backing out changes in benefits and mix, are very low and decreasing due, I expect, to unusual environmental changes such as morbidity improvements, enrollment patterns, or other systemic changes.

To estimate the impact of these changes, I removed the midpoint of the high and low trends, which is 3.62%, from the adjusted experience trend in Section (d). The result, shown in Section (e) shows a residual trend of -1.3% from 2008 to 2009 and -3.9% from 2009 to 2010. Using a regular trend lower or higher than 3.62% would result in a lower or higher residual trend.

I used these results as a basis for selecting the range in environmental factors shown in Exhibit 2A. The low factor reflects continuing changes resulting in a 5% reduction in cost between 2010 and 2012. The high adjustment reflects no additional changes beyond 2010. The state will need to monitor experience and enrollment changes closely in determining the extent to which environmental changes continue to impact

---

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.

rates beyond 2010. In particular, the low-end rates assume that significant changes continue to occur.

Exhibit 2C describes the development of the trend in the demographic and area factors shown on Exhibit 2B. 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. Appendix 2 to this report provides more detail on the rate cell relativities used in this exhibit.

#### *Network Management Adjustment (Row (6))*

Through the competitive bidding process, DHS is encouraging MCOs to re-evaluate their provider networks with a focus on quality and efficiency. I have included an adjustment factor in the “low” rate development to provide for the possibility of significant improvements due to network management activities.

I am using a low-end factor of 0.90 in the low rates for the Twin Cities metro counties which are subject to competitive bidding and a factor of 0.95 in the low rates for other counties. (See row (9) below for the non-metro conversion factor.) The low-end factor of 0.90 represents substantial improvement, and I would not expect that it could necessarily be achieved in all areas of the state or by all MCOs, particularly over a short period of time. For example, there may be areas where certain key providers must be included in the network to meet the accessibility requirements of the program.

In addition, a network in any area that excludes all but the most efficient providers may not have the capacity to accommodate all enrollees. Nonetheless, I expect that some plans in some areas may realistically be able to achieve the level of improvement represented by this adjustment for some level of enrollment through making network changes. This adjustment is displayed in row (9).

In this analysis, network management does not include the impact of changes in provider reimbursement rates to the extent it is already reflected in the trend assumptions described above.

#### *Administrative Costs (Row (7))*

I chose the range of administrative expense ratios in row (7) by taking into consideration the recent prior experience of the MCOs, Minnesota’s statutory limit on administrative costs for managed Medicaid programs, and that administrative costs associated with managing the plans’ investments should be excluded since no adjustment is being made to rates for expected investment income.

#### *Contribution to Surplus (Row (8))*

The range for the 2012 contribution to surplus in row (8) is exclusive of investment income. The “low” rate includes a 0% contribution to surplus which DHS has included in their rates from time to time, particularly in challenging economic times such as these. The high rate includes a provision of 1.5%.

#### *Projected 2012 Required Revenue (Row (9))*

---

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.

Row (9) shows the projected 2012 average capitation rate. As stated above, I expect that the level of provider network improvement will be lower in non-metro areas. A factor of 1.056 is applied to the low range average capitation rate to convert the network management adjustment factor from 0.90 to 0.95. This is used to develop the low range capitation rates for the non-metro areas.

## CAPITATION RATES BY RATE CELL

Rate cell relativities, enrollment, and low and high capitation rates for each area and demographic cell are provided in Exhibit 2D.

The rates for each rate cell, for each of the low and high scenarios, are shown in Exhibit 2D. For each scenario, the projected 2012 capitation rate from Exhibit 2A is applied to the appropriate rate cell relativity factor (detailed in Appendix 2 of this report). The rates are normalized so that the weighted average capitation rate equals the capitation rate in Exhibit 2A.

Enrollment data was provided by DHS according to 2011 area definitions. The 2011 Metro area is now split into the Anoka, Carver/Scott, Dakota, Hennepin, Ramsey, and Washington areas. For these six new areas, I used the enrollment data provided by the plans to allocate the Metro enrollment into the new areas.

The demographic capitation rates to be paid in the metro counties (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington) were determined through a competitive bidding process conducted by DHS. The payment rates vary by MCO and reflect the bid process and negotiations between DHS and each plan.

The demographic capitation rates to be paid in the remaining counties were selected by DHS, within the range provided in this report.

---

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.

**Exhibit 2A: Development of 2012 Average Premium Rate**

Experience Base	Scenario	MNCare Families, Children, & Pregnant Women	
		Low	High
(1)	2010 Statewide Member Months	903,278	903,278
(2)	Average 2010 Claim Cost PMPM 2010 Claim Costs PMPM	\$ 280.18	\$ 280.18
(3a)	Apply 24 Months of Trend Annual Trend Rate for Regular Trend	2.67%	4.55%
(3b)	RBRVS Adjustment	0.00%	2.00%
(3c)	Trended 2012 Claim Cost	\$ 295.37	\$ 312.41
(4a)	Benefit Adjustment Factor Factor for Changes Made in 2011	1.0026	1.0026
(4b)	Adjusted Claim Cost	\$ 296.13	\$ 313.22
(5a)	Apply Environmental Factor Factor	0.950	1.000
(5b)	Adjusted Claim Cost	\$ 281.32	\$ 313.22
(6a)	Apply Network Management Factor Factor	0.900	1.000
(6b)	Adjusted Claim Cost	\$ 253.19	\$ 313.22
(7a)	Add Provision for Administrative Cost Administrative Cost Factor	6.60%	10.10%
(7b)	Administrative Margin	\$ 17.89	\$ 35.79
(8a)	Add Provision for Contribution to Surplus Factor for Contribution to Surplus	0.00%	1.50%
(8b)	Contribution to Surplus	\$ -	\$ 5.31
(9a)	Projected 2012 Required Rev. - Using .90 Network Mgmt in Low Range	\$ 271.08	\$ 354.32
(9b)	Adjustment to Use .95 Network Mgmt in Low Range	1.056	1.000
(9c)	Projected 2012 Required Rev. - Using .95 Network Mgmt in Low Range	\$ 286.14	\$ 354.32

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.

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

<b>Section (a)</b>				
<b><u>Claim Costs</u></b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Member Months	772,029	808,231	791,548	903,278
Claim Cost PMPM	\$ 252.72	\$ 265.58	\$ 275.68	\$ 278.33
Claim Cost Trend		5.1%	3.8%	1.0%
<b>Section (b)</b>				
<b><u>Benefit/Eligibility Changes</u></b>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Claim Cost Impact of Benefit/Eligibility Changes (compared to the prior year)		1.0051	1.0050	1.0016
<b>Section (c)</b>				
<b><u>Demog/Area Factors</u></b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg Demog/Area Factor	0.979	0.979	0.988	1.000
Trend in D/A Factors		0.0%	1.0%	1.2%
<b>Section (d)</b>				
<b><u>Experience Trend</u></b>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Claim Cost Trend		5.1%	3.8%	1.0%
Net of Ben/Elig Changes		4.6%	3.3%	0.8%
Net of Demog/Area Changes		4.6%	2.3%	-0.4%
<b>Section (e)</b>				
<b><u>Regular Trend</u></b>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Benchmark Trend		3.6%	3.6%	3.6%
Additional Environmental Factor		1.009	0.987	0.961
Residual Trend		0.9%	-1.3%	-3.9%

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.

**Exhibit 2C: Trend in Demographic/Area Factors – MNCare Families and Children**

		<b>Calendar Year</b>				
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
Average Demographic/Area Factor		0.979	0.979	0.988	1.000	
Trend in Demographic/Area Factors			0.0%	1.0%	1.2%	
<b>Demographic Factors</b>					<b>Area Factors</b>	
<u>Age Category</u>	<u>Gender</u>	<u>Program</u>	<u>Eligibility</u>	<u>Factor</u>	<u>Region</u>	<u>Factor</u>
0 - 1	Female	K,L	I1,I2	1.762	Anoka	1.138
1 - 2	Female	K,L	I1,I2	0.454	Carver	0.949
2 - 15	Female	K,L	C1, C2	0.508	Dakota	1.020
16 - 20	Female	K,L	C1, C2	0.913	Hennepin	0.915
0 - 1	Male	K,L	I1,I2	2.344	Non-Metro	0.999
1 - 2	Male	K,L	I1,I2	0.578	Ramsey	1.000
2 - 15	Male	K,L	C1, C2	0.555	Scott	0.949
16 - 20	Male	K,L	C1, C2	0.789	Sherburne	0.999
Pregnant Women	Female	K,L	P1,P2	4.030	Washington	1.168
21 - 49	Female	F,J	A2	1.418	Wright	0.999
21 - 49	Female	F,J	M2	1.455		
50 +	Female	F,J	A2	1.826		
50 +	Female	F,J	M2	1.873		
21 - 49	Male	F,J	A2	0.957		
21 - 49	Male	F,J	M2	0.982		
50 +	Male	F,J	A2	1.691		
50 +	Male	F,J	M2	1.735		

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.

**Exhibit 2C (Con't): Trend in Demographic/Area Factors – MNCare Families and Children**

**Rate Cell Relativities**

Rate Cell				Region									
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright
0 - 1	Female	K,L	I1,I2	2.005	1.672	1.796	1.611	1.760	1.762	1.672	1.760	2.057	1.760
1 - 2	Female	K,L	I1,I2	0.517	0.431	0.463	0.416	0.454	0.454	0.431	0.454	0.531	0.454
2 - 15	Female	K,L	C1, C2	0.578	0.482	0.518	0.464	0.507	0.508	0.482	0.507	0.593	0.507
16 - 20	Female	K,L	C1, C2	1.039	0.866	0.931	0.835	0.912	0.913	0.866	0.912	1.066	0.912
0 - 1	Male	K,L	I1,I2	2.667	2.224	2.390	2.143	2.342	2.344	2.224	2.342	2.737	2.342
1 - 2	Male	K,L	I1,I2	0.658	0.549	0.589	0.529	0.578	0.578	0.549	0.578	0.675	0.578
2 - 15	Male	K,L	C1, C2	0.632	0.527	0.566	0.508	0.555	0.555	0.527	0.555	0.649	0.555
16 - 20	Male	K,L	C1, C2	0.898	0.749	0.804	0.721	0.788	0.789	0.749	0.788	0.921	0.788
Pregnant Women	Female	K,L	P1,P2	4.587	3.825	4.110	3.686	4.028	4.030	3.825	4.028	4.707	4.028
21 - 49	Female	F,J	A2	1.614	1.346	1.446	1.297	1.417	1.418	1.346	1.417	1.656	1.417
21 - 49	Female	F,J	M2	1.656	1.381	1.484	1.331	1.454	1.455	1.381	1.454	1.700	1.454
50 +	Female	F,J	A2	2.078	1.733	1.861	1.670	1.824	1.826	1.733	1.824	2.132	1.824
50 +	Female	F,J	M2	2.132	1.778	1.910	1.713	1.872	1.873	1.778	1.872	2.188	1.872
21 - 49	Male	F,J	A2	1.089	0.908	0.975	0.875	0.956	0.957	0.908	0.956	1.117	0.956
21 - 49	Male	F,J	M2	1.117	0.932	1.001	0.898	0.981	0.982	0.932	0.981	1.146	0.981
50 +	Male	F,J	A2	1.924	1.605	1.724	1.546	1.690	1.691	1.605	1.690	1.975	1.690
50 +	Male	F,J	M2	1.975	1.647	1.769	1.587	1.734	1.735	1.647	1.734	2.027	1.734

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.

**Exhibit 2C (Con't): Trend in Demographic/Area Factors – MNCare Families and Children**

**2010 Enrollment**

Rate Cell				Region											Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright		
0 - 1	Female	K,L	I1,I2	303	49	387	1,231	3,366	815	246	163	241	221	7,023	
1 - 2	Female	K,L	I1,I2	276	54	327	1,167	3,368	793	172	185	337	256	6,936	
2 - 15	Female	K,L	C1, C2	9,563	1,797	9,722	27,595	85,079	16,653	3,682	3,525	5,646	5,321	168,584	
16 - 20	Female	K,L	C1, C2	3,986	681	3,057	9,854	35,357	7,020	1,323	1,219	2,287	1,857	66,642	
0 - 1	Male	K,L	I1,I2	292	84	511	1,374	3,971	999	195	206	346	211	8,189	
1 - 2	Male	K,L	I1,I2	383	67	427	1,318	3,776	971	188	165	235	259	7,789	
2 - 15	Male	K,L	C1, C2	10,028	1,589	9,623	27,323	88,585	17,507	4,048	3,546	5,826	5,086	173,162	
16 - 20	Male	K,L	C1, C2	3,918	874	3,295	9,514	34,888	7,472	1,421	1,298	1,909	1,708	66,298	
Pregnant Women	Female	K,L	P1,P2	508	132	532	1,493	4,646	1,078	231	181	391	303	9,493	
21 - 49	Female	F,J	A2	1,021	185	804	1,364	5,728	854	201	236	385	273	11,049	
21 - 49	Female	F,J	M2	12,169	1,808	11,800	28,588	97,061	17,413	4,256	4,095	6,227	5,627	189,044	
50 +	Female	F,J	A2	181	34	152	348	1,533	221	74	37	96	88	2,763	
50 +	Female	F,J	M2	1,712	301	1,639	5,902	15,944	3,122	537	407	1,123	622	31,310	
21 - 49	Male	F,J	A2	501	109	278	556	3,040	306	61	130	116	116	5,213	
21 - 49	Male	F,J	M2	7,974	963	6,332	14,707	65,318	9,358	2,736	2,738	3,543	3,654	117,323	
50 +	Male	F,J	A2	141	14	116	272	1,247	184	30	74	60	26	2,163	
50 +	Male	F,J	M2	1,853	358	1,741	5,170	15,766	3,018	417	371	902	701	30,297	
<b>Total</b>				<b>54,809</b>	<b>9,100</b>	<b>50,742</b>	<b>137,776</b>	<b>468,674</b>	<b>87,783</b>	<b>19,817</b>	<b>18,577</b>	<b>29,670</b>	<b>26,330</b>	<b>903,278</b>	

**2009 Enrollment**

Rate Cell				Region											Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright		
0 - 1	Female	K,L	I1,I2	282	47	278	1,198	3,444	801	173	182	274	291	6,970	
1 - 2	Female	K,L	I1,I2	367	80	389	1,268	3,304	962	228	53	259	157	7,066	
2 - 15	Female	K,L	C1, C2	8,558	1,561	8,292	23,858	78,742	15,232	3,138	2,878	4,791	4,453	151,505	
16 - 20	Female	K,L	C1, C2	3,439	576	2,669	8,810	31,597	6,319	1,065	1,064	2,005	1,473	59,018	
0 - 1	Male	K,L	I1,I2	365	47	417	1,419	4,125	1,022	189	152	268	220	8,224	
1 - 2	Male	K,L	I1,I2	317	31	443	1,284	3,892	932	200	124	221	316	7,759	
2 - 15	Male	K,L	C1, C2	8,873	1,600	8,662	24,165	80,955	16,572	3,589	3,018	4,806	4,417	156,657	
16 - 20	Male	K,L	C1, C2	3,527	644	2,940	8,181	31,238	6,489	1,054	1,003	1,745	1,395	58,215	
Pregnant Women	Female	K,L	P1,P2	331	62	436	1,247	4,244	921	212	257	256	283	8,250	
21 - 49	Female	F,J	A2	1,124	206	991	1,761	7,400	998	313	239	389	363	13,784	
21 - 49	Female	F,J	M2	10,163	1,495	10,013	23,382	82,165	14,097	3,371	3,293	5,039	4,440	157,457	
50 +	Female	F,J	A2	212	28	170	331	1,628	237	38	40	104	77	2,864	
50 +	Female	F,J	M2	1,358	193	1,265	4,421	12,626	2,536	387	273	860	358	24,276	
21 - 49	Male	F,J	A2	536	73	373	683	4,131	352	142	153	167	138	6,747	
21 - 49	Male	F,J	M2	6,488	843	5,064	12,006	55,540	7,356	2,076	2,079	2,599	2,807	96,857	
50 +	Male	F,J	A2	133	20	144	285	1,368	122	16	59	65	55	2,266	
50 +	Male	F,J	M2	1,409	255	1,374	3,952	12,498	2,414	331	280	640	479	23,633	
<b>Total</b>				<b>47,481</b>	<b>7,760</b>	<b>43,919</b>	<b>118,250</b>	<b>418,898</b>	<b>77,362</b>	<b>16,521</b>	<b>15,146</b>	<b>24,489</b>	<b>21,722</b>	<b>791,548</b>	

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.



**Exhibit 2C (Con't): Trend in Demographic/Area Factors – MNCare Families and Children**

**2008 Enrollment**

Rate Cell				Region											Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright		
0 - 1	Female	K,L	I1,I2	414	105	531	1,486	3,840	1,264	248	87	317	227	8,519	
1 - 2	Female	K,L	I1,I2	353	92	504	1,410	4,314	1,007	264	155	323	204	8,628	
2 - 15	Female	K,L	C1, C2	8,048	1,531	7,974	25,179	82,616	16,612	2,992	2,884	5,175	4,392	157,403	
16 - 20	Female	K,L	C1, C2	3,293	527	2,821	9,122	32,571	6,147	901	1,053	1,873	1,505	59,814	
0 - 1	Male	K,L	I1,I2	356	46	489	1,601	4,580	1,163	228	152	229	263	9,106	
1 - 2	Male	K,L	I1,I2	490	78	539	1,437	4,413	1,297	225	185	307	238	9,208	
2 - 15	Male	K,L	C1, C2	8,646	1,788	8,734	25,364	85,560	17,120	3,521	3,037	5,095	4,529	163,393	
16 - 20	Male	K,L	C1, C2	3,015	559	2,882	8,645	32,677	6,723	1,033	1,039	1,753	1,398	59,724	
Pregnant Women	Female	K,L	P1,P2	367	55	448	1,605	4,686	1,110	189	179	274	246	9,161	
21 - 49	Female	F,J	A2	2,428	390	2,199	4,370	20,698	2,486	711	632	1,053	1,067	36,034	
21 - 49	Female	F,J	M2	7,754	1,266	8,308	20,488	70,985	12,658	2,811	2,805	4,366	3,438	134,880	
50 +	Female	F,J	A2	401	50	326	792	3,441	471	104	57	192	206	6,038	
50 +	Female	F,J	M2	930	161	754	3,646	9,983	2,156	317	219	629	293	19,088	
21 - 49	Male	F,J	A2	1,288	206	958	1,870	12,520	994	376	408	416	556	19,591	
21 - 49	Male	F,J	M2	5,001	739	4,189	10,807	48,117	6,469	1,642	1,622	2,296	2,242	83,125	
50 +	Male	F,J	A2	313	23	327	712	3,250	311	53	69	170	195	5,424	
50 +	Male	F,J	M2	1,012	253	931	3,180	10,414	1,986	282	212	498	327	19,095	
<b>Total</b>				<b>44,110</b>	<b>7,869</b>	<b>42,913</b>	<b>121,714</b>	<b>434,666</b>	<b>79,974</b>	<b>15,896</b>	<b>14,796</b>	<b>24,966</b>	<b>21,326</b>	<b>808,231</b>	

**2007 Enrollment**

Rate Cell				Region											Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright		
0 - 1	Female	K,L	I1,I2	346	70	415	1,357	5,061	998	232	205	288	352	9,324	
1 - 2	Female	K,L	I1,I2	319	72	390	1,230	4,425	884	213	158	294	249	8,234	
2 - 15	Female	K,L	C1, C2	7,032	1,314	6,984	20,593	87,337	13,032	2,637	3,291	4,195	5,020	151,437	
16 - 20	Female	K,L	C1, C2	2,747	457	2,190	7,120	33,968	4,994	843	1,139	1,580	1,650	56,688	
0 - 1	Male	K,L	I1,I2	361	63	505	1,567	5,431	1,136	218	219	301	297	10,098	
1 - 2	Male	K,L	I1,I2	403	60	478	1,370	4,833	1,086	208	190	259	325	9,211	
2 - 15	Male	K,L	C1, C2	7,322	1,323	7,182	20,427	91,098	13,608	2,966	3,428	4,180	5,011	156,544	
16 - 20	Male	K,L	C1, C2	2,612	518	2,276	6,577	33,814	5,165	876	1,143	1,350	1,541	55,872	
Pregnant Women	Female	K,L	P1,P2	359	74	421	1,293	4,914	925	188	224	274	301	8,974	
21 - 49	Female	F,J	A2	2,155	370	1,883	3,521	21,441	2,035	578	701	854	1,077	34,616	
21 - 49	Female	F,J	M2	6,756	1,026	6,765	16,278	74,753	9,923	2,345	3,046	3,512	4,035	128,438	
50 +	Female	F,J	A2	296	41	241	543	3,195	345	79	65	146	178	5,129	
50 +	Female	F,J	M2	735	121	673	2,571	9,828	1,438	228	229	480	325	16,628	
21 - 49	Male	F,J	A2	1,146	189	793	1,527	13,245	809	287	466	345	537	19,344	
21 - 49	Male	F,J	M2	4,348	569	3,482	8,384	49,779	5,181	1,442	1,897	1,886	2,564	79,531	
50 +	Male	F,J	A2	244	24	246	528	3,022	255	41	105	122	141	4,729	
50 +	Male	F,J	M2	819	166	775	2,358	10,463	1,422	197	234	391	408	17,232	
<b>Total</b>				<b>38,001</b>	<b>6,457</b>	<b>35,699</b>	<b>97,244</b>	<b>456,606</b>	<b>63,236</b>	<b>13,577</b>	<b>16,741</b>	<b>20,458</b>	<b>24,011</b>	<b>772,029</b>	

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.

**Exhibit 2D: Rates by Rate Cell – MNCare Families and Children**

**Rate Cell Relativities**

Rate Cell				Region									
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright
0 - 1	Female	K,L	I1,I2	2.005	1.672	1.796	1.611	1.760	1.762	1.672	1.760	2.057	1.760
1 - 2	Female	K,L	I1,I2	0.517	0.431	0.463	0.416	0.454	0.454	0.431	0.454	0.531	0.454
2 - 15	Female	K,L	C1, C2	0.578	0.482	0.518	0.464	0.507	0.508	0.482	0.507	0.593	0.507
16 - 20	Female	K,L	C1, C2	1.039	0.866	0.931	0.835	0.912	0.913	0.866	0.912	1.066	0.912
0 - 1	Male	K,L	I1,I2	2.667	2.224	2.390	2.143	2.342	2.344	2.224	2.342	2.737	2.342
1 - 2	Male	K,L	I1,I2	0.658	0.549	0.589	0.529	0.578	0.578	0.549	0.578	0.675	0.578
2 - 15	Male	K,L	C1, C2	0.632	0.527	0.566	0.508	0.555	0.555	0.527	0.555	0.649	0.555
16 - 20	Male	K,L	C1, C2	0.898	0.749	0.804	0.721	0.788	0.789	0.749	0.788	0.921	0.788
Pregnant Women	Female	K,L	P1,P2	4.587	3.825	4.110	3.686	4.028	4.030	3.825	4.028	4.707	4.028
21 - 49	Female	F,J	A2	1.614	1.346	1.446	1.297	1.417	1.418	1.346	1.417	1.656	1.417
21 - 49	Female	F,J	M2	1.656	1.381	1.484	1.331	1.454	1.455	1.381	1.454	1.700	1.454
50 +	Female	F,J	A2	2.078	1.733	1.861	1.670	1.824	1.826	1.733	1.824	2.132	1.824
50 +	Female	F,J	M2	2.132	1.778	1.910	1.713	1.872	1.873	1.778	1.872	2.188	1.872
21 - 49	Male	F,J	A2	1.089	0.908	0.975	0.875	0.956	0.957	0.908	0.956	1.117	0.956
21 - 49	Male	F,J	M2	1.117	0.932	1.001	0.898	0.981	0.982	0.932	0.981	1.146	0.981
50 +	Male	F,J	A2	1.924	1.605	1.724	1.546	1.690	1.691	1.605	1.690	1.975	1.690
50 +	Male	F,J	M2	1.975	1.647	1.769	1.587	1.734	1.735	1.647	1.734	2.027	1.734

**2010 Enrollment**

Rate Cell				Region										Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright	Total
0 - 1	Female	K,L	I1,I2	303	49	387	1,231	3,366	815	246	163	241	221	7,023
1 - 2	Female	K,L	I1,I2	276	54	327	1,167	3,368	793	172	185	337	256	6,936
2 - 15	Female	K,L	C1, C2	9,563	1,797	9,722	27,595	85,079	16,653	3,682	3,525	5,646	5,321	168,584
16 - 20	Female	K,L	C1, C2	3,986	681	3,057	9,854	35,357	7,020	1,323	1,219	2,287	1,857	66,642
0 - 1	Male	K,L	I1,I2	292	84	511	1,374	3,971	999	195	206	346	211	8,189
1 - 2	Male	K,L	I1,I2	383	67	427	1,318	3,776	971	188	165	235	259	7,789
2 - 15	Male	K,L	C1, C2	10,028	1,589	9,623	27,323	88,585	17,507	4,048	3,546	5,826	5,086	173,162
16 - 20	Male	K,L	C1, C2	3,918	874	3,295	9,514	34,888	7,472	1,421	1,298	1,909	1,708	66,298
Pregnant Women	Female	K,L	P1,P2	508	132	532	1,493	4,646	1,078	231	181	391	303	9,493
21 - 49	Female	F,J	A2	1,021	185	804	1,364	5,728	854	201	236	385	273	11,049
21 - 49	Female	F,J	M2	12,169	1,808	11,800	28,588	97,061	17,413	4,256	4,095	6,227	5,627	189,044
50 +	Female	F,J	A2	181	34	152	348	1,533	221	74	37	96	88	2,763
50 +	Female	F,J	M2	1,712	301	1,639	5,902	15,944	3,122	537	407	1,123	622	31,310
21 - 49	Male	F,J	A2	501	109	278	556	3,040	306	61	130	116	116	5,213
21 - 49	Male	F,J	M2	7,974	963	6,332	14,707	65,318	9,358	2,736	2,738	3,543	3,654	117,323
50 +	Male	F,J	A2	141	14	116	272	1,247	184	30	74	60	26	2,163
50 +	Male	F,J	M2	1,853	358	1,741	5,170	15,766	3,018	417	371	902	701	30,297
Total				54,809	9,100	50,742	137,776	468,674	87,783	19,817	18,577	29,670	26,330	903,278

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.

**Exhibit 2D (Con't): Rates by Rate Cell – MNCare Families and Children – Low Scenario**

**2012 Capitation Rate by Rate Cell - Based on 2010 Enrollment**

Rate Cell				Region										Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright	
0 - 1	Female	K,L	I1,I2	\$ 543.45	\$ 453.23	\$ 486.89	\$ 436.71	\$ 503.70	\$ 477.51	\$ 453.23	\$ 503.70	\$ 557.69	\$ 503.70	\$ 489.43
1 - 2	Female	K,L	I1,I2	140.20	116.92	125.61	112.66	129.94	123.19	116.92	129.94	143.87	129.94	126.72
2 - 15	Female	K,L	C1, C2	156.66	130.65	140.36	125.89	145.20	137.66	130.65	145.20	160.77	145.20	141.72
16 - 20	Female	K,L	C1, C2	281.58	234.83	252.28	226.28	260.98	247.42	234.83	260.98	288.96	260.98	255.43
0 - 1	Male	K,L	I1,I2	723.02	602.99	647.78	581.02	670.14	635.30	602.99	670.14	741.97	670.14	652.17
1 - 2	Male	K,L	I1,I2	178.32	148.72	159.77	143.30	165.28	156.69	148.72	165.28	182.99	165.28	160.82
2 - 15	Male	K,L	C1, C2	171.36	142.91	153.53	137.71	158.83	150.57	142.91	158.83	175.85	158.83	155.15
16 - 20	Male	K,L	C1, C2	243.34	202.94	218.02	195.55	225.54	213.82	202.94	225.54	249.72	225.54	220.51
Pregnant Women	Female	K,L	P1,P2	1,243.39	1,036.97	1,113.99	999.18	1,152.44	1,092.53	1,036.97	1,152.44	1,275.97	1,152.44	1,124.93
21 - 49	Female	F,J	A2	437.48	364.85	391.95	351.56	405.48	384.40	364.85	405.48	448.94	405.48	399.27
21 - 49	Female	F,J	M2	448.95	374.42	402.23	360.77	416.11	394.48	374.42	416.11	460.71	416.11	407.13
50 +	Female	F,J	A2	563.19	469.69	504.58	452.57	522.00	494.86	469.69	522.00	577.94	522.00	512.71
50 +	Female	F,J	M2	577.95	482.00	517.81	464.44	535.68	507.83	482.00	535.68	593.09	535.68	521.47
21 - 49	Male	F,J	A2	295.11	246.12	264.40	237.15	273.52	259.30	246.12	273.52	302.84	273.52	270.15
21 - 49	Male	F,J	M2	302.84	252.57	271.33	243.36	280.69	266.10	252.57	280.69	310.78	280.69	275.87
50 +	Male	F,J	A2	521.66	435.06	467.37	419.20	483.50	458.37	435.06	483.50	535.33	483.50	475.36
50 +	Male	F,J	M2	535.33	446.46	479.62	430.19	496.18	470.38	446.46	496.18	549.36	496.18	484.11
Total				310.83	260.09	280.24	248.34	285.78	269.75	254.36	281.36	319.46	280.19	279.62

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.

**Exhibit 2D (Con't): Rates by Rate Cell – MNCare Families and Children – High Scenario**

**2012 Capitation Rate by Rate Cell - Based on 2010 Enrollment**

Rate Cell				Region										Total
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright	
0 - 1	Female	K,L	I1,I2	\$ 710.31	\$ 592.39	\$ 636.39	\$ 570.80	\$ 623.71	\$ 624.13	\$ 592.39	\$ 623.71	\$ 728.92	\$ 623.71	\$ 621.21
1 - 2	Female	K,L	I1,I2	183.24	152.82	164.17	147.25	160.90	161.01	152.82	160.90	188.05	160.90	160.72
2 - 15	Female	K,L	C1, C2	204.77	170.77	183.46	164.55	179.80	179.92	170.77	179.80	210.13	179.80	179.66
16 - 20	Female	K,L	C1, C2	368.04	306.94	329.74	295.75	323.16	323.38	306.94	323.16	377.68	323.16	323.50
0 - 1	Male	K,L	I1,I2	945.02	788.14	846.68	759.41	829.80	830.36	788.14	829.80	969.78	829.80	827.72
1 - 2	Male	K,L	I1,I2	233.08	194.38	208.82	187.30	204.66	204.80	194.38	204.66	239.18	204.66	204.07
2 - 15	Male	K,L	C1, C2	223.98	186.80	200.67	179.99	196.67	196.80	186.80	196.67	229.85	196.67	196.65
16 - 20	Male	K,L	C1, C2	318.06	265.26	284.96	255.59	279.28	279.47	265.26	279.28	326.39	279.28	279.35
Pregnant Women	Female	K,L	P1,P2	1,625.17	1,355.37	1,456.04	1,305.97	1,427.02	1,427.98	1,355.37	1,427.02	1,667.74	1,427.02	1,427.49
21 - 49	Female	F,J	A2	571.81	476.88	512.30	459.50	502.09	502.43	476.88	502.09	586.79	502.09	506.12
21 - 49	Female	F,J	M2	586.80	489.38	525.73	471.54	515.25	515.60	489.38	515.25	602.17	515.25	515.97
50 +	Female	F,J	A2	736.11	613.91	659.51	591.53	646.36	646.80	613.91	646.36	755.40	646.36	648.59
50 +	Female	F,J	M2	755.41	630.00	676.80	607.04	663.31	663.76	630.00	663.31	775.20	663.31	661.61
21 - 49	Male	F,J	A2	385.72	321.68	345.58	309.96	338.69	338.92	321.68	338.69	395.82	338.69	341.24
21 - 49	Male	F,J	M2	395.83	330.12	354.64	318.09	347.57	347.80	330.12	347.57	406.20	347.57	348.77
50 +	Male	F,J	A2	681.83	568.64	610.88	547.91	598.70	599.11	568.64	598.70	699.70	598.70	600.61
50 +	Male	F,J	M2	699.71	583.54	626.89	562.28	614.39	614.81	583.54	614.39	718.04	614.39	613.78
Total				406.27	339.94	366.29	324.59	353.86	352.57	332.46	348.40	417.55	346.94	354.32

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.

---

## SECTION 3

### RATE DEVELOPMENT FOR ADULTS WITHOUT CHILDREN

I developed 2012 capitation rates for the MNCare Adults without Children rate cells (MNCare “B” rate cells) using data, methods, and assumptions very similar to those I used to develop 2011 capitation rates for this population. The development of 2011 rates is described in my letter dated March 9, 2011, which is included in this report as Appendix 4 for reference. This report will focus on the changes made to my prior analysis to develop rates for 2012.

I developed an average capitation rate for this population by adjusting MCO 2009 PMPM claim cost experience for the MNCare Adults without Children population. I used 2009 data to be consistent with the data used to develop rates for the 2012 PMAP Adults without Children population, many of whom migrated from the MNCare B rate cell. (Only the MNCare B members who are above 75% of the federal poverty level (FPL) will remain in the MNCare program in 2012.) In addition, it is possible that some portion of G rate cell enrollees went to the B rate cell after the G rate cell was discontinued, and I did not have information to quantify the impact of the change in morbidity mix.

I made adjustments for trend and changes to benefits, environmental factors, and network management. Additional adjustments were made to provide for expected administrative costs and a contribution to surplus.

Exhibit 3A, included in this section of the report, summarizes each of these steps. Exhibit 3A is split into two parts. Section I is very similar to Exhibit A of my March 9 letter and restates the average rate in that letter for changes in enrollment, pharmacy rebates, and morbidity levels from 2011 to 2012. Section II projects the 2011 restated capitation rate forward to develop an average capitation rate for 2012, with varying assumptions for “low” and “high” rates.

#### *Expected Statewide Member Months (Row (1))*

DHS is projecting that the 2012 enrollment in the MNCare B rate cells for Adults without Children will be consistent with the figures shown for December 2011 in Exhibit B of my March 9, 2011 letter. In particular, DHS expects there will be an average of 44,471 MNCare B members per month. Note that by December 2011, all migrating MNCare members are expected to have moved into the MA expansion program.

#### *Average 2009 Claim Cost (Row (2))*

Capitation rates are developed by adjusting MCO 2009 PMPM claim cost experience for the MNCare Adults without Children program. This starting claim cost was developed in row (3) of my March 9 letter.

The 2009 claim costs used in my March 9 letter were net of pharmacy rebates. I made an adjustment to claim costs in row (2b) by adding in an estimate of the PMPM value of pharmacy rebates for this population. This estimate was developed by using the average rebate per dollar of pharmacy claims provided by the MCOs for purposes of developing the rate cell relativities for Families and Children, and applying it to the value of pharmacy claims underlying the 2009 claim costs in row (2a). I used only the

---

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.

2009 experience on all of MNCare Adults without Children to develop the pharmacy rebate assumption, consistent with the experience underlying the 2009 claim cost in row (2). Table 3-1 below shows the development of the pharmacy rebate assumption used in row (2b).

**Table 3-1  
Pharmacy Rebate Assumptions  
MNCare Adults without Children**

Gross Pharmacy Claims as a % of Total Net Claims	20.7%
Rebates as a % of Gross Pharmacy Claims	5.2%
Rebates as a % of Total Net Claims	1.1%

*Trend (Row (3))*

I applied 25.5 months of trend to project claim cost to August 15, 2011, the midpoint of the 2011 effective period for these rates assuming coverage began on April 1, 2011. The trend rates shown here are those in my March 9 letter. Again, I used an annual trend rate of 5.00% for MNCare members.

The trend rate and resulting claim cost are shown in rows (3a) and (3b) of Exhibit 3A.

*Morbidity Adjustment (Row (4))*

The 2009 starting claim costs for MNCare reflect the combined claim costs for all adults without children in the MNCare program. A morbidity adjustment is applied to adjust the claim costs to reflect only those in the MNCare B program (over 75% of FPL only). These morbidity adjustments are the same as those used for December 2011 in Exhibit B of my March 9 letter.

*Benefit Adjustment Factors (Row (5))*

I then adjusted the projected claim cost to reflect benefit and provider reimbursement changes between 2009 and 2011. This factor is the same as that used in Exhibit A of my March 9 letter with one exception. I backed out the factor for the estimated changes in rebates collected by the MCOs due to the Affordable Care Act. The pharmacy rebates are addressed in row (2b) based on more recent information. My March 9 letter describes the other adjustments to the MNCare claim costs.

I applied an additional factor of 0.8739 to reflect the removal of inpatient hospital benefits effective July 1, 2011. This factor is consistent with that used in Exhibit D-2 of my March 9 letter.

*Administrative Cost (Row (6))*

Next I included a provision for administrative cost as shown in rows (6a) and (6b) of Exhibit 3A. This assumption is the same as that used in my March 9 letter.

*Contribution to Surplus (Row (7))*

Row (7) shows that these rates include a -21.80% contribution to surplus. The assumption in my March 9 letter reflected the weighted average contribution to surplus of -8.0% for enrollees under 75% of FPL and -21.80% for enrollees over 75% of FPL. Since the projected 2012 enrollment will consist entirely of enrollees over

---

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.

75% of FPL, the contribution to surplus in row (7) is -21.80%. (This adjustment is later reversed, as described below.)

*Restated 2011 Required Revenue (Row (8))*

Row (8) shows the restated July 1, 2011 average capitation rate.

*Back out Administrative Margin and Contribution to Surplus (Row (9))*

Row (9) backs out the administrative and surplus margins to convert the restated 2011 required revenue in row (8) back to a trended 2011 claim cost value.

*Back out 13.5 Months of Trend (Row (10))*

Row (10) backs out 13.5 months of trend, to move the 2011 claim cost (with a midpoint of August 15, 2011) to July 1, 2010. By using this as the basis for my 2012 capitation rate projection, I am using a starting point consistent with my development of the Families and Children average capitation rate projections. The annual trend rate in row (10) is the same as that used in row (3).

*Reversal of Provider Reimbursement Changes (Row (11))*

Row (11) backs out any changes in provider reimbursements after January 1, 2010 from the benefit factor in row (5). These changes in provider reimbursement rates are then included in the trend rates shown in row (12). The legislated changes in FFS reimbursement levels in September 2010 and later include:

- In September 2010:
  - 7% ratable reduction for certain physician services—the adjustment factor I used is 0.9933 for all rate cells; and
  - Reversal of the ratable reduction for inpatient services from January 2010—the adjustment factor I used is 1.0010 for all rate cells.
- In January 2011:
  - Ratable reduction for FFS hospitals in 2011—the adjustment factor I used is 0.9979 for all rate cells; and
  - Increase in dental rates for state operated dental clinics—the adjustment factor I used is 1.0001 for all rate cells.

*Trend to 2012 (Row (12))*

The annual claim cost trends shown on line (12) are a range of claim trend rates that can be reasonably expected to occur in 2011 and 2012. The regular trend provides for projected changes in utilization, provider reimbursement rates (other than those related to the recent change to Minnesota's RBRVS fee schedule), and mix of services, assuming no unusual change to provider networks. (A separate adjustment for significant changes in provider networks is included below.) The assumptions I used to develop a high value for regular trend are shown in Table 3-2 below. The distribution of claims is based on recent MNCare B rate cell experience excluding inpatient hospital claims, since inpatient hospital benefits are scheduled to be removed July 1, 2011.

---

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.

The charge trends generally reflect low or no changes in provider fee schedules beyond those described elsewhere in this report, but do anticipate some trend in mix.

Table 3-2 also shows a trend rate for the low scenario, which has been adjusted to reflect the impact of recently legislated changes in FFS reimbursement levels mentioned above and a 3% reduction made in September 2010 to the non-administrative portion of capitation rates.

The combined impact of FFS reimbursement changes and the 3% adjustment for non-administrative services is 3.50%. I am reflecting the entire adjustment in the regular trend for the “low” rate and none of the adjustment in the regular trend for the “high” rate.

**Table 3-2  
Annual Trend Rate Development**

Benefit	2010 Claims		Annual Trend Rate		
	Sum (000's)	Distribution	Utilization	Charge	Total
Hospital Inpatient	0	0.0%	0.00%	3.00%	3.00%
Hospital Outpatient	109,590	33.1%	3.50%	2.50%	6.09%
Physician / Other	124,921	37.8%	3.00%	1.00%	4.03%
Drugs	82,383	24.9%			5.50%
Dental	13,832	4.2%	0.00%	3.00%	3.00%
Total	330,725	100.0%			5.03%

High Annual Trend Rate	5.03%
FFS Reimbursement Reductions and 3% Non-Administrative Reduction	0.9650
Low Annual Trend Rate	3.18%

I am not including an adjustment to reflect the impact that the changes in DHS' FFS RBRVS fee schedule may have on MCO costs. Based on the mix of services that adults without children utilize, I do not believe the RBRVS fee schedule changes will have a material impact on the MNCare Adults without Children rate cells.

The trend rate and resulting claim cost are shown in rows (12a) and (12b) of Exhibit 3A, respectively.

*Morbidity Adjustment (Row (13))*

This step is split into two parts. First, the factor used in row (4) is backed out of the claim costs. Second, a new revised morbidity factor is applied.

The 2009 MNCare experience I am using as a basis for projection includes MNCare B enrollees under 75% of the FPL and MNCare G members, both of whom are now enrolled in the PMAP Adults without Children expansion program. I developed relative morbidity factors for the MNCare G rate cell enrollees and for the MNCare B rate cell enrollees over and under 75% of FPL.

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.



To develop these factors, I used the same model that was used to develop the MNCare rate cell factors in Appendix 3 of this report. The previous factors (in row (4) of Exhibit 3A) were developed using 2007 claim experience. Experience through 2010 is now available; however, it is not directly comparable to that used to develop the previous factors. The 2008 through 2010 data does not have the MNCare B rate cells split by enrollees over and under 75% of FPL. Also, the MNCare G rate cells were discontinued in 2010.

I analyzed the relativities between the MNCare B and MNCare G programs using 2008, 2009, and 2010 claim experience (as provided by the MCOs for the rate cell study). The relativities are shown in Table 3-3 below (normalized to the MNCare B and G enrollment in 2010).

**Table 3-3  
MNCare B and G Relativities**

<b>Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
B (total)	0.978	0.984	0.991
G	1.204	1.149	1.084
Ratio G/B	1.231	1.168	1.095

The 2008 ratio is very similar to that underlying the analysis in my March 9 letter (1.246). (The 2010 decline is likely not meaningful for my purposes since MNCare G was phased-out midway through the year.) However, the significant change in the 2009 program factors relative to the 2007 factors warrants a change to the program factors used in the 2012 pricing, particularly since I am using 2009 claim cost as a basis for projection.

Table 3-4 below provides the new morbidity relativity factors for each of the MNCare B enrollees over 75% of FPL, MNCare B enrollees under 75% of FPL, and MNCare G enrollees. The projected 2012 enrollment for each rate cell is also shown; the new morbidity relativity factors are normalized to 1.000.

**Table 3-4  
New MNCare Morbidity Relativity Factors**

<b>Program</b>	<b>New Factor</b>	<b>2012 Enrollment</b>	<b>New Normalized</b>
B >75%	0.946	533,652	0.935
B <75%	1.026	477,477	1.015
G	1.149	204,633	1.136
Total	1.011	1,215,762	1.000

I maintained the morbidity relationship between MNCare B enrollees above and below 75% of the poverty level since I did not have new data. The current relative morbidity factor is 0.977 for MNCare B enrollees under 75% of FPL and 0.900 for MNCare B enrollees over 75% of FPL, yielding a ratio of 1.086 (=0.977 / 0.900).

Row (13) of Exhibit 3A reflects the new normalized morbidity relativity factors for the MNCare members remaining in the MNCare Adults without Children rate cells.

*Benefit Adjustment Factor (Row (14))*

---

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.

Row (14) applies a factor for benefit or eligibility adjustments. Since row (5) already adjusts the 2009 claim costs for any changes made from 2009 to 2011, including changes made in July 2011, row (14) only accounts for changes made after July 2011. Any changes described in Section 4 of this report have not been reflected in these capitation rates.

*Environmental Factor (Row (15))*

As mentioned in Section 2 of this report, there is reason to believe that significant changes in morbidity levels, enrollment patterns, or other systemic cost drivers have occurred over the past 2-3 years, which may be the result of the ongoing economic downturn. As discussed in Section 2 of this report, it appears significant changes occurred between 2009 and 2010. It is possible that these changes will continue to some degree from 2010 to 2012. The state will need to monitor experience and enrollment changes closely in determining the extent to which environmental changes continue to impact rates beyond 2010. In particular, the low-end rates assume that significant changes continue to occur.

The adjustment factors used in the report are intended to capture the potential impact. Since I am starting with a 2009 claim cost for the MNCare Adults without Children population, the adjustment factors in row (15) first capture the changes that occurred from 2009 to 2010 for the Families and Children population, then capture the potential impact from 2010 to 2012.

*Network Management Factor (Row (16))*

As mentioned above, DHS is encouraging MCOs to re-evaluate their provider networks with a focus on quality and efficiency. Consistent with my Families and Children rate development, I have included an adjustment factor of 0.90 in the "low" rate development to provide for the possibility of significant improvements due to network management activities.

As I mentioned in Section 2, I do not expect that the low-end factor of 0.90 could necessarily be achieved in all areas or by all plans. I expect that the level of possible improvement will be lower in the non-metro areas so when developing the non-metro capitation rates, I applied a factor of 0.95 to the low-end rates. This adjustment is displayed in row (19).

*Administrative Costs (Row (17))*

I chose the range of administrative expense ratios in row (17) by taking into consideration the recent prior experience of the MCOs, Minnesota's statutory limit on administrative costs for managed Medicaid programs, and that administrative costs associated with managing the plans' investments should be excluded since no adjustment is being made to rates for expected investment income.

The range in administrative costs is the same as that used in my development of the Families and Children rates.

---

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.

*Contribution to Surplus (Row (18))*

The contribution to surplus for these rates is set at 0% for both the low and high scenarios. The current 2011 rates are being increased significantly to make them actuarial sound, so no margin is being included in the high rates.

*Projected 2012 Required Revenue (Row (19))*

Row (19) shows the projected 2012 average capitation rate required. As stated above, I expect that the level of provider network improvement will be lower in non-metro areas. A factor of 1.056 is applied to the low range average capitation rate to convert the network management adjustment factor from 0.90 to 0.95. This is used to develop the low range capitation rates for the non-metro areas.

### CAPITATION RATES BY RATE CELL

Exhibit 3B in this section develops the projected 2012 capitation rates for each rate cell. Exhibit 3B is provided for each of the low and high scenarios. For each scenario, the projected 2012 capitation rate from Exhibit 3A is applied to the appropriate rate cell relativity factor (detailed in Appendix 3 of this report). The rates are normalized so that the weighted average capitation rate equals the capitation rate in Exhibit 3A.

The total enrollment in Exhibit 3A was allocated to each demographic rate cell. I am first sub-allocating membership to the metro and non-metro areas consistent with the allocation in the current expansion rates (consistent with Exhibit C of my March 9 letter). I am then sub-allocating the metro members based on the 2009 data for the total MNCare B members provided by the MCOs for the rate cell study.

The demographic capitation rates to be paid in the metro counties (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington) were determined through a competitive bidding process conducted by DHS. The payment rates vary by MCO and reflect the bid process and negotiations between DHS and each plan.

The demographic capitation rates to be paid in the remaining counties were selected by DHS, within the range provided in this report.

---

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.

**Exhibit 3A (Section I): Development of 2012 Average Premium Rate**

Experience Base Scenario		MNCare Adults without Children	
		Low	High
<b>Section I</b>			
(1)	Expected Statewide Member Months	533,652	533,652
Average 2009 Claim Cost PMPM			
(2a)	Adjusted Claim Costs from 3/9/11 Letter	\$ 522.31	\$ 522.31
(2b)	Estimated Pharmacy Rebates	\$ 5.69	\$ 5.69
(2c)	2009 Claim Costs PMPM	\$ 528.00	\$ 528.00
Apply 25.5 Months of Trend			
(3a)	Annual Trend Rate from 2009 to 2011	5.00%	5.00%
(3b)	Trended 2011 Claim Cost (8/15/2011 Midpoint)	\$ 585.68	\$ 585.68
Morbidity Adjustment			
(4a)	Factor	0.920	0.920
(4b)	Adjusted Claim Cost	\$ 538.93	\$ 538.93
Benefit Difference Adjustments			
(5a)	Factor for Chgs from 2009 to 2011	0.985	0.985
(5b)	Hospital Inpatient Carveout eff. July 1, 2011	0.874	0.874
(5c)	Adjusted Claim Cost	\$ 463.76	\$ 463.76
Add Provision for Administrative Cost			
(6a)	Administrative Cost Factor	7.50%	7.50%
(6b)	Administrative Margin	\$ 30.43	\$ 30.43
Add Provision for Contribution to Surplus			
(7a)	Factor for Contribution to Surplus	-21.80%	-21.80%
(7b)	Contribution to Surplus	\$ (88.45)	\$ (88.45)
(8)	Restated 2011 Required Revenue (post July 1)	\$ 405.74	\$ 405.74

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.

**Exhibit 3A (Section II): Development of 2012 Average Premium Rate**

Experience Base		MNCare Adults without Children	
Scenario		Low	High
<b>Section II</b>			
Back out Admin and Surplus Margins			
(9a)	Admin and Surplus Margins	\$ (58.02)	\$ (58.02)
(9b)	Trended 2011 Claim Cost	\$ 463.76	\$ 463.76
Back out 13.5 months of trend to get to 7/1/2010			
(10a)	Annual Trend Rate from 2009 to 2011	5.00%	5.00%
(10b)	Trended 2010 Claim Cost	\$ 438.99	\$ 438.99
Reversal of Provider Reimbursements			
(11a)	Provider Reimbursements made after 1/1/2010	0.992	0.992
(11b)	Adjusted 2010 Claim Cost	\$ 442.36	\$ 442.36
Apply 24 Months of Trend to get to 7/1/2012			
(12a)	Annual Trend Rate for Regular Trend	3.18%	5.03%
(12b)	Trended 2012 Claim Cost	\$ 470.97	\$ 488.03
Morbidity Adjustment			
(13a)	Back out Factor from 3/9/11 Letter	1.087	1.087
(13b)	Add Revised Morbidity Factor	0.935	0.935
(13c)	Adjusted Claim Cost	\$ 478.45	\$ 495.78
Benefit Adjustment Factor			
(14a)	Factor for Changes Made after 7/1/2011	1.000	1.000
(14b)	Adjusted Claim Cost	\$ 478.45	\$ 495.78
Apply Environmental Factor			
(15a)	Factor	0.920	1.000
(15b)	Adjusted Claim Cost	\$ 440.17	\$ 495.78
Apply Network Management Factor			
(16a)	Factor	0.900	1.000
(16b)	Adjusted Claim Cost	\$ 396.16	\$ 495.78
Add Provision for Administrative Cost			
(17a)	Administrative Cost Factor	6.60%	10.10%
(17b)	Administrative Margin	\$ 27.99	\$ 55.70
Add Provision for Contribution to Surplus			
(18a)	Factor for Contribution to Surplus	0.00%	0.00%
(18b)	Contribution to Surplus	\$ -	\$ -
(19a)	Projected 2012 Required Rev. - Using .90 Network Mgmt in Low Range	\$ 424.15	\$ 551.48
(19b)	Adjustment to Use .95 Network Mgmt in Low Range	1.056	1.000
(19c)	Projected 2012 Required Rev. - Using .95 Network Mgmt in Low Range	\$ 447.71	\$ 551.48

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.

**Exhibit 3B: 2012 Rates by Rate Cell - MNCare Adults without Children**

**MNCare Adults without Children - Projected 2012 Enrollment**

Age	Gender	Metro Regions							Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Non-Metro			
21 - 49	F	9,905	3,551	8,413	29,295	17,327	4,294	87,960	72,785	87,960	160,745
50 - 64	F	6,666	2,590	6,101	18,034	11,271	2,797	73,206	47,458	73,206	120,664
21 - 49	M	12,534	3,617	9,366	32,777	20,662	5,069	85,621	84,025	85,621	169,647
50 - 64	M	4,516	1,493	3,948	13,005	8,595	1,697	49,342	33,254	49,342	82,596
Total		33,621	11,251	27,828	93,110	57,855	13,857	296,129	237,523	296,129	533,652

**MNCare Adults without Children - Rate Cell Relativities**

Age	Gender	Metro Regions							Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Non-Metro			
21 - 49	F	1.061	0.998	1.025	0.890	0.990	1.072	0.945	0.969	0.945	0.956
50 - 64	F	1.398	1.315	1.350	1.173	1.305	1.412	1.244	1.280	1.244	1.258
21 - 49	M	0.896	0.843	0.866	0.752	0.836	0.905	0.798	0.820	0.798	0.809
50 - 64	M	1.268	1.192	1.224	1.063	1.183	1.280	1.128	1.158	1.128	1.140
Weighted Average		1.094	1.047	1.071	0.920	1.025	1.105	1.007	1.005	1.007	1.006

**MNCare - 2012 Rates by Rate Cell - Low Scenario**

Age	Gender	Metro Regions							Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Non-Metro			
21 - 49	F	\$ 447.49	\$ 420.92	\$ 432.13	\$ 375.32	\$ 417.57	\$ 451.96	\$ 420.39	\$ 408.51	\$ 420.39	\$ 415.01
50 - 64	F	589.43	554.44	569.21	494.37	550.03	595.32	553.74	539.79	553.74	548.25
21 - 49	M	377.94	355.51	364.97	316.99	352.67	381.72	355.05	345.77	355.05	350.46
50 - 64	M	534.52	502.79	516.18	448.31	498.78	539.86	502.15	488.24	502.15	496.55
Weighted Average		\$ 461.39	\$ 441.49	\$ 451.51	\$ 388.04	\$ 432.26	\$ 465.96	\$ 448.09	\$ 423.71	\$ 448.09	\$ 437.24

**MNCare - 2012 Rates by Rate Cell - High Scenario**

Age	Gender	Metro Regions							Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Non-Metro			
21 - 49	F	\$ 581.83	\$ 547.29	\$ 561.86	\$ 487.99	\$ 542.92	\$ 587.64	\$ 517.82	\$ 531.15	\$ 517.82	\$ 523.86
50 - 64	F	766.39	720.89	740.09	642.79	715.15	774.04	682.08	701.84	682.08	689.86
21 - 49	M	491.40	462.23	474.54	412.15	458.55	496.31	437.35	449.57	437.35	443.40
50 - 64	M	694.99	653.73	671.14	582.90	648.52	701.93	618.54	634.81	618.54	625.09
Weighted Average		\$ 599.91	\$ 574.03	\$ 587.05	\$ 504.53	\$ 562.03	\$ 605.85	\$ 551.94	\$ 550.91	\$ 551.94	\$ 551.48

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.

## SECTION 4 2012 BENEFIT AND REIMBURSEMENT CHANGES

I developed rate adjustments to account for several benefit and reimbursement changes scheduled to be implemented in 2012. The adjustment factors in this section are intended to be applied to the capitation rates presented in Sections 2 and 3 of this report.

### COVERAGE FOR DENTAL THERAPISTS

Effective September 1, 2011 coverage was added for services provided by advanced dental therapists and dental therapists when provided within the scope of their practice.

The state estimated that its share of the cost of this additional coverage will be \$31,000 in fiscal year 2012 and \$89,000 in each year thereafter and that 60% of the cost will occur in managed care plans. I assumed that the total cost will be twice the state share and averaged estimates for fiscal years 2012 and 2013 (taking into account coverage did not start until September 1, 2011). The resulting cost expressed as a percentage of 2010 dental costs for PMAP, MNCare, and MSHO is not significant to four decimal places, so I recommend no adjustment.

### CHANGES IN PCA PAYMENTS

Effective July 1, 2011, PCA recipients with dependency in only one activity of daily living (ADL) or Level 1 behavior will be limited to two units of care per day. This reverses a change that was effective on July 1, 2011 which required dependency in at least two ADLs. Also, when a PCA is a relative of the recipient, the payment will be 80% of the provider rate. A relative is defined to be the parent or adoptive parent of an adult child, a sibling aged 16 years or older, an adult child, a grandparent, or a grandchild.

#### *Threshold Change*

Table 4-1 shows the adjustment factors for the reversal of the ADL and behavior thresholds change. The factors for Families and Children are the inverse of those factors presented in my December 17, 2010 letters which eliminated coverage for recipients with dependency in fewer than two ADLs. A corresponding adjustment was made in the development of the PMAP Adults without Children rates as mentioned in my March 9, 2011 letter. I developed the factors in Table 4-1 by reversing that adjustment. Although the new coverage for recipients with dependency in one ADL or Level 1 behavior is somewhat more restrictive than prior coverage in that they are limited to two units per day, I expect the value of the incremental difference is insignificant given the low utilization of PCA services for this population.

**Table 4-1: Factors for Change in PCA ADL and Behavior Thresholds**

<b>Program</b>	<b>Affected Rate Cells</b>	<b>Factor</b>
PMAP Families and Children	All except Pregnant Women	1.0009
MNCare Families and Children	K,L except Pregnant Women	1.0009
PMAP Adults without Children	All	1.0002

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.

*Reimbursement for Relatives*

The state provided PCA cost data which was used in 2010 to develop the adjustment factors above. I used this data, and a fiscal note provided by DHS, to estimate the cost impact of reducing the payment rate for relative PCAs. Data provided by DHS indicated that the cost of PCA services provided to PMAP Families and Children recipients amounted to \$4.45 PMPM in 2009. In addition, a recent fiscal analysis provided by DHS indicates that 31% of PCA claims are provided by a relative. DHS also estimates that this percentage will be reduced by 25% as PCA recipients reallocate care to unrelated PCAs, given the payment incentive. These assumptions yield a revised cost of \$4.24 PMPM for PCA payments in 2009. I divided by the 2009 total claim costs for PMAP Families and Children enrollees to arrive at the adjustment factors shown in Table 4-2.

For MNCare Families and Children, DHS estimated that 2009 PCA payments amounted to \$2.53 PMPM. I used a similar method to arrive at a revised cost of \$2.41 PMPM for PCA payments in 2009, and the adjustment factor shown in Table 4-2.

For PMAP Adults without Children, I went back to my March 9, 2011 letter developing rates for the PMAP Adults without Children rate cells. On page 7 of that report, adding PCA coverage to the starting MNCare data increased the claim costs by approximately 1.7%, and adding home care and PCA coverage to the starting PGAMC data increased the claim costs by approximately 3.5%. Using similar logic as above, I modified my March 9 analysis to assume that PCA claims accounted for only 1.6% of the starting MNCare data and only 3.4% of the starting PGAMC data (assuming PCA claims represent half of the home care and PCA claims). The resulting adjustment factor in Table 4-2 represents the ratio of the revised average 2011 capitation rate to the average 2011 capitation rate in my March 9 report.

**Table 4-2: October 2011 Factors for PCA Payments**

<b>Program</b>	<b>Affected Rate Cells</b>	<b>Factor</b>
PMAP Families and Children	All except Pregnant Women	0.9994
MNCare Families and Children	K,L except Pregnant Women	0.9994
PMAP Adults without Children	All	0.9993

I understand that this change is not being implemented immediately due to a court issued temporary restraining order. The adjustment may be implemented at a later time depending on how matters are resolved.

**TRANSPORTATION**

Effective September 1, 2011, rates for emergency and nonemergency transportation (including special transportation, taxi, other commercial carriers, and ambulance services) are reduced by 4.5%. Payments made to managed care plans and county-based purchasing plans must be reduced for services provided on or after January 1, 2012 to reflect this reduction.

I used 2009 claims by service category (including transportation) for each program provided by DHS for a previous assignment to calculate the impact of a 4.5% reduction in medical transportation. The resulting adjustment factors shown in Table 4-3 reflect the impact of the 4.5% reduction.

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.



**Table 4-3: January 2012 Factors for Medical Transportation**

Program	Affected Rate Cells	Factor
PMAP Families and Children	All	0.9996
MNCare Families and Children	All	0.9997
PMAP Adults without Children	All	0.9992
MNCare Adults without Children	All	0.9992

**FAMILY DEDUCTIBLE**

Effective January 1, 2012, a monthly family deductible of \$2.55 is being added to the PMAP and MNCare programs. This deductible will not apply to recipients under age 21 or to pregnant women. DHS estimates that 36% of non-pregnant adults will owe this deductible taking into account the probability that services will be utilized during any given month, that the deductible is applied on a family basis, and that total cost sharing is subject to an income test. I added a 10% provision for retention to the cost of the deductible which produced an expected cost of \$1.02 PMPM. I then divided by the average estimated CY 2012 rate for non-pregnant adults before benefit changes to generate the adjustment factors in Table 4-4.

**Table 4-4: January 2012 Factors for Induced Labor**

Program	Affected Rate Cells	Factor
PMAP Families and Children	Ages 21-64, except Pregnant Women	0.9980
MNCare Families and Children	Ages 21-64, except Pregnant Women	0.9976
PMAP Adults without Children	All	0.9988
MNCare Adults without Children	All	0.9977

**WITHHOLD FOR INDUCED LABOR**

Effective January 1, 2012, DHS is implementing a program to eliminate elective inductions of labor prior to 39 weeks gestation. Payment for professional services associated with delivery of a child will only be made once the provider submits information about the nature of the labor and delivery, including any induction of labor that was performed.

DHS estimates an annual savings of approximately \$4.4 million each year from eliminating inductions of labor prior to 39 weeks gestation, phased in at 30%, 80%, 90%, and 100% for fiscal years 2012, 2013, 2014, and 2015, respectively. Managed care accounted for 75% of all births paid for by DHS, so I assume that 75% of these savings will apply towards the PMAP and MNCare programs. The calendar year 2012 savings are therefore assumed to be approximately \$2.3 million, allocated to PMAP and MNCare according to the total claims from pregnant women in each program. The factors in Table 4-5 represent the impact of these savings on the total pregnant women claims.

**Table 4-5: January 2012 Factors for Family Deductible**

Program	Affected Rate Cells	Factor
PMAP Families and Children	Pregnant Women	0.9875
MNCare Families and Children	Pregnant Women	0.9875

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.

## MEDICATION THERAPY MANAGEMENT

DHS has determined that this change impacts primarily FFS enrollees and will have no material impact on managed care costs.

## IN-REACH

DHS is still discussing details regarding the implementation of this benefit, so pricing information is not yet available.

## SPECIALIZED MAINTENANCE THERAPY

DHS has determined that this change impacts primarily FFS enrollees and will have no material impact on managed care costs.

## CHANGES TO ASSESSMENTS FOR RESIDENTIAL CHEMICAL DEPENDENCY TREATMENT

DHS has determined that this change has no impact on managed care.

## COPAYS

Certain copays will be required effective September 1, 2011, including:

- \$3 for non-preventive visits;
- \$3 for eyeglasses;
- \$3.50 for non-emergency visits to an emergency room (\$20 upon federal approval);
- \$3 per brand-name prescription and \$1 per generic prescription, subject to a \$12 monthly maximum.

Certain exceptions apply including children under age 21 and pregnant women.

These copayments were in effect previously until they were removed effective January 1, 2009. At that time, no upward adjustment was made to the rates pursuant to state law. For that reason, DHS has determined that no downward adjustments should be made at this time.

## **APPENDIX 1**

### **SUMMARY OF ALL LOW AND HIGH RATES**

---

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.

---

**Appendix 1: 2012 Rates by Rate Cell – MNCare – Average Capitation Rates by Area**

**MNCare Families and Children**

<b>Scenario</b>	<b>Bid Areas</b>	<b>Non-Metro</b>	<b>Total</b>
Low	\$ 272.10	\$ 285.33	\$ 279.62
High	\$ 355.65	\$ 353.31	\$ 354.32

**MNCare Adults without Children**

<b>Scenario</b>	<b>Bid Areas</b>	<b>Non-Metro</b>	<b>Total</b>
Low	\$ 423.71	\$ 448.09	\$ 437.24
High	\$ 550.91	\$ 551.94	\$ 551.48

---

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.

**Appendix 1: 2012 Rates by Rate Cell – MNCare – Low Scenario**

**2012 Capitation Rate by Rate Cell – Low Scenario**

Rate Cell				Region									
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright
0 - 1	Female	K,L	I1,I2	\$ 543.45	\$ 453.23	\$ 486.89	\$ 436.71	\$ 503.70	\$ 477.51	\$ 453.23	\$ 503.70	\$ 557.69	\$ 503.70
1 - 2	Female	K,L	I1,I2	140.20	116.92	125.61	112.66	129.94	123.19	116.92	129.94	143.87	129.94
2 - 15	Female	K,L	C1, C2	156.66	130.65	140.36	125.89	145.20	137.66	130.65	145.20	160.77	145.20
16 - 20	Female	K,L	C1, C2	281.58	234.83	252.28	226.28	260.98	247.42	234.83	260.98	288.96	260.98
0 - 1	Male	K,L	I1,I2	723.02	602.99	647.78	581.02	670.14	635.30	602.99	670.14	741.97	670.14
1 - 2	Male	K,L	I1,I2	178.32	148.72	159.77	143.30	165.28	156.69	148.72	165.28	182.99	165.28
2 - 15	Male	K,L	C1, C2	171.36	142.91	153.53	137.71	158.83	150.57	142.91	158.83	175.85	158.83
16 - 20	Male	K,L	C1, C2	243.34	202.94	218.02	195.55	225.54	213.82	202.94	225.54	249.72	225.54
Pregnant Women	Female	K,L	P1,P2	1,243.39	1,036.97	1,113.99	999.18	1,152.44	1,092.53	1,036.97	1,152.44	1,275.97	1,152.44
21 - 49	Female	F,J	A2	437.48	364.85	391.95	351.56	405.48	384.40	364.85	405.48	448.94	405.48
21 - 49	Female	F,J	M2	448.95	374.42	402.23	360.77	416.11	394.48	374.42	416.11	460.71	416.11
50 +	Female	F,J	A2	563.19	469.69	504.58	452.57	522.00	494.86	469.69	522.00	577.94	522.00
50 +	Female	F,J	M2	577.95	482.00	517.81	464.44	535.68	507.83	482.00	535.68	593.09	535.68
21 - 49	Male	F,J	A2	295.11	246.12	264.40	237.15	273.52	259.30	246.12	273.52	302.84	273.52
21 - 49	Male	F,J	M2	302.84	252.57	271.33	243.36	280.69	266.10	252.57	280.69	310.78	280.69
50 +	Male	F,J	A2	521.66	435.06	467.37	419.20	483.50	458.37	435.06	483.50	535.33	483.50
50 +	Male	F,J	M2	535.33	446.46	479.62	430.19	496.18	470.38	446.46	496.18	549.36	496.18
21 - 49	Female	B	M1	447.49	420.92	432.13	375.32	420.39	417.57	420.92	420.39	451.96	420.39
50 +	Female	B	M1	589.43	554.44	569.21	494.37	553.74	550.03	554.44	553.74	595.32	553.74
21 - 49	Male	B	M1	377.94	355.51	364.97	316.99	355.05	352.67	355.51	355.05	381.72	355.05
50 +	Male	B	M1	534.52	502.79	516.18	448.31	502.15	498.78	502.79	502.15	539.86	502.15

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.

**Appendix 1: 2012 Rates by Rate Cell – MNCare – High Scenario**

**2012 Capitation Rate by Rate Cell – High Scenario**

Rate Cell				Region									
Age Category	Gender	Program	Eligibility	Anoka	Carver	Dakota	Hennepin	Non-Metro	Ramsey	Scott	Sherburne	Washington	Wright
0 - 1	Female	K,L	I1,I2	\$ 710.31	\$ 592.39	\$ 636.39	\$ 570.80	\$ 623.71	\$ 624.13	\$ 592.39	\$ 623.71	\$ 728.92	\$ 623.71
1 - 2	Female	K,L	I1,I2	183.24	152.82	164.17	147.25	160.90	161.01	152.82	160.90	188.05	160.90
2 - 15	Female	K,L	C1, C2	204.77	170.77	183.46	164.55	179.80	179.92	170.77	179.80	210.13	179.80
16 - 20	Female	K,L	C1, C2	368.04	306.94	329.74	295.75	323.16	323.38	306.94	323.16	377.68	323.16
0 - 1	Male	K,L	I1,I2	945.02	788.14	846.68	759.41	829.80	830.36	788.14	829.80	969.78	829.80
1 - 2	Male	K,L	I1,I2	233.08	194.38	208.82	187.30	204.66	204.80	194.38	204.66	239.18	204.66
2 - 15	Male	K,L	C1, C2	223.98	186.80	200.67	179.99	196.67	196.80	186.80	196.67	229.85	196.67
16 - 20	Male	K,L	C1, C2	318.06	265.26	284.96	255.59	279.28	279.47	265.26	279.28	326.39	279.28
Pregnant Women	Female	K,L	P1,P2	1,625.17	1,355.37	1,456.04	1,305.97	1,427.02	1,427.98	1,355.37	1,427.02	1,667.74	1,427.02
21 - 49	Female	F,J	A2	571.81	476.88	512.30	459.50	502.09	502.43	476.88	502.09	586.79	502.09
21 - 49	Female	F,J	M2	586.80	489.38	525.73	471.54	515.25	515.60	489.38	515.25	602.17	515.25
50 +	Female	F,J	A2	736.11	613.91	659.51	591.53	646.36	646.80	613.91	646.36	755.40	646.36
50 +	Female	F,J	M2	755.41	630.00	676.80	607.04	663.31	663.76	630.00	663.31	775.20	663.31
21 - 49	Male	F,J	A2	385.72	321.68	345.58	309.96	338.69	338.92	321.68	338.69	395.82	338.69
21 - 49	Male	F,J	M2	395.83	330.12	354.64	318.09	347.57	347.80	330.12	347.57	406.20	347.57
50 +	Male	F,J	A2	681.83	568.64	610.88	547.91	598.70	599.11	568.64	598.70	699.70	598.70
50 +	Male	F,J	M2	699.71	583.54	626.89	562.28	614.39	614.81	583.54	614.39	718.04	614.39
21 - 49	Female	B	M1	581.83	547.29	561.86	487.99	517.82	542.92	547.29	517.82	587.64	517.82
50 +	Female	B	M1	766.39	720.89	740.09	642.79	682.08	715.15	720.89	682.08	774.04	682.08
21 - 49	Male	B	M1	491.40	462.23	474.54	412.15	437.35	458.55	462.23	437.35	496.31	437.35
50 +	Male	B	M1	694.99	653.73	671.14	582.90	618.54	648.52	653.73	618.54	701.93	618.54

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.

**APPENDIX 2**  
**COPY OF JUNE 1, 2011 LETTER**  
**RATE CELL RELATIVES FOR FAMILIES AND CHILDREN**

---

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.



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

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

milliman.com

June 1, 2011

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

**Re: Preliminary Analysis of MNCare Costs by Demographic Rate Cell – Families and Children and Pregnant Women**

Dear Jason:

This letter discusses my preliminary analysis of capitation rate relativities by rate cell for the MNCare Families and Children and Pregnant Women program. This letter does not address the rate relativities for the MN Care Adults without Children rate cells (MNCare “B” rate cells). The capitation rates for the Families and Children and Pregnant Women program are currently determined on a quarterly basis by blending demographic rates, which do not vary by managed care organization (MCO), and risk adjusted rates, which do vary. The relativities in this letter are intended to apply only to the demographic rates and not to the risk adjusted rates.

This letter also describes my analysis of historical claim cost relativities by (1) geographic area, (2) demographic rate cell, and (3) program/eligibility type. For MNCare, demographic rate cells are defined in terms of age and gender and pregnancy status. The preliminary rate relativities in this letter were developed based on this analysis.

The purpose of this analysis is to assist the Minnesota Department of Human Services (DHS) with setting demographic payment rates for contracting MCOs. The results may not be appropriate for other purposes. The results contained in this letter are intended only for use by DHS. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

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 report are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Differences between the estimates in my analysis 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

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.



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.

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 this 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.

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

### **Data Reliance**

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

1. Detailed claim and enrollment data by demographic rate cell, geographic area, and program/eligibility type provided by the MCOs that contract with DHS. Data was provided for calendar years 2008, 2009, and 2010.
2. DHS's past rate calculation spreadsheets.
3. Calendar year 2010 enrollment reports provided by DHS.
4. Miscellaneous comments and information provided by DHS and the MCOs.

### **Preliminary Demographic Rate Relativities**

Preliminary rate relativities by demographic rate cell, program/eligibility type, and geographic area cell are shown in Tables 1, 2, and 3, respectively. The tables show factors developed using MCO experience for each calendar year 2008 through 2010, as well as preliminary factors. The preliminary factors were developed using experience for 2009 and 2010, along with certain adjustments described below.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**Table 1: Rate Relativities by Age and Gender**

Rate Cell		Calculated Cost Relativity Factors by Year			Preliminary Factors
Age Grp	Gender	2008	2009	2010	
0 - 1	F	1.674	1.979	1.652	1.762
1 - 2	F	0.516	0.442	0.461	0.454
2 - 15	F	0.491	0.532	0.495	0.508
16 - 20	F	0.902	0.915	0.911	0.913
21 - 49	F	1.469	1.453	1.454	1.453
50+	F	1.902	1.867	1.873	1.871
0 - 1	M	2.223	1.922	2.548	2.344
1 - 2	M	0.916	0.591	0.570	0.578
2 - 15	M	0.553	0.559	0.554	0.555
16 - 20	M	0.684	0.766	0.800	0.789
21 - 49	M	1.008	0.977	0.982	0.980
50+	M	1.810	1.690	1.756	1.733
Pregnant Women	F	3.946	4.106	3.994	4.030

**Table 2: Rate Relativities by Program and Eligibility**

Rate Cell		Calculated Cost Relativity Factors by Year			Preliminary Factors
Program	Eligibility	2008	2009	2010	
K,L	All	1.000	1.000	1.000	1.000
F,J	A2	0.948	0.956	0.987	0.976
F,J	M2	1.003	1.003	1.001	1.001

**Table 3: Rate Relativities by Geographic Area**

Area	Calculated Cost Relativity Factors by Year			Preliminary Factors
	2008	2009	2010	
Anoka	1.034	1.179	1.116	1.138
Scott / Carver	0.886	0.892	0.978	0.949
Dakota	1.053	1.046	1.009	1.020
Hennepin	0.952	0.928	0.908	0.915
Ramsey	1.110	0.961	1.020	1.000
Non-Metro	0.977	1.001	0.999	0.999
Washington	1.254	1.130	1.188	1.168

Exhibit A of this letter shows the impact of using these recommended factors on July 1, 2011 demographic capitation rates.

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

The factors in Tables 1, 2, and 3 include a revenue neutrality adjustment so that when taken together, they are revenue neutral based on the 2010 membership distribution.

I am aware of several changes that have occurred over the last few years which have likely contributed to the trends in cost relationships by rate cell as reflected in Tables 1, 2, and 3 above.

These include:

- Changes in provider reimbursement levels mandated by state law;
- Shifts in the mix of business by plan; and
- Variations in cost trends by service category to the extent the mix of services differs by rate cell. Based on anecdotal evidence, we believe cost levels for certain service categories such as personal care attendant services, dental, and mental health may have been trending at higher than average rates.

These factors do not include an adjustment for the potential impact of the RBRVS fee schedule, although I am considering an adjustment for this that would be applied separately.

Covered benefits and cost sharing have also changed over the years, although I adjusted the historical data for these changes as described below, to adjust costs to reflect benefits and cost sharing as of July 1, 2011.

## **Methodology**

I began by calculating the raw average claim cost per member per month (PMPM) by calendar year, geographic area, program/eligibility type, and demographic rate cell. The new 2012 areas defined for this product are Anoka, Scott/Carver, Dakota, Hennepin, Ramsey, Washington, and Non-Metro. The demographic rate cells for this program are shown in Table 1, above.

The MCOs provided enrollment and estimated aggregate incurred claim cost by calendar year (2008, 2009, and 2010), which I used for this purpose. DHS asked the MCOs to provide their best estimate (without margin) of total incurred claims by year using the most recent runout available (February 2011 for most MCOs).

DHS also asked the MCOs to separately report the number and dollar volume of large claims by rate cell so I could consider the impact of large claims on the results. A "large claim" is defined for this study as the total claims for an individual in a calendar year where the total is greater than \$100,000. I examined the impact of large claims on the results and determined no adjustments are needed.

I used the data to calculate PMPM claim costs for calendar years 2008, 2009, and 2010. I adjusted the experience data to reflect benefit changes between 2008 and 2010. For purposes of this

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

analysis, I did not reflect adjustments for trend and utilization (including FFS ratable reductions), nor morbidity changes.

Benefit changes from 2008 to 2009 included:

- Adding coverage for mental health targeted case management services starting July 1, 2009—the adjustment factors I used are:
  - 1.0049 for children ages 2 – 20 and pregnant women; and
  - 1.0038 for males and females over age 20;

I applied this factor again to the 2009 experience to reflect that coverage would be effective for the entire year;

- Adding coverage for Rule 5 children's residential mental health treatment services—the adjustment factor I used is 1.0012 for children ages 2-20;
- Adding coverage for halfway house and extended care treatment services starting July 1, 2008—the adjustment factor I used is 1.0017 for males and females over age 2; and
- Removing coverage for the room and board portion of chemical dependency costs for stays in freestanding residential treatment centers—the adjustment factor I used is 0.9990 for all rate cells.

Benefit changes from 2009 to 2010 included:

- Dental coverage changes—the adjustment factors I used are 0.9960 for children ages 2-20, 0.9977 for males and females age 21-49, 0.9941 for males and females over age 49;
- Adding coverage for Gardasil for males ages 9-26—the adjustment factors I used are 1.0002 for males age 2-15, 1.0006 for males age 16-20, and 1.0001 for males age 21-49; and
- Adding Health Care Home payments starting July 1, 2010—the adjustment factors I used are 1.0002 for pregnant women, 1.0003 for males and females ages 0-20, and 1.0007 for males and females over age 20.

Benefit changes from 2010 to July 1, 2011 included:

- Adding coverage for varicella (chicken pox) vaccine for adults over age 18—the adjustment factor I used is 1.0001 for ages over 15;
- Expanding coverage of chiropractic services—the adjustment factors I used are 1.0006 for ages 0-20, 1.0007 for ages over 20, and 1.0003 for pregnant women;
- Updating Health Care Home payment impact—for 2011 rates, I developed an adjustment that recognizes more current cost and utilization assumptions. The following two-step adjustments were made:

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

- Removal of adjustment factors from 2010—the adjustment factors I used are 0.9998 for pregnant women, 0.9997 for males and females ages 0-20, and 0.9993 for males and females over age 20;
- Addition of adjustment factors for 2011—the adjustment factors I used are 1.0009 for pregnant women, 1.0014 for males and females ages 0-20, and 1.0029 for males and females over age 20;
- Changing inpatient hospital services to a FFS basis starting July 1, 2011—the adjustment factors I used are 0.9975 males and females ages 21-49 in program F,J A2 and 0.9963 for all other rate cells;
- Adding coverage for services provided in birth centers starting July 1, 2011—the adjustment factor I used is 0.9986 for pregnant women; and
- Changes to activities of daily living (ADL) and behavior thresholds for personal care assistant (PCA) benefits starting July 1, 2011—the adjustment factor I used is 0.9991 for children ages 0-20.

All of these factors were developed previously as the benefit changes were introduced, as described in prior letters for prior years.

Since I based my analysis on rate relativities (instead of dollar amounts), I did not adjust for changes that applied to all rate cells, such as trend adjustments.

I then used the adjusted PMPM claim costs to calculate relativities. I first calculated a relativity for each rate cell (demographic, area, and program/eligibility type) in each year, representing the PMPM claim cost of that rate cell relative to the average across all rate cells. A summary of the enrollment and corresponding relativities is included as Exhibit B of this letter.

I chose to use the weighted average relativities from the 2009 and 2010 data to develop my “initial” relativity factors for the purposes of the discussion below. I gave two-thirds weight to the most recent year, 2010, and one-third weight to 2009. I chose not to use the 2008 relativities primarily because of the age of the data and because there have been significant changes in the program since that time.

I then used these initial relativities to calculate demographic, area, and program/eligibility factors in a step-wise fashion. First, I calculated the average relativity for each demographic rate cell using the current enrollment mix by geographic area, demographic rate cell, and program/eligibility type.

The demographic factor for each demographic rate cell was set equal to the ratio of the average relativity for that demographic rate cell to the average across rate cells using the statewide enrollment mix by demographic rate cell. I then adjusted each initial relativity from Exhibit B by dividing by its demographic factor so calculated.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

To calculate the averages in the previous two paragraphs, I used calendar year 2010 enrollment because I believed it was a good proxy for 2012 enrollment. The enrollment figures I used are shown at the top of Exhibit A.

I then used these demographically adjusted relativities to calculate area factors in a similar fashion. I calculated the average adjusted relativity for each area using the calendar year 2010 enrollment mix by demographic rate cell and program/eligibility type. The area factor was set equal to the ratio of the average relativity factor for that area to the average across areas using the overall enrollment mix by area.

Next, I adjusted the initial table of relativities using both the demographic and area factors. I used these adjusted relativities to calculate program/eligibility factors. I calculated the average adjusted relativity for each program/eligibility type using the calendar year 2010 enrollment mix by demographic rate cell and area. The program/eligibility factor was set equal to the ratio of the average relativity factor for that program/eligibility type to the average across types using the statewide enrollment mix by type.

Finally, I returned to the initial relativities in Exhibit B. I recalculated each of the demographic, area, and program/eligibility factors in turn by first adjusting the initial relativities using the other two sets of factors and then proceeding as described above. This process was repeated until all three sets of relativity factors ceased to change (which occurred in fairly few iterations).

As part of the process, each new set of factors was normalized to average to 1.000 based on the 2010 enrollment mix. After the iterative process was complete, I applied a final revenue neutrality adjustment to the demographic, area, and program/eligibility factors so that taken together they averaged 1.000 over the 2010 membership distribution by demographic rate cell, area, and program/eligibility type.



Jason, please contact me if you have any questions about this letter. You can reach me at [REDACTED] or at [REDACTED].

Sincerely,



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

LMW/mjw

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.



**Exhibit A: Calculation of Percentage Change in Demographic Capitation Rates**

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro	Total
			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro	Total
Program	Age	Gender	Member Months										
K,L / All	0 - 1	F	301	49	385	1,225	811	245	161	240	218	3,320	6,955
K,L / All	1 - 2	F	275	54	325	1,161	789	171	185	335	256	3,363	6,914
K,L / All	2 - 15	F	9,566	1,798	9,725	27,605	16,659	3,683	3,522	5,648	5,316	84,996	168,518
K,L / All	16 - 20	F	3,992	682	3,062	9,869	7,031	1,325	1,225	2,290	1,866	35,520	66,862
K,L / All	0 - 1	M	292	84	511	1,374	999	195	203	346	208	3,915	8,127
K,L / All	1 - 2	M	383	67	427	1,319	972	188	165	235	259	3,769	7,784
K,L / All	2 - 15	M	10,038	1,591	9,633	27,350	17,524	4,052	3,545	5,832	5,084	88,557	173,206
K,L / All	16 - 20	M	3,923	875	3,299	9,525	7,481	1,423	1,304	1,911	1,717	35,063	66,521
K,L / All	Pregnant Women	F	508	132	532	1,493	1,078	231	181	391	303	4,651	9,500
F,J / A2	21 - 49	F	1,023	185	805	1,366	855	201	235	386	272	5,712	11,040
F,J / A2	50 +	F	181	34	152	349	221	74	37	96	89	1,543	2,776
F,J / A2	21 - 49	M	499	109	277	554	305	61	130	116	116	3,040	5,207
F,J / A2	50 +	M	141	14	116	272	184	30	74	60	26	1,252	2,169
F,J / M2	21 - 49	F	12,164	1,807	11,795	28,575	17,405	4,254	4,092	6,224	5,622	96,980	188,918
F,J / M2	50 +	F	1,715	302	1,642	5,913	3,128	538	409	1,125	626	16,036	31,434
F,J / M2	21 - 49	M	7,974	963	6,332	14,707	9,358	2,736	2,736	3,543	3,651	65,272	117,272
F,J / M2	50 +	M	1,855	358	1,742	5,174	3,020	417	373	903	704	15,832	30,378
<b>Total</b>			<b>54,830</b>	<b>9,104</b>	<b>50,760</b>	<b>137,831</b>	<b>87,820</b>	<b>19,824</b>	<b>18,577</b>	<b>29,681</b>	<b>26,333</b>	<b>468,820</b>	<b>903,580</b>
<b>2. 2011 Original Capitation Rates after Ratable Reductions</b>													
K,L / All	0 - 1	F	\$ 585.94	\$ 585.94	\$ 585.94	\$ 585.94	\$ 585.94	\$ 585.94	\$ 559.43	\$ 585.94	\$ 559.43	\$ 559.43	\$ 571.84
K,L / All	1 - 2	F	\$ 173.21	\$ 173.21	\$ 173.21	\$ 173.21	\$ 173.21	\$ 173.21	\$ 165.37	\$ 173.21	\$ 165.37	\$ 165.37	\$ 168.89
K,L / All	2 - 15	F	\$ 165.37	\$ 165.37	\$ 165.37	\$ 165.37	\$ 165.37	\$ 165.37	\$ 157.88	\$ 165.37	\$ 157.88	\$ 157.88	\$ 161.20
K,L / All	16 - 20	F	\$ 305.33	\$ 305.33	\$ 305.33	\$ 305.33	\$ 305.33	\$ 305.33	\$ 291.50	\$ 305.33	\$ 291.50	\$ 291.50	\$ 297.34
K,L / All	0 - 1	M	\$ 750.54	\$ 750.54	\$ 750.54	\$ 750.54	\$ 750.54	\$ 750.54	\$ 716.63	\$ 750.54	\$ 716.63	\$ 716.63	\$ 732.49
K,L / All	1 - 2	M	\$ 264.44	\$ 264.44	\$ 264.44	\$ 264.44	\$ 264.44	\$ 264.44	\$ 252.49	\$ 264.44	\$ 252.49	\$ 252.49	\$ 258.00
K,L / All	2 - 15	M	\$ 183.39	\$ 183.39	\$ 183.39	\$ 183.39	\$ 183.39	\$ 183.39	\$ 175.11	\$ 183.39	\$ 175.11	\$ 175.11	\$ 178.74
K,L / All	16 - 20	M	\$ 243.13	\$ 243.13	\$ 243.13	\$ 243.13	\$ 243.13	\$ 243.13	\$ 232.15	\$ 243.13	\$ 232.15	\$ 232.15	\$ 236.84
K,L / All	Pregnant Women	F	\$ 1,407.82	\$ 1,407.82	\$ 1,407.82	\$ 1,407.82	\$ 1,407.82	\$ 1,407.82	\$ 1,344.12	\$ 1,407.82	\$ 1,344.12	\$ 1,344.12	\$ 1,373.39
F,J / A2	21 - 49	F	\$ 467.28	\$ 467.28	\$ 467.28	\$ 467.28	\$ 467.28	\$ 467.28	\$ 446.15	\$ 467.28	\$ 446.15	\$ 446.15	\$ 455.37
F,J / A2	50 +	F	\$ 619.98	\$ 619.98	\$ 619.98	\$ 619.98	\$ 619.98	\$ 619.98	\$ 591.97	\$ 619.98	\$ 591.97	\$ 591.97	\$ 603.14
F,J / A2	21 - 49	M	\$ 358.80	\$ 358.80	\$ 358.80	\$ 358.80	\$ 358.80	\$ 358.80	\$ 342.60	\$ 358.80	\$ 342.60	\$ 342.60	\$ 348.58
F,J / A2	50 +	M	\$ 575.40	\$ 575.40	\$ 575.40	\$ 575.40	\$ 575.40	\$ 575.40	\$ 549.40	\$ 575.40	\$ 549.40	\$ 549.40	\$ 559.19
F,J / M2	21 - 49	F	\$ 485.15	\$ 485.15	\$ 485.15	\$ 485.15	\$ 485.15	\$ 485.15	\$ 463.21	\$ 485.15	\$ 463.21	\$ 463.21	\$ 472.76
F,J / M2	50 +	F	\$ 643.70	\$ 643.70	\$ 643.70	\$ 643.70	\$ 643.70	\$ 643.70	\$ 614.57	\$ 643.70	\$ 614.57	\$ 614.57	\$ 627.88
F,J / M2	21 - 49	M	\$ 372.56	\$ 372.56	\$ 372.56	\$ 372.56	\$ 372.56	\$ 372.56	\$ 355.69	\$ 372.56	\$ 355.69	\$ 355.69	\$ 362.25
F,J / M2	50 +	M	\$ 597.43	\$ 597.43	\$ 597.43	\$ 597.43	\$ 597.43	\$ 597.43	\$ 570.40	\$ 597.43	\$ 570.40	\$ 570.40	\$ 582.39
<b>Total</b>			<b>\$ 342.69</b>	<b>\$ 341.95</b>	<b>\$ 343.87</b>	<b>\$ 339.26</b>	<b>\$ 336.72</b>	<b>\$ 335.69</b>	<b>\$ 319.34</b>	<b>\$ 342.22</b>	<b>\$ 318.05</b>	<b>\$ 324.34</b>	<b>\$ 330.76</b>

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**Exhibit A Cont.: Calculation of Percentage Change in Demographic Capitation Rates**

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro	Total
			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro	Total
Program	Age	Gender											
<b>3. 2011 Capitation Rates Recalculated using Average 2011 Capitation Rate and Recommended Adjustment Factors</b>													
K,L / All	0 - 1	F	\$ 663.10	\$ 553.02	\$ 594.09	\$ 532.86	\$ 582.65	\$ 553.02	\$ 582.25	\$ 680.47	\$ 582.25	\$ 582.25	\$ 579.91
K,L / All	1 - 2	F	\$ 171.06	\$ 142.67	\$ 153.26	\$ 137.47	\$ 150.31	\$ 142.67	\$ 150.21	\$ 175.55	\$ 150.21	\$ 150.21	\$ 150.04
K,L / All	2 - 15	F	\$ 191.16	\$ 159.42	\$ 171.26	\$ 153.61	\$ 167.96	\$ 159.42	\$ 167.85	\$ 196.16	\$ 167.85	\$ 167.85	\$ 167.72
K,L / All	16 - 20	F	\$ 343.58	\$ 286.54	\$ 307.82	\$ 276.09	\$ 301.89	\$ 286.54	\$ 301.68	\$ 352.58	\$ 301.68	\$ 301.68	\$ 302.00
K,L / All	0 - 1	M	\$ 882.21	\$ 735.75	\$ 790.40	\$ 708.94	\$ 775.17	\$ 735.75	\$ 774.65	\$ 905.32	\$ 774.65	\$ 774.65	\$ 772.69
K,L / All	1 - 2	M	\$ 217.58	\$ 181.46	\$ 194.94	\$ 174.85	\$ 191.18	\$ 181.46	\$ 191.05	\$ 223.28	\$ 191.05	\$ 191.05	\$ 190.50
K,L / All	2 - 15	M	\$ 209.09	\$ 174.38	\$ 187.33	\$ 168.02	\$ 183.72	\$ 174.38	\$ 183.60	\$ 214.57	\$ 183.60	\$ 183.60	\$ 183.58
K,L / All	16 - 20	M	\$ 296.92	\$ 247.63	\$ 266.02	\$ 238.60	\$ 260.89	\$ 247.63	\$ 260.72	\$ 304.70	\$ 260.72	\$ 260.72	\$ 260.78
K,L / All	Pregnant Women	F	\$ 1,517.15	\$ 1,265.28	\$ 1,359.26	\$ 1,219.16	\$ 1,333.07	\$ 1,265.28	\$ 1,332.17	\$ 1,556.89	\$ 1,332.17	\$ 1,332.17	\$ 1,332.61
F,J / A2	21 - 49	F	\$ 533.80	\$ 445.18	\$ 478.25	\$ 428.96	\$ 469.04	\$ 445.18	\$ 468.72	\$ 547.79	\$ 468.72	\$ 468.72	\$ 472.49
F,J / A2	50 +	F	\$ 687.19	\$ 573.10	\$ 615.67	\$ 552.22	\$ 603.81	\$ 573.10	\$ 603.40	\$ 705.19	\$ 603.40	\$ 603.40	\$ 605.47
F,J / A2	21 - 49	M	\$ 360.08	\$ 300.30	\$ 322.61	\$ 289.36	\$ 316.39	\$ 300.30	\$ 316.18	\$ 369.52	\$ 316.18	\$ 316.18	\$ 318.56
F,J / A2	50 +	M	\$ 636.51	\$ 530.84	\$ 570.27	\$ 511.50	\$ 559.29	\$ 530.84	\$ 558.91	\$ 653.19	\$ 558.91	\$ 558.91	\$ 560.68
F,J / M2	21 - 49	F	\$ 547.79	\$ 456.85	\$ 490.79	\$ 440.20	\$ 481.33	\$ 456.85	\$ 481.00	\$ 562.15	\$ 481.00	\$ 481.00	\$ 481.67
F,J / M2	50 +	F	\$ 705.20	\$ 588.13	\$ 631.81	\$ 566.69	\$ 619.64	\$ 588.13	\$ 619.22	\$ 723.67	\$ 619.22	\$ 619.22	\$ 617.63
F,J / M2	21 - 49	M	\$ 369.52	\$ 308.17	\$ 331.07	\$ 296.94	\$ 324.69	\$ 308.17	\$ 324.47	\$ 379.20	\$ 324.47	\$ 324.47	\$ 325.59
F,J / M2	50 +	M	\$ 653.20	\$ 544.76	\$ 585.22	\$ 524.90	\$ 573.95	\$ 544.76	\$ 573.56	\$ 670.31	\$ 573.56	\$ 573.56	\$ 572.98
<b>Total</b>			\$ 379.23	\$ 317.32	\$ 341.91	\$ 302.99	\$ 329.10	\$ 310.32	\$ 325.19	\$ 389.76	\$ 323.87	\$ 330.35	\$ 330.76



**Exhibit A Cont.: Calculation of Percentage Change in Demographic Capitation Rates**

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro	Total
			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro	Total
Program	Age	Gender											
<b>4. Dollar Difference between Recalculated Capitation Rates and Original Capitation Rates</b>													
K,L / All	0 - 1	F	\$ 77.16	\$ (32.92)	\$ 8.16	\$ (53.08)	\$ (3.29)	\$ (32.92)	\$ 22.82	\$ 94.54	\$ 22.82	\$ 22.82	\$ 8.07
K,L / All	1 - 2	F	\$ (2.14)	\$ (30.54)	\$ (19.94)	\$ (35.74)	\$ (22.90)	\$ (30.54)	\$ (15.16)	\$ 2.34	\$ (15.16)	\$ (15.16)	\$ (18.86)
K,L / All	2 - 15	F	\$ 25.79	\$ (5.94)	\$ 5.90	\$ (11.75)	\$ 2.60	\$ (5.94)	\$ 9.96	\$ 30.80	\$ 9.96	\$ 9.96	\$ 6.52
K,L / All	16 - 20	F	\$ 38.25	\$ (18.79)	\$ 2.49	\$ (29.23)	\$ (3.44)	\$ (18.79)	\$ 10.19	\$ 47.25	\$ 10.19	\$ 10.19	\$ 4.66
K,L / All	0 - 1	M	\$ 131.68	\$ (14.78)	\$ 39.87	\$ (41.60)	\$ 24.64	\$ (14.78)	\$ 58.01	\$ 154.79	\$ 58.01	\$ 58.01	\$ 40.20
K,L / All	1 - 2	M	\$ (46.86)	\$ (82.98)	\$ (69.50)	\$ (89.59)	\$ (73.26)	\$ (82.98)	\$ (61.43)	\$ (41.16)	\$ (61.43)	\$ (61.43)	\$ (67.50)
K,L / All	2 - 15	M	\$ 25.70	\$ (9.01)	\$ 3.94	\$ (15.36)	\$ 0.33	\$ (9.01)	\$ 8.49	\$ 31.18	\$ 8.49	\$ 8.49	\$ 4.84
K,L / All	16 - 20	M	\$ 53.79	\$ 4.50	\$ 22.89	\$ (4.53)	\$ 17.77	\$ 4.50	\$ 28.57	\$ 61.57	\$ 28.57	\$ 28.57	\$ 23.94
K,L / All	Pregnant Women	F	\$ 109.33	\$ (142.54)	\$ (48.56)	\$ (188.66)	\$ (74.75)	\$ (142.54)	\$ (11.95)	\$ 149.07	\$ (11.95)	\$ (11.95)	\$ (40.77)
F,J / A2	21 - 49	F	\$ 66.53	\$ (22.09)	\$ 10.97	\$ (38.32)	\$ 1.76	\$ (22.09)	\$ 22.57	\$ 80.51	\$ 22.57	\$ 22.57	\$ 17.12
F,J / A2	50 +	F	\$ 67.20	\$ (46.88)	\$ (4.31)	\$ (67.77)	\$ (16.17)	\$ (46.88)	\$ 11.43	\$ 85.21	\$ 11.43	\$ 11.43	\$ 2.33
F,J / A2	21 - 49	M	\$ 1.28	\$ (58.50)	\$ (36.20)	\$ (69.45)	\$ (42.41)	\$ (58.50)	\$ (26.42)	\$ 10.71	\$ (26.42)	\$ (26.42)	\$ (30.02)
F,J / A2	50 +	M	\$ 61.12	\$ (44.55)	\$ (5.12)	\$ (63.90)	\$ (16.11)	\$ (44.55)	\$ 9.51	\$ 77.79	\$ 9.51	\$ 9.51	\$ 1.49
F,J / M2	21 - 49	F	\$ 62.64	\$ (28.30)	\$ 5.64	\$ (44.95)	\$ (3.82)	\$ (28.30)	\$ 17.80	\$ 77.00	\$ 17.80	\$ 17.80	\$ 8.92
F,J / M2	50 +	F	\$ 61.50	\$ (55.57)	\$ (11.89)	\$ (77.01)	\$ (24.06)	\$ (55.57)	\$ 4.65	\$ 79.98	\$ 4.65	\$ 4.65	\$ (10.24)
F,J / M2	21 - 49	M	\$ (3.04)	\$ (64.39)	\$ (41.50)	\$ (75.62)	\$ (47.87)	\$ (64.39)	\$ (31.22)	\$ 6.64	\$ (31.22)	\$ (31.22)	\$ (36.66)
F,J / M2	50 +	M	\$ 55.77	\$ (52.67)	\$ (12.21)	\$ (72.53)	\$ (23.48)	\$ (52.67)	\$ 3.15	\$ 72.88	\$ 3.15	\$ 3.15	\$ (9.40)
<b>Total</b>			\$ 36.54	\$ (24.63)	\$ (1.96)	\$ (36.27)	\$ (7.61)	\$ (25.36)	\$ 5.85	\$ 47.54	\$ 5.82	\$ 6.01	\$ -
<b>5. Dollar Difference as a Percentage of Original Capitation Rates</b>													
K,L / All	0 - 1	F	13.2%	-5.6%	1.4%	-9.1%	-0.6%	-5.6%	4.1%	16.1%	4.1%	4.1%	1.4%
K,L / All	1 - 2	F	-1.2%	-17.6%	-11.5%	-20.6%	-13.2%	-17.6%	-9.2%	1.4%	-9.2%	-9.2%	-11.2%
K,L / All	2 - 15	F	15.6%	-3.6%	3.6%	-7.1%	1.6%	-3.6%	6.3%	18.6%	6.3%	6.3%	4.0%
K,L / All	16 - 20	F	12.5%	-6.2%	0.8%	-9.6%	-1.1%	-6.2%	3.5%	15.5%	3.5%	3.5%	1.6%
K,L / All	0 - 1	M	17.5%	-2.0%	5.3%	-5.5%	3.3%	-2.0%	8.1%	20.6%	8.1%	8.1%	5.5%
K,L / All	1 - 2	M	-17.7%	-31.4%	-26.3%	-33.9%	-27.7%	-31.4%	-24.3%	-15.6%	-24.3%	-24.3%	-26.2%
K,L / All	2 - 15	M	14.0%	-4.9%	2.2%	-8.4%	0.2%	-4.9%	4.8%	17.0%	4.8%	4.8%	2.7%
K,L / All	16 - 20	M	22.1%	1.9%	9.4%	-1.9%	7.3%	1.9%	12.3%	25.3%	12.3%	12.3%	10.1%
K,L / All	Pregnant Women	F	7.8%	-10.1%	-3.4%	-13.4%	-5.3%	-10.1%	-0.9%	10.6%	-0.9%	-0.9%	-3.0%
F,J / A2	21 - 49	F	14.2%	-4.7%	2.3%	-8.2%	0.4%	-4.7%	5.1%	17.2%	5.1%	5.1%	3.8%
F,J / A2	50 +	F	10.8%	-7.6%	-0.7%	-10.9%	-2.6%	-7.6%	1.9%	13.7%	1.9%	1.9%	0.4%
F,J / A2	21 - 49	M	0.4%	-16.3%	-10.1%	-19.4%	-11.8%	-16.3%	-7.7%	3.0%	-7.7%	-7.7%	-8.6%
F,J / A2	50 +	M	10.6%	-7.7%	-0.9%	-11.1%	-2.8%	-7.7%	1.7%	13.5%	1.7%	1.7%	0.3%
F,J / M2	21 - 49	F	12.9%	-5.8%	1.2%	-9.3%	-0.8%	-5.8%	3.8%	15.9%	3.8%	3.8%	1.9%
F,J / M2	50 +	F	9.6%	-8.6%	-1.8%	-12.0%	-3.7%	-8.6%	0.8%	12.4%	0.8%	0.8%	-1.6%
F,J / M2	21 - 49	M	-0.8%	-17.3%	-11.1%	-20.3%	-12.9%	-17.3%	-8.8%	1.8%	-8.8%	-8.8%	-10.1%
F,J / M2	50 +	M	9.3%	-8.8%	-2.0%	-12.1%	-3.9%	-8.8%	0.6%	12.2%	0.6%	0.6%	-1.6%
<b>Total</b>			10.7%	-7.2%	-0.6%	-10.7%	-2.3%	-7.6%	1.8%	13.9%	1.8%	1.9%	0.0%

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

### Exhibit B: Member Months and Relativity Factors

Table B-1: 2008 Member Months and Claim Cost Relativities by Rate Cell

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro
Grouped Area			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro
Program	Age	Gender										
Member Months												
K,L / All	0 - 1	F	409	104	524	1,467	1,248	245	85	313	223	3,767
K,L / All	1 - 2	F	354	92	505	1,413	1,009	265	155	324	204	4,306
K,L / All	2 - 15	F	8,048	1,531	7,974	25,178	16,611	2,992	2,881	5,175	4,388	82,544
K,L / All	16 - 20	F	3,290	527	2,819	9,114	6,142	900	1,059	1,871	1,514	32,756
K,L / All	0 - 1	M	358	46	491	1,609	1,169	229	149	230	257	4,480
K,L / All	1 - 2	M	490	78	539	1,438	1,298	225	185	307	238	4,416
K,L / All	2 - 15	M	8,656	1,790	8,745	25,395	17,141	3,525	3,037	5,101	4,529	85,567
K,L / All	16 - 20	M	3,021	560	2,888	8,664	6,737	1,035	1,045	1,757	1,406	32,856
K,L / All	Pregnant Women	F	365	55	445	1,594	1,103	188	179	272	246	4,677
F,J / A2	21 - 49	F	2,422	389	2,194	4,360	2,480	709	633	1,051	1,068	20,716
F,J / A2	50 +	F	401	50	326	793	471	104	57	192	207	3,466
F,J / A2	21 - 49	M	1,289	206	958	1,871	994	376	408	416	556	12,519
F,J / A2	50 +	M	312	23	326	709	310	53	69	169	196	3,267
F,J / M2	21 - 49	F	7,764	1,268	8,318	20,513	12,674	2,814	2,803	4,371	3,436	70,934
F,J / M2	50 +	F	932	161	756	3,656	2,162	318	220	631	294	10,027
F,J / M2	21 - 49	M	5,001	739	4,189	10,806	6,469	1,642	1,622	2,296	2,241	48,105
F,J / M2	50 +	M	1,016	254	934	3,191	1,993	283	213	500	328	10,450
Relativity Factors												
K,L / All	0 - 1	F	1.190	0.752	0.908	1.924	1.585	0.752	1.878	1.429	1.878	1.878
K,L / All	1 - 2	F	0.368	0.408	0.412	0.597	0.408	0.408	0.569	0.381	0.569	0.569
K,L / All	2 - 15	F	0.507	0.387	0.446	0.493	0.690	0.387	0.478	0.709	0.478	0.478
K,L / All	16 - 20	F	0.818	0.822	1.194	0.791	0.884	0.822	0.960	0.919	0.960	0.960
K,L / All	0 - 1	M	6.382	1.162	1.420	1.673	1.943	1.162	2.091	8.199	2.091	2.091
K,L / All	1 - 2	M	0.608	0.550	0.658	0.641	2.994	0.550	0.711	0.585	0.711	0.711
K,L / All	2 - 15	M	0.581	0.460	0.615	0.583	0.695	0.460	0.538	0.597	0.538	0.538
K,L / All	16 - 20	M	0.703	0.782	0.807	0.654	0.526	0.782	0.724	0.773	0.724	0.724
K,L / All	Pregnant Women	F	5.085	3.430	4.304	3.984	4.371	3.430	3.926	4.089	3.926	3.926
F,J / A2	21 - 49	F	1.399	1.554	1.487	1.346	1.284	1.554	1.472	1.121	1.472	1.472
F,J / A2	50 +	F	2.239	2.721	1.728	1.627	2.121	2.721	2.101	2.157	2.101	2.101
F,J / A2	21 - 49	M	0.945	1.176	1.076	0.828	1.090	1.176	0.903	0.964	0.903	0.903
F,J / A2	50 +	M	1.175	2.345	1.172	1.392	1.944	2.345	1.769	1.029	1.769	1.769
F,J / M2	21 - 49	F	1.754	1.402	1.424	1.288	1.425	1.402	1.550	1.879	1.550	1.550
F,J / M2	50 +	F	1.623	1.906	2.214	2.185	2.086	1.906	1.848	1.368	1.848	1.848
F,J / M2	21 - 49	M	1.124	0.987	1.249	0.976	1.020	0.987	0.988	1.962	0.988	0.988
F,J / M2	50 +	M	1.307	1.962	3.321	2.071	2.435	1.962	1.631	1.582	1.631	1.631

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

### Exhibit B (Con't): Member Months and Relativity Factors

Table B-2: 2009 Member Months and Claim Cost Relativities by Rate Cell

Area Grouped Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro
Program	Age	Gender	Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro
Member Months												
K,L / All	0 - 1	F	278	46	274	1,182	790	171	179	270	286	3,380
K,L / All	1 - 2	F	369	80	391	1,274	967	229	53	260	158	3,316
K,L / All	2 - 15	F	8,551	1,560	8,285	23,838	15,219	3,135	2,875	4,787	4,448	78,650
K,L / All	16 - 20	F	3,444	577	2,673	8,822	6,328	1,066	1,070	2,008	1,481	31,767
K,L / All	0 - 1	M	363	47	415	1,413	1,018	188	148	267	214	4,014
K,L / All	1 - 2	M	319	31	446	1,293	939	201	124	223	316	3,896
K,L / All	2 - 15	M	8,881	1,601	8,670	24,186	16,587	3,592	3,017	4,810	4,416	80,934
K,L / All	16 - 20	M	3,533	645	2,945	8,195	6,500	1,056	1,008	1,748	1,402	31,399
K,L / All	Pregnant Women	F	329	62	434	1,240	916	211	258	255	284	4,257
F,J / A2	21 - 49	F	1,449	266	1,278	2,270	1,287	403	323	502	489	9,981
F,J / A2	50 +	F	261	34	209	407	292	47	49	128	95	2,013
F,J / A2	21 - 49	M	720	98	501	917	472	191	213	224	192	5,767
F,J / A2	50 +	M	170	25	184	365	156	21	74	83	70	1,727
F,J / M2	21 - 49	F	9,907	1,457	9,761	22,794	13,742	3,286	3,188	4,912	4,298	79,545
F,J / M2	50 +	F	1,327	189	1,236	4,321	2,478	378	266	840	349	12,309
F,J / M2	21 - 49	M	6,342	824	4,950	11,736	7,191	2,029	2,017	2,541	2,724	53,897
F,J / M2	50 +	M	1,382	250	1,347	3,875	2,367	325	273	628	468	12,200
Relativity Factors												
K,L / All	0 - 1	F	1.302	0.845	0.973	2.012	1.017	0.845	2.486	1.297	2.486	2.486
K,L / All	1 - 2	F	0.338	0.918	0.445	0.523	0.410	0.918	0.402	0.427	0.402	0.402
K,L / All	2 - 15	F	0.782	0.439	0.498	0.464	0.486	0.439	0.553	0.631	0.553	0.553
K,L / All	16 - 20	F	0.927	0.801	1.014	0.928	0.999	0.801	0.900	1.088	0.900	0.900
K,L / All	0 - 1	M	1.912	1.812	1.874	1.629	1.422	1.812	2.220	1.250	2.220	2.220
K,L / All	1 - 2	M	0.684	0.506	0.504	0.591	0.574	0.506	0.615	0.437	0.615	0.615
K,L / All	2 - 15	M	0.618	0.461	0.635	0.527	0.523	0.461	0.572	0.669	0.572	0.572
K,L / All	16 - 20	M	0.736	0.898	0.923	0.684	0.580	0.898	0.814	0.842	0.814	0.814
K,L / All	Pregnant Women	F	4.583	3.863	4.040	4.152	4.186	3.863	4.078	4.676	4.078	4.078
F,J / A2	21 - 49	F	1.749	2.016	1.436	1.322	1.717	2.016	1.453	1.074	1.453	1.453
F,J / A2	50 +	F	1.191	2.029	1.535	2.026	1.814	2.029	1.793	1.111	1.793	1.793
F,J / A2	21 - 49	M	0.938	0.855	0.944	0.651	1.113	0.855	0.914	0.419	0.914	0.914
F,J / A2	50 +	M	1.489	0.418	1.254	1.685	1.803	0.418	1.476	1.557	1.476	1.476
F,J / M2	21 - 49	F	1.708	1.218	1.537	1.417	1.545	1.218	1.434	1.847	1.434	1.434
F,J / M2	50 +	F	2.172	1.892	1.994	1.688	1.983	1.892	1.907	1.914	1.907	1.907
F,J / M2	21 - 49	M	1.251	0.915	1.012	0.921	0.958	0.915	0.992	1.058	0.992	0.992
F,J / M2	50 +	M	2.133	1.925	2.322	1.730	2.140	1.925	1.538	1.539	1.538	1.538

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**Exhibit B (Con't): Member Months and Relativity Factors**

**Table B-3: 2010 Member Months and Claim Cost Relativities by Rate Cell**

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro
Grouped Area			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro
Program	Age	Gender										
Member Months												
K,L / All	0 - 1	F	301	49	385	1,225	811	245	161	240	218	3,320
K,L / All	1 - 2	F	275	54	325	1,161	789	171	185	335	256	3,363
K,L / All	2 - 15	F	9,566	1,798	9,725	27,605	16,659	3,683	3,522	5,648	5,316	84,996
K,L / All	16 - 20	F	3,992	682	3,062	9,869	7,031	1,325	1,225	2,290	1,866	35,520
K,L / All	0 - 1	M	292	84	511	1,374	999	195	203	346	208	3,915
K,L / All	1 - 2	M	383	67	427	1,319	972	188	165	235	259	3,769
K,L / All	2 - 15	M	10,038	1,591	9,633	27,350	17,524	4,052	3,545	5,832	5,084	88,557
K,L / All	16 - 20	M	3,923	875	3,299	9,525	7,481	1,423	1,304	1,911	1,717	35,063
K,L / All	Pregnant Women	F	508	132	532	1,493	1,078	231	181	391	303	4,651
F,J / A2	21 - 49	F	1,023	185	805	1,366	855	201	235	386	272	5,712
F,J / A2	50 +	F	181	34	152	349	221	74	37	96	89	1,543
F,J / A2	21 - 49	M	499	109	277	554	305	61	130	116	116	3,040
F,J / A2	50 +	M	141	14	116	272	184	30	74	60	26	1,252
F,J / M2	21 - 49	F	12,164	1,807	11,795	28,575	17,405	4,254	4,092	6,224	5,622	96,980
F,J / M2	50 +	F	1,715	302	1,642	5,913	3,128	538	409	1,125	626	16,036
F,J / M2	21 - 49	M	7,974	963	6,332	14,707	9,358	2,736	2,736	3,543	3,651	65,272
F,J / M2	50 +	M	1,855	358	1,742	5,174	3,020	417	373	903	704	15,832
Relativity Factors												
K,L / All	0 - 1	F	1.367	1.194	4.716	1.902	1.320	1.194	1.381	1.174	1.381	1.381
K,L / All	1 - 2	F	0.325	0.626	0.432	0.444	0.636	0.626	0.437	0.356	0.437	0.437
K,L / All	2 - 15	F	0.577	0.451	0.506	0.411	0.489	0.451	0.506	0.657	0.506	0.506
K,L / All	16 - 20	F	1.046	0.635	0.812	0.809	1.077	0.635	0.878	1.697	0.878	0.878
K,L / All	0 - 1	M	0.833	3.766	1.523	2.094	4.538	3.766	2.445	1.514	2.445	2.445
K,L / All	1 - 2	M	0.411	1.139	0.434	0.523	0.728	1.139	0.542	0.455	0.542	0.542
K,L / All	2 - 15	M	0.605	0.518	0.525	0.510	0.527	0.518	0.567	0.590	0.567	0.567
K,L / All	16 - 20	M	0.662	1.017	0.757	0.692	0.589	1.017	0.869	0.838	0.869	0.869
K,L / All	Pregnant Women	F	3.598	3.814	4.547	3.964	3.523	3.814	4.053	4.324	4.053	4.053
F,J / A2	21 - 49	F	1.714	1.793	1.669	1.101	1.393	1.793	1.472	1.265	1.472	1.472
F,J / A2	50 +	F	2.557	2.475	2.347	1.300	1.460	2.475	1.924	2.421	1.924	1.924
F,J / A2	21 - 49	M	1.509	1.079	0.500	0.907	0.666	1.079	1.024	0.430	1.024	1.024
F,J / A2	50 +	M	1.431	0.629	0.887	2.671	1.958	0.629	1.284	0.215	1.284	1.284
F,J / M2	21 - 49	F	1.637	1.260	1.529	1.414	1.405	1.260	1.442	1.665	1.442	1.442
F,J / M2	50 +	F	2.866	2.500	1.962	1.527	2.352	2.500	1.764	1.814	1.764	1.764
F,J / M2	21 - 49	M	1.131	1.032	0.957	0.855	1.235	1.032	0.954	1.177	0.954	0.954
F,J / M2	50 +	M	2.068	1.940	2.084	2.074	1.768	1.940	1.578	2.090	1.578	1.578

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

### Exhibit B (Con't): Member Months and Relativity Factors

Table B-4: Member Month Weighted Average Relativity Factor

Area			Anoka	Carver	Dakota	Hennepin	Ramsey	Scott	Sherburne	Washington	Wright	Non-Metro
Grouped Area			Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Scott / Carver	Non-Metro	Washington	Non-Metro	Non-Metro
Program	Age	Gender										
Relativity Factors												
K,L / All	0 - 1	F	1.345	1.078	3.468	1.939	1.219	1.078	1.749	1.215	1.749	1.749
K,L / All	1 - 2	F	0.329	0.723	0.436	0.470	0.561	0.723	0.425	0.380	0.425	0.425
K,L / All	2 - 15	F	0.645	0.447	0.503	0.429	0.488	0.447	0.522	0.648	0.522	0.522
K,L / All	16 - 20	F	1.006	0.691	0.880	0.849	1.051	0.691	0.885	1.494	0.885	0.885
K,L / All	0 - 1	M	1.193	3.114	1.640	1.939	3.499	3.114	2.370	1.426	2.370	2.370
K,L / All	1 - 2	M	0.502	0.928	0.457	0.546	0.677	0.928	0.566	0.449	0.566	0.566
K,L / All	2 - 15	M	0.609	0.499	0.561	0.516	0.525	0.499	0.569	0.616	0.569	0.569
K,L / All	16 - 20	M	0.687	0.977	0.813	0.689	0.586	0.977	0.851	0.840	0.851	0.851
K,L / All	Pregnant Women	F	3.927	3.830	4.378	4.027	3.744	3.830	4.061	4.441	4.061	4.061
F,J / A2	21 - 49	F	1.726	1.867	1.591	1.175	1.501	1.867	1.465	1.202	1.465	1.465
F,J / A2	50 +	F	2.102	2.327	2.076	1.542	1.578	2.327	1.880	1.984	1.880	1.880
F,J / A2	21 - 49	M	1.319	1.004	0.648	0.822	0.815	1.004	0.987	0.426	0.987	0.987
F,J / A2	50 +	M	1.450	0.559	1.009	2.342	1.906	0.559	1.348	0.662	1.348	1.348
F,J / M2	21 - 49	F	1.661	1.246	1.532	1.415	1.452	1.246	1.440	1.726	1.440	1.440
F,J / M2	50 +	F	2.635	2.297	1.973	1.581	2.229	2.297	1.812	1.847	1.812	1.812
F,J / M2	21 - 49	M	1.171	0.993	0.975	0.877	1.143	0.993	0.967	1.137	0.967	0.967
F,J / M2	50 +	M	2.090	1.935	2.163	1.959	1.892	1.935	1.565	1.906	1.565	1.565

**APPENDIX 3**

**COPY OF JUNE 7, 2011 LETTER**

**RATE CELL RELATIVES FOR ADULTS WITHOUT CHILDREN**

---

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.



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

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

milliman.com

June 7, 2011

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

**Re: Preliminary Analysis of PMAP Expansion and MNCare Costs by Demographic Rate Cell – Adults without Children**

Dear Jason:

This letter discusses my preliminary analysis of capitation rate relativities by rate cell for the new PMAP expansion rate cells for Adults without Children and for the MNCare Adults without Children rate cells (MNCare “B” rate cells). These relativities were developed using historical data and a number of key assumptions as described herein.

Except as noted, the rate cell relativities provided in this letter are developed using data, methods, and assumptions similar to those described in my June 1, 2011 letters on the PMAP and MNCare Families and Children rate cell relativities. (I will refer to these letters as the Families and Children letters for the remainder of this letter.) This letter should be considered a follow-up to the Families and Children letters and should not be distributed independently of them.

The purpose of this analysis is to assist the Minnesota Department of Human Services (DHS) with setting demographic payment rates for contracting MCOs. The results may not be appropriate for other purposes. The results contained in this letter are intended only for use by DHS. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

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 report are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

Differences between the estimates in my analysis 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.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

Accordingly, DHS should continue to carefully monitor actual experience and make adjustments as necessary. This is particularly true of the new PMAP Adults without Children rate cells and the MNCare Adults without Children rate cells which we expect to look significantly different from the past due to the migration of members to PMAP.

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 this 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.

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

### **Data Reliance**

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

1. Detailed claim and enrollment data by demographic rate cell and geographic area provided by the MCOs that contract with DHS. Data was provided for calendar years 2008, 2009, and 2010.
2. DHS's past rate calculation spreadsheets.
3. Calendar year 2009 and 2010 enrollment reports provided by DHS.
4. Miscellaneous comments and information provided by DHS and the MCOs.

### **Proposed Changes to Demographic and Area Rate Relativities**

#### *Summary of Results*

Tables 1 and 2 on the following page provide a summary of the impact of the area and demographic relativity changes on the current PMAP and MNCare Adults without Children rate cells, respectively.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.



**Table 1**  
**PMAP Adults without Children (Expansion) Rate Cells**  
**Impact of Area Relativity Changes on July 2011 Rates**

<b>Area</b>	<b>Mix</b>	<b>Cost Relativities</b>	<b>Combined Impact</b>
Anoka	-12.8%	13.5%	-1.0%
Scott / Carver	-13.3%	4.1%	-9.8%
Dakota	-11.6%	5.7%	-6.5%
Hennepin	7.0%	1.7%	8.8%
Ramsey	-3.0%	-3.6%	-6.5%
Washington	-13.6%	5.4%	-8.9%
Olmsted	3.9%	-5.3%	-1.6%
Greater Metro	-6.5%	8.3%	1.2%
North Central	-1.5%	0.0%	-1.5%
Northeast	8.6%	-1.6%	6.9%
Southeast	-0.7%	-6.6%	-7.2%
Southwest	-2.0%	-6.8%	-8.7%
<b>Bid Areas</b>	0.0%	2.1%	2.1%
<b>Non-Metro Areas</b>	0.0%	-2.6%	-2.6%
<b>Total</b>	0.0%	0.0%	0.0%

**Impact of Demographic Relativity Changes on July 2011 Rates**

<b>Demographic Cell</b>	<b>Bid Areas</b>	<b>Non-Metro Areas</b>	<b>Statewide</b>
Female 21-49	-0.3%	-4.8%	-2.3%
Female 50-64	-0.5%	-2.8%	-1.7%
Male 21-49	5.9%	0.8%	3.8%
Male 50-64	-0.1%	-5.1%	-2.5%
<b>Total</b>	2.1%	-2.6%	0.0%

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**Table 2**  
**MNCare Adults without Children Rate Cells**  
**Impact of Area Relativity Changes on July 2011 Rates**

Area	Impact
Anoka	8.9%
Scott / Carver	1.9%
Dakota	4.8%
Hennepin	-8.9%
Ramsey	1.4%
Washington	9.9%
Non-Metro	0.5%
<b>Bid Areas</b>	-0.6%
<b>Non-Metro Areas</b>	0.5%
<b>Total</b>	0.0%

**Impact of Demographic Relativity Changes on July 2011 Rates**

Demographic Cell	Bid Areas	Non-Metro Areas	Statewide
Female 21-49	-2.9%	-0.9%	-1.8%
Female 50-64	-3.4%	-1.7%	-2.4%
Male 21-49	7.8%	9.7%	8.7%
Male 50-64	-5.6%	-3.8%	-4.5%
Total	-0.6%	0.5%	0.0%

Below is a description of the data, methods, and assumptions used to develop these results. PMAP and MNCare are discussed separately.

*PMAP Adults without Children*

There are two primary drivers of the changes in the proposed rate cell relativities for PMAP Adults without Children from those underlying the current 2011 capitation rates provided in my March 9, 2011 letter. These include (1) changes in the assumed mix among the three groups of enrollees mentioned in my March 9 letter (PGAMC, MNCare G, and MNCare B look-alikes) and (2) changes in the assumed underlying cost levels by area and demographic group. Each of these is discussed below.

Changes in Mix

The current rates for the PMAP adults without children rate cells reflect a mix of enrollment for three subgroups: (1) PGAMC look-alikes, (2) MNCare G look-alikes, and (3) MNCare B look-alikes. As described in my letter dated March 9, 2011, rate levels were developed for each group and then

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

blended together to generate a composite rate for each of two areas (metro and non-metro) and four demographic groups (male and female, ages 21-49 and 50-64).

In 2012, the metro area will be subdivided into six county based areas (Anoka, Carver/Scott, Dakota, Hennepin, Ramsey, and Washington) and the non-metro area will also be subdivided into six county based areas consistent with current PMAP rates for other rate cells (Olmsted, Greater Metro, North Central, Northeast, Southeast, and Southwest). The current four demographic groups will remain unchanged.

My March 9 letter describes how PGAMC look-alikes were expected to be enrolled in the expansion rate cells starting in May and how enrollment levels for that group are expected to remain relatively constant. On the other hand, MNCare look-alike enrollees were expected to be enrolled starting in April and enrollment was expected to grow over time. This growth is expected to occur both because existing MNCare enrollees are being migrated to PMAP over a six month period (with sicker enrollees more likely to be migrated first) and also because Medicaid managed care enrollment levels for MNCare look-alikes are expected to grow throughout 2011. Therefore, the mix of enrollees by morbidity level in December 2011 is expected to be different than the average throughout 2011 (see Exhibits C-1 and C-2 in my March 9 letter).

The rate relativities for 2012 described in this letter assume, based on discussions with DHS, that the enrollment mix will have stabilized and will be consistent with the levels reflected for December 2011 in my March 9 letter. Furthermore, the 2012 rate relationships take into account the expected mix of PGAMC look-alikes, MNCare B look-alikes, and MNCare G look-alikes by the more refined area definitions being used for 2012.

Exhibit A of this letter shows the impact of the changes in enrollment mix on the current demographic capitation rates. Note that the average rate of \$950.68 varies from the average rate of \$1,003.79 shown in my March 9 letter because the average in this letter reflects the December 2011 enrollment mix mentioned above.

### Underlying Cost Levels

The current rate relationships reflect, to a large degree, rate variations by area and demographic group derived from a study of 2007 and 2008 PGAMC and MNCare experience data.

For 2012, I have developed new area relativity factors for the PMAP Adults without Children program as described below. In addition, I developed new demographic relativity factors for the former MNCare members now enrolled in the MA Expansion program. I did not develop new demographic relativity factors for the former PGAMC members now enrolled in the MA Expansion program since the current factors are based on recent risk score relativities among the demographic groups for this population using assessment data for the year ending March 2010.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

The new PMAP expansion cells for Adults without Children were effective on April 1, 2011. As such, there is no data available to develop experience based rate cell relativity factors. Therefore, I considered three alternative data sources to develop area factors for the PMAP Adults without Children population. One option would be to continue using 2009 PGAMC area relativity factors. However, these factors are based on older 2007 and 2008 experience data and the data does not contain enough detail to examine cost relationships among the counties in the Core Metro area. In addition, this data does not include any representation of traditional MNCare enrollees who are under 75% of the federal poverty guideline.

A second option would be to develop area relativity factors using more recent experience from the MNCare Adults without Children (“B” and “G” rate cells). However, the MNCare “B” and “G” programs have a limited inpatient hospital benefit, whereas the PMAP benefit set does not have this limit. In addition, this data does not contain experience for non-transitional PGAMC members and the G rate cell was phased out in 2010, so it is not representative of the entire population.

I decided to proceed with a third option which was to develop area factors using the 2009 and 2010 experience of the PMAP Families and Children non-pregnant adults only rate cells (ages 21+) using the same method as described in my Families and Children letters. This data contains the detail needed to develop factors for all of the 2012 areas and is representative of the 2012 benefit set. Of course, the primary disadvantage of using this data is that the mix of services for adults with children may be different from the mix of services of adults without children. For this reason, I applied a muting factor of 0.75 to the resulting area relationships.

Table 3 provides the preliminary PMAP Adults without Children area relativity factors with the muting factor. The preliminary factors are equal to the  $(\text{Raw Factor} - 1) * 0.75 + 1$ .

**Table 3: PMAP Adults without Children – All Members  
Rate Relativities by Geographic Area**

Area	Preliminary Cost Factors
Hennepin	0.997
Ramsey	0.954
Olmsted	0.962
Anoka	1.139
Dakota	1.059
Scott/Carver	1.048
Washington	1.058
Greater Metro	1.088
North East	1.011
North Central	1.013
South West	0.942
South East	0.946

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

I also developed preliminary demographic (age/gender) relativity factors for the former MNCare members now enrolled in the MA Expansion program. Again I considered three alternatives for how to develop demographic factors for the former MNCare members: the MNCare factors for Adults without Children developed in 2009, new factors based on MNCare Adults without Children (“B” and “G” rate cells) 2009 claim experience, and new factors based on 2009 and 2010 adult experience in the PMAP Families and Children program.

The considerations were similar—the age of the data and the similarity of the underlying population and benefit set. In this case, I developed the preliminary demographic factors for the former MNCare members using 2009 experience on MNCare Adults without Children “B” and “G” rate cells. (The “G” program was phased out in 2010, so I did not include any 2010 experience in developing the new demographic factors, although the relationships in the data including 2010 were not significantly different.) The preliminary demographic factors are shown in Table 4 below.

**Table 4: PMAP Adults without Children – Former MNCare Members  
Rate Relativities by Age and Gender**

Rate Cell		Preliminary Cost Factors
Age Group	Gender	
21 - 49	Female	0.9559
50+	Female	1.2805
21 - 49	Male	0.8134
50+	Male	1.1640

I compared the factors in Table 4 with demographic factors developed from 2009 and 2010 adult experience in the PMAP Families and Children program. The demographic factors are significantly different. I considered that it may be the limited hospital benefit in the MNCare Adults without Children benefit set that may be driving the differences, so I ran demographic factors for both populations again excluding hospital inpatient claims. The resulting factors changed very little indicating that hospital inpatient claims have little impact on demographic cost relationships in both the adults in the PMAP Families and Children program and the MNCare Adults without Children program. Therefore, it seems reasonable to assume that the demographic relativity factors for the former MNCare members now enrolled in the MA Expansion program will not change significantly with the full hospital inpatient benefit under the MA Expansion program.

As mentioned above, I did not develop new demographic relativity factors for the former PGAMC members now enrolled in the MA Expansion program.

Exhibit B of this letter shows the combined impact of the projected 2012 enrollment mix and the preliminary cost factors (area and demographic) on the current capitation rates. Exhibit C of this letter backs out the impact of changes in mix, so it shows the impact of only the preliminary cost factors.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.



The capitation rates shown in Exhibits A and B are shown without MERC and before adjustments for DHU or enhanced hospital payments. We anticipate providing factors including MERC in the future.

*MNCare Adults without Children*

I developed the area and demographic relativity factors in for the MNCare Adults without Children (“B” rate cells) using the same method as described in my MNCare Families and Children letters. In this case, the relativity factors are based on only “B” rate cell MNCare Adults without Children experience, excluding inpatient hospital costs since inpatient hospital benefits will no longer be the responsibility of the MCOs starting July 1, 2011.

Tables 5 and 6 provide the new MNCare Adults without Children area and demographic relativity factors, respectively.

**Table 5: MNCare Adults without Children  
Rate Relativities by Geographic Area**

Area	Calculated Cost Relativity Factors by Year			Preliminary Cost Factors
	2008	2009	2010	
Anoka	1.100	1.125	1.104	1.111
Scott / Carver	1.043	1.048	1.043	1.045
Dakota	1.019	1.109	1.055	1.073
Hennepin	0.911	0.931	0.932	0.932
Ramsey	1.064	1.059	1.025	1.037
Non-Metro	0.992	0.976	0.995	0.989
Washington	1.219	1.178	1.094	1.122

**Table 6: MNCare Adults without Children  
Rate Relativities by Age and Gender**

Rate Cell		Calculated Cost Relativity Factors by Year			Preliminary Cost Factors
Age Group	Gender	2008	2009	2010	
21 - 49	Female	0.943	0.952	0.958	0.956
50+	Female	1.281	1.279	1.250	1.259
21 - 49	Male	0.793	0.802	0.810	0.807
50+	Male	1.168	1.134	1.146	1.142

Exhibit D of this letter shows the combined impact of the projected 2012 enrollment and the preliminary factors on the July 1, 2011 demographic capitation rates.

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.



Mr. R. Jason Wiley  
June 7, 2011



Jason, please contact me if you have any questions about this letter. You can reach me at [REDACTED] or at [REDACTED].

Sincerely,

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

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

LMW/mjw

---

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**Exhibit A: Restated 2011 Rates by Rate Cell  
MA Expansion - Assuming the December 2011 Enrollment  
Impact of the Change in Enrollment Mix**

**MA Expansion Combined Enrollment**

		Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender:	Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka		13,486	7,224	22,443	5,963	49,117
	Scott / Carver		4,604	2,726	5,820	1,882	15,032
	Dakota		11,655	6,504	15,666	4,862	38,687
	Hennepin		70,985	32,193	127,869	34,326	265,373
	Ramsey		30,572	14,466	40,659	13,213	98,909
	Washington		5,713	2,844	7,839	2,092	18,488
<b>Non-Metro Regions</b>	Olmsted		6,402	2,978	8,795	2,598	20,773
	Greater Metro		7,761	3,963	8,837	2,713	23,274
	NorthCentral		45,474	32,473	62,195	26,068	166,209
	Northeast		18,196	10,640	24,865	9,187	62,888
	Southeast		25,755	15,752	34,665	12,120	88,292
	Southwest		23,977	14,304	29,370	10,415	78,066
<b>Subtotal Bid Areas</b>			137,016	65,956	220,297	62,338	485,607
<b>Subtotal Non-Metro</b>			127,566	80,109	168,727	63,101	439,503
<b>Total</b>			264,581	146,066	389,024	125,439	<b>925,110</b>

**Restated 2011 Rates by Rate Cell using 2011 Cost Factors**

		Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender:	Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka		\$865.26	\$1,050.56	\$745.00	\$1,069.07	\$862.31
	Scott / Carver		883.55	1,036.71	732.72	1,038.09	872.27
	Dakota		913.87	1,044.88	744.53	1,057.07	885.31
	Hennepin		1,065.69	1,257.95	913.74	1,338.17	1,051.04
	Ramsey		1,012.03	1,150.35	806.08	1,169.33	968.61
	Washington		894.60	1,021.09	726.04	1,031.79	858.11
<b>Non-Metro Regions</b>	Olmsted		965.79	1,106.94	780.01	1,147.98	930.14
	Greater Metro		836.52	1,003.10	725.68	1,018.31	844.00
	NorthCentral		888.26	1,027.76	780.43	1,042.07	899.29
	Northeast		1,014.96	1,124.18	832.97	1,167.53	983.77
	Southeast		901.34	1,022.06	787.14	1,057.89	899.53
	Southwest		884.17	1,028.09	766.50	1,059.47	889.66
<b>Subtotal Bid Areas</b>			\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
<b>Subtotal Non-Metro</b>			\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
<b>Total</b>			\$960.15	\$1,099.95	\$823.28	\$1,151.98	<b>\$950.68</b>



**Exhibit A (con't): Restated 2011 Rates by Rate Cell  
MA Expansion - Assuming the December 2011 Enrollment  
Impact of the Change in Enrollment Mix**

**2011 Rates by Rate Cell Applied to New Enrollment**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka	\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$988.83
	Scott / Carver	1,007.82	1,171.27	853.18	1,235.38	1,006.08
	Dakota	1,007.82	1,171.27	853.18	1,235.38	1,001.27
	Hennepin	1,007.82	1,171.27	853.18	1,235.38	982.57
	Ramsey	1,007.82	1,171.27	853.18	1,235.38	998.56
	Washington	1,007.82	1,171.27	853.18	1,235.38	993.15
<b>Non-Metro Regions</b>	Olmsted	908.95	1,041.23	784.24	1,069.59	895.19
	Greater Metro	908.95	1,041.23	784.24	1,069.59	902.85
	NorthCentral	908.95	1,041.23	784.24	1,069.59	913.32
	Northeast	908.95	1,041.23	784.24	1,069.59	905.49
	Southeast	908.95	1,041.23	784.24	1,069.59	905.63
	Southwest	908.95	1,041.23	784.24	1,069.59	907.70
<b>Subtotal Bid Areas</b>		\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
<b>Subtotal Non-Metro</b>		\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
<b>Total</b>		\$960.15	\$1,099.95	\$823.28	\$1,151.98	<b>\$950.68</b>

**Rate Change by Rate Cell due to New Enrollment Distribution Only**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka	-14.1%	-10.3%	-12.7%	-13.5%	-12.8%
	Scott / Carver	-12.3%	-11.5%	-14.1%	-16.0%	-13.3%
	Dakota	-9.3%	-10.8%	-12.7%	-14.4%	-11.6%
	Hennepin	5.7%	7.4%	7.1%	8.3%	7.0%
	Ramsey	0.4%	-1.8%	-5.5%	-5.3%	-3.0%
	Washington	-11.2%	-12.8%	-14.9%	-16.5%	-13.6%
<b>Non-Metro Regions</b>	Olmsted	6.3%	6.3%	-0.5%	7.3%	3.9%
	Greater Metro	-8.0%	-3.7%	-7.5%	-4.8%	-6.5%
	NorthCentral	-2.3%	-1.3%	-0.5%	-2.6%	-1.5%
	Northeast	11.7%	8.0%	6.2%	9.2%	8.6%
	Southeast	-0.8%	-1.8%	0.4%	-1.1%	-0.7%
	Southwest	-2.7%	-1.3%	-2.3%	-0.9%	-2.0%
<b>Subtotal Bid Areas</b>		0.0%	0.0%	0.0%	0.0%	0.0%
<b>Subtotal Non-Metro</b>		0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>		0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>

**Exhibit B: Restated 2011 Rates by Rate Cell  
MA Expansion - Assuming the December 2011 Enrollment  
Impact of the Projected 2012 Enrollment and New Cost Factors**

**MA Expansion Combined Enrollment**

		Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender:	Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka		13,486	7,224	22,443	5,963	49,117
	Scott / Carver		4,604	2,726	5,820	1,882	15,032
	Dakota		11,655	6,504	15,666	4,862	38,687
	Hennepin		70,985	32,193	127,869	34,326	265,373
	Ramsey		30,572	14,466	40,659	13,213	98,909
	Washington		5,713	2,844	7,839	2,092	18,488
<b>Non-Metro Regions</b>	Olmsted		6,402	2,978	8,795	2,598	20,773
	Greater Metro		7,761	3,963	8,837	2,713	23,274
	NorthCentral		45,474	32,473	62,195	26,068	166,209
	Northeast		18,196	10,640	24,865	9,187	62,888
	Southeast		25,755	15,752	34,665	12,120	88,292
	Southwest		23,977	14,304	29,370	10,415	78,066
<b>Subtotal Bid Areas</b>			137,016	65,956	220,297	62,338	485,607
<b>Subtotal Non-Metro</b>			127,566	80,109	168,727	63,101	439,503
<b>Total</b>			264,581	146,066	389,024	125,439	<b>925,110</b>

**Restated 2011 Rates by Rate Cell using New Cost Factors**

		Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender:	Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka		\$948.11	\$1,153.07	\$890.57	\$1,171.62	\$979.10
	Scott / Carver		900.35	1,045.04	806.78	1,039.25	907.75
	Dakota		946.65	1,066.59	828.55	1,080.00	935.75
	Hennepin		1,058.31	1,247.71	956.14	1,340.93	1,068.61
	Ramsey		960.05	1,080.41	808.32	1,098.40	933.76
	Washington		922.11	1,036.90	807.25	1,042.47	904.69
<b>Non-Metro Regions</b>	Olmsted		891.09	1,040.15	769.17	1,052.94	881.07
	Greater Metro		884.50	1,078.74	819.18	1,067.16	914.07
	NorthCentral		869.43	1,025.53	807.73	1,014.88	899.65
	Northeast		977.22	1,103.94	845.84	1,121.63	967.81
	Southeast		823.02	953.65	759.33	961.29	840.30
	Southwest		805.57	954.69	741.05	958.29	828.99
<b>Subtotal Bid Areas</b>			\$1,005.05	\$1,165.33	\$903.86	\$1,233.86	\$1,010.29
<b>Subtotal Non-Metro</b>			\$865.44	\$1,012.34	\$790.38	\$1,014.60	\$884.81
<b>Total</b>			\$937.74	\$1,081.42	\$854.64	\$1,123.56	<b>\$950.68</b>

**Exhibit B (con't): Restated 2011 Rates by Rate Cell  
MA Expansion - Assuming the December 2011 Enrollment  
Impact of the Projected 2012 Enrollment and New Cost Factors**

**2011 Rates by Rate Cell Applied to New Enrollment**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka	\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$988.83
	Scott / Carver	1,007.82	1,171.27	853.18	1,235.38	1,006.08
	Dakota	1,007.82	1,171.27	853.18	1,235.38	1,001.27
	Hennepin	1,007.82	1,171.27	853.18	1,235.38	982.57
	Ramsey	1,007.82	1,171.27	853.18	1,235.38	998.56
	Washington	1,007.82	1,171.27	853.18	1,235.38	993.15
<b>Non-Metro Regions</b>	Olmsted	908.95	1,041.23	784.24	1,069.59	895.19
	Greater Metro	908.95	1,041.23	784.24	1,069.59	902.85
	NorthCentral	908.95	1,041.23	784.24	1,069.59	913.32
	Northeast	908.95	1,041.23	784.24	1,069.59	905.49
	Southeast	908.95	1,041.23	784.24	1,069.59	905.63
	Southwest	908.95	1,041.23	784.24	1,069.59	907.70
<b>Subtotal Bid Areas</b>		\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
<b>Subtotal Non-Metro</b>		\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
<b>Total</b>		\$960.15	\$1,099.95	\$823.28	\$1,151.98	<b>\$950.68</b>

**Rate Change by Rate Cell due to New Enrollment Mix and Cost Factors**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka	-5.9%	-1.6%	4.4%	-5.2%	-1.0%
	Scott / Carver	-10.7%	-10.8%	-5.4%	-15.9%	-9.8%
	Dakota	-6.1%	-8.9%	-2.9%	-12.6%	-6.5%
	Hennepin	5.0%	6.5%	12.1%	8.5%	8.8%
	Ramsey	-4.7%	-7.8%	-5.3%	-11.1%	-6.5%
	Washington	-8.5%	-11.5%	-5.4%	-15.6%	-8.9%
<b>Non-Metro Regions</b>	Olmsted	-2.0%	-0.1%	-1.9%	-1.6%	-1.6%
	Greater Metro	-2.7%	3.6%	4.5%	-0.2%	1.2%
	NorthCentral	-4.3%	-1.5%	3.0%	-5.1%	-1.5%
	Northeast	7.5%	6.0%	7.9%	4.9%	6.9%
	Southeast	-9.5%	-8.4%	-3.2%	-10.1%	-7.2%
	Southwest	-11.4%	-8.3%	-5.5%	-10.4%	-8.7%
<b>Subtotal Bid Areas</b>		-0.3%	-0.5%	5.9%	-0.1%	2.1%
<b>Subtotal Non-Metro</b>		-4.8%	-2.8%	0.8%	-5.1%	-2.6%
<b>Total</b>		-2.3%	-1.7%	3.8%	-2.5%	<b>0.0%</b>

**Exhibit C: Restated 2011 Rates by Rate Cell  
MA Expansion - Assuming the December 2011 Enrollment  
Impact of Only the New Cost Relativity Factors**

**Rate Change by Rate Cell due to Only the New Cost Relativity Factors**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
	Gender:	Female	Female	Male	Male	
<b>Metro Regions</b>	Anoka	9.6%	9.8%	19.5%	9.6%	13.5%
	Scott / Carver	1.9%	0.8%	10.1%	0.1%	4.1%
	Dakota	3.6%	2.1%	11.3%	2.2%	5.7%
	Hennepin	-0.7%	-0.8%	4.6%	0.2%	1.7%
	Ramsey	-5.1%	-6.1%	0.3%	-6.1%	-3.6%
	Washington	3.1%	1.5%	11.2%	1.0%	5.4%
<b>Non-Metro Regions</b>	Olmsted	-7.7%	-6.0%	-1.4%	-8.3%	-5.3%
	Greater Metro	5.7%	7.5%	12.9%	4.8%	8.3%
	NorthCentral	-2.1%	-0.2%	3.5%	-2.6%	0.0%
	Northeast	-3.7%	-1.8%	1.5%	-3.9%	-1.6%
	Southeast	-8.7%	-6.7%	-3.5%	-9.1%	-6.6%
	Southwest	-8.9%	-7.1%	-3.3%	-9.6%	-6.8%
<b>Subtotal Bid Areas</b>		-0.3%	-0.5%	5.9%	-0.1%	2.1%
<b>Subtotal Non-Metro</b>		-4.8%	-2.8%	0.8%	-5.1%	-2.6%
<b>Total</b>		-2.3%	-1.7%	3.8%	-2.5%	<b>0.0%</b>

**Exhibit D: Restated July 2011 Rates by Rate Cell**  
**MNCare Adults without Children - Assuming the December 2011 Enrollment**  
**Impact of the Projected 2012 Enrollment and New Cost Relativity Factors**

**MNCare Adults without Children - Projected 2012 Enrollment**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
Metro Regions	Anoka	9,905	6,666	12,534	4,516	33,621
	Scott / Carver	3,551	2,590	3,617	1,493	11,251
	Dakota	8,413	6,101	9,366	3,948	27,828
	Hennepin	29,295	18,034	32,777	13,005	93,110
	Ramsey	17,327	11,271	20,662	8,595	57,855
	Washington	4,294	2,797	5,069	1,697	13,857
	Non-Metro	87,960	73,206	85,621	49,342	296,129

<b>Subtotal Bid Areas</b>	72,785	47,458	84,025	33,254	237,523
<b>Subtotal Non-Metro</b>	87,960	73,206	85,621	49,342	296,129
<b>Total</b>	160,745	120,664	169,647	82,596	533,652

**Restated July 2011 Rates by Rate Cell using New Cost Relativity Factors**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
Metro Regions	Anoka	\$ 426.80	\$ 562.18	\$ 360.47	\$ 509.80	\$ 440.06
	Scott / Carver	401.46	528.81	339.07	479.54	421.08
	Dakota	412.15	542.89	348.10	492.31	430.63
	Hennepin	357.96	471.52	302.33	427.59	370.10
	Ramsey	398.26	524.59	336.37	475.72	412.27
	Washington	431.06	567.80	364.07	514.90	444.42
	Non-Metro	379.85	500.34	320.81	453.72	404.88

<b>Subtotal Bid Areas</b>	\$ 389.62	\$ 514.83	\$ 329.78	\$ 465.66	\$ 404.12
<b>Subtotal Non-Metro</b>	\$ 379.85	\$ 500.34	\$ 320.81	\$ 453.72	\$ 404.88
<b>Total</b>	\$ 384.27	\$ 506.04	\$ 325.26	\$ 458.53	\$ 404.54

**July 2011 Rates by Rate Cell Applied to New Enrollment**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
Metro Regions	Anoka	\$ 401.08	\$ 532.81	\$ 306.05	\$ 493.44	\$ 404.18
	Scott / Carver	401.08	532.81	306.05	493.44	413.11
	Dakota	401.08	532.81	306.05	493.44	411.08
	Hennepin	401.08	532.81	306.05	493.44	406.04
	Ramsey	401.08	532.81	306.05	493.44	406.53
	Washington	401.08	532.81	306.05	493.44	404.22
	Non-Metro	383.23	509.09	292.43	471.47	402.79

<b>Subtotal Bid Areas</b>	\$ 401.08	\$ 532.81	\$ 306.05	\$ 493.44	\$ 406.72
<b>Subtotal Non-Metro</b>	\$ 383.23	\$ 509.09	\$ 292.43	\$ 471.47	\$ 402.79
<b>Total</b>	\$ 391.31	\$ 518.42	\$ 299.17	\$ 480.32	\$ 404.54

**Rate Change by Rate Cell due to New Cost Relativity Factors**

	Age:	21 - 49	50 - 64	21 - 49	50 - 64	Total
		Gender: Female	Female	Male	Male	
Metro Regions	Anoka	6.4%	5.5%	17.8%	3.3%	8.9%
	Scott / Carver	0.1%	-0.8%	10.8%	-2.8%	1.9%
	Dakota	2.8%	1.9%	13.7%	-0.2%	4.8%
	Hennepin	-10.8%	-11.5%	-1.2%	-13.3%	-8.9%
	Ramsey	-0.7%	-1.5%	9.9%	-3.6%	1.4%
	Washington	7.5%	6.6%	19.0%	4.3%	9.9%
	Non-Metro	-0.9%	-1.7%	9.7%	-3.8%	0.5%

<b>Subtotal Bid Areas</b>	-2.9%	-3.4%	7.8%	-5.6%	-0.6%
<b>Subtotal Non-Metro</b>	-0.9%	-1.7%	9.7%	-3.8%	0.5%
<b>Total</b>	-1.8%	-2.4%	8.7%	-4.5%	0.0%

DRAFT – FOR DISCUSSION PURPOSES ONLY. This draft is intended for discussion purposes only. It should not be distributed to any third party, or published in whole or in part in any form, without prior written consent.

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.

**APPENDIX 4**

**COPY OF MARCH 9, 2011 LETTER**

**DEVELOPMENT OF 2011 MNCARE ADULTS WITHOUT CHILDREN RATES**

---

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.



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

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

milliman.com

March 9, 2011

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

**RE: 2011 Capitation Rates for MNCare Adults without Children – April through December**

Dear Jason:

This letter contains adjusted 2011 capitation rates for MNCare Adults without Children reflecting recent program changes. The current capitation rates for MNCare adults without children were developed assuming all traditional MNCare eligibles would continue to enroll in the program, as well as significant numbers of GAMC eligibles. Instead, eligible adults without children who have incomes below 75% of the Federal Poverty Level (FPL) will be enrolled in Minnesota's newly authorized Medicaid expansion program.

I have provided you with capitation rates for the new program in my letter regarding Capitation Rates for Medicaid Expansion dated March 9, 2011. (I will refer to that letter as the Medicaid Expansion letter.) The rates in this letter complement those in the Medicaid Expansion letter in that they were developed using consistent data and assumptions. Therefore, this letter should be considered a follow-up to that letter and should not be distributed independently of it.

This letter includes revised capitation rates by rate cell and area for the MNCare "B" rate cell, along with MCO specific adjustments that DHS can use to normalize the expected underwriting loss on basic care business across MCOs. The process used to develop these adjustments is similar to that which has been used for this purpose over the past several years.

The results contained in this letter are intended only for use by DHS for the purpose of setting capitation rates for the MNCare program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

We assume 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 these results without a thorough

---

**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.**

---

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.

#### *Data Reliance*

In performing this analysis, we have relied on data and other information provided to us by DHS and the plans with which it contracts. The data we relied on is summarized in my Medicaid Expansion letter. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We have performed a limited review of the data used directly in our 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 our assignment.

#### *Variability of Results*

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.

#### **Revised Rates for MNCare Adults without Children**

As I mentioned above, the rates in this letter were developed using similar data, methods, and assumptions as were used to develop capitation rates for the new MA expansion program. The data, methods, and assumptions used to develop those rates are detailed in my Medicaid Expansion letter. In this letter, I will limit the discussion to differences between that analysis and the analysis used to develop the rates for MNCare Adults without Children.

Exhibit A to this letter is analogous to Exhibit A from my Medicaid Expansion letter and summarizes each step used to develop an average rate for the MNCare Adults without Children population.

---

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.

---



*Expected Member Months (Row (1))*

I am projecting 434,463 member months in the MNCare B rate cell for the period April through December 2011 based on information provided by DHS. This includes 68,056 member months for those with incomes under 75% of the FPL before they migrate to the new expansion rate cells (or lapse) and 366,408 member months for enrollees over 75% of the FPL. Based on discussions with DHS, I am assuming enrollment of those with incomes over 75% of the FPL will grow at an annual rate of approximately 31% throughout the remainder of 2011, the same as the growth rate expected for those under 75% of FPL.

*Average 2009 Claim Cost (Row (2)) and Adjustment for Missing Experience (Row (3))*

This is the same MNCare figure shown in Exhibit A of my Medicaid Expansion letter. This is the estimated average per member per month claim cost reported by the MCOs for MNCare Adults without Children in 2009.

*Trend (Row (4))*

Again, I used a trend rate of 5% per year for 25.5 months, consistent with the underlying trend rate in my Medicaid Expansion analysis.

*Benefit Adjustment Factors (Row (5))*

I adjusted the experience data to reflect benefit and provider reimbursement changes that occurred between 2009 and 2011, including:

- Changes in provider reimbursement levels (e.g., ratable reductions for various inpatient and professional services and an increase in dental rates for SO clinics);
- Estimated changes in rebates collected by the plans due to the Affordable Care Act; and
- Benefit changes including mental health targeted case management, dental benefits, Gardasil for boys, chiropractic services, and health care homes.

The adjustment factor applied to claims for these changes was 0.9925.

*Morbidity Adjustments (Row (6))*

The morbidity adjustments I used for this analysis are consistent with those I used in my rate development for the MA expansion rate cells. In particular, I recognized that the morbidity of those with incomes under 75% would consistently improve over time as those with higher morbidity were migrated to the MA expansion rate cells. See Exhibit B for more detail.

*Administrative Cost (Row (7))*

Next I included a provision for administrative cost as shown in rows (7a) and (7b) of Exhibit A. I chose a factor of 7.5% which is slightly higher than that used in my development of the capitation rates for the MA expansion rate cells. This slightly higher percentage recognizes the significantly lower projected rate for this population, relative to the expansion population. The actual provision for administration on a per member per month basis is slightly less than half that for the expansion population.

*Contribution to Surplus (Row (8))*

The contribution to surplus of -19.64% reflects an operating margin of -8.0% for enrollees under 75% and approximately -21.8% for enrollees over 75%.

*Average 2011 Capitation Rate (Row (9))*

Row 9 shows the resulting average capitation rate required for this population, before taking into account the reduction for removal of the inpatient hospital benefit scheduled for July 1, after which time inpatient hospital will be provided on a FFS basis. (I am assuming that DHS will apply the current adjustment factor of 0.8739 for this benefit change.)

I also developed rates by rate cell, again before adjusting for the inpatient hospital benefit change. Exhibit C shows the member month distribution and morbidity factors by rate cell I used. I used data, methods, and assumptions consistent with those I used to develop rates for the MA expansion rate cells. In particular, I assumed membership would be distributed by age, gender, and area the same as it was distributed among the B rate cells in 2009. I also assumed the cost relativities by age, gender, and area would be the same as those reflected in the rate cell relativities developed in 2009.

Finally, Exhibit D-1 and D-2 show rates including the 1.0% MNCare rateable reduction and the MNCare withhold of 8.0%. Separate tables are provided for (1) metro, (2) non-metro, non-county based, and (3) non-metro, county based rates. Exhibit D-1 provides rates for April through June before the change to the inpatient benefit, and Exhibit D-2 provides rates for July through December.

---

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.

---

## Plan Specific Adjustments

Medicaid capitation rates for basic care services for most Minnesota populations are subject to CMS approval and are required by Federal regulation and Minnesota state law to be actuarially sound. This generally means they must be set in such a way that participating MCOs could be expected to at least break even in aggregate on the business, assuming prudent management. On the other hand, capitation rates for the MNCare Adults without Children rate cells are not subject to CMS actuarial soundness requirements. I understand from my conversations with DHS, neither are they subject to Minnesota's statutory actuarial soundness requirements for certain Medicaid business.

I project that MNCare Adults without Children rate cells will generate an operating loss of 19.64% for the plans in aggregate in the last nine months of 2011. This takes into account projected losses of 8.00% for enrollees below 75% of FPL and losses of approximately 21.80% for those above 75% of FPL. The target margin for other basic care rate cells is 1.18% for non-seniors other than the expansion group (which is 0.00%), and 1.00% for seniors. We have discussed that some plans have a higher than average concentration of MNCare Adults without Children rate cell business and that an adjustment to these rates to recognize the associated additional financial burden may be in order.

The methodology used to calculate the adjustment factors is explained below. Plan specific factors are included in Exhibit E to this letter.

### *Step 1> Develop projected 2011 plan revenue*

I first estimate revenue for each MCO for each of the following blocks of business for the period April 2011 – December 2011:

- PMAP Families and Children;
- Seniors;
- MNCare Families and Children;
- MA Expansion; and
- MNCare Adults without Children.

Revenue is estimated for each MCO and block of business by multiplying estimated member months and estimated revenue per member month (pmpm).

Estimated member months and revenue pmpm for PMAP Families and Children, Seniors, and MNCare Families and Children were taken from Exhibit A of my letter on this topic dated December 1, 2010 (2011 MNCare Plan Specific Adj 1201.pdf). Member months are 9/12 the member months shown in that letter and revenues pmpm are equal to the revenues pmpm in that letter.

---

**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.**

---



Mr. R. Jason Wiley  
March 9, 2011

Estimated member months and revenue pmpm for the MA Expansion and MNCare Adults without Children blocks were estimated using the results in this letter and in my Medicaid Expansion letter. The projected member months for each block were allocated to the MCOs based on the allocation in 2009, except that former FirstPlan members were allocated to BluePlus and Medica which I understand acquired most of the enrollment. The allocation was performed at the rate cell level (i.e., by area, age, and gender).

The estimated revenue was then estimated for each plan based on the allocated membership and rates presented in this letter and my Medicaid Expansion letter. The estimated revenue reflects that the MNCare Adults without Children rates will decrease in July due to the transition of the inpatient hospital benefit to FFS.

I then calculated the ratio of projected revenue in the MNCare Adults without Children block to revenue in the other blocks for each MCO and in total.

*Step 2> Restate each plan's revenue, assuming an equal concentration of MNCare Adults without Children business.*

We then increased or decreased the projected revenue for each MCO for MNCare Adults without Children so that the ratio of that revenue to all other revenue for each MCO is equal to the average across MCOs.

*Step 3> Calculate an adjustment to each MCO's MNCare Adults without Children revenue to level the playing field.*

The additional required MNCare B revenue for each MCO is calculated as the difference in the revenue shown in Step 2 and the revenue shown in Step 1. (A negative value occurs when a MCO has a higher than average concentration of projected Adults without Children revenue.) The difference in revenue is then multiplied by the expected underwriting loss. These results are divided by the revenue from Step 1.

The change in MNCare Adults without Children revenue varies by MCO. Of course, the aggregate change across plans is zero, since the adjustment is intended to be revenue neutral in total.

---

**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.**

---



Mr. R. Jason Wiley  
March 9, 2011



Jason, please contact me if you have any questions about this letter. You can reach me at [REDACTED] or [REDACTED].

Sincerely,

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

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

LMW/mtf

---

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.

---

**Exhibit A: Development of Average Premium Rate for MNCare Adults without Children**

(1)	Expected Member Months		434,463
(2)	Average 2009 Claim Cost	\$	522.71
	Adjustment for Missing Experience		
(3a)	Adjustment Factor		0.999
(3b)	Adjusted Claim Cost	\$	522.31
	Apply two years of trend		
(4a)	Annual Trend Rate		5.0%
(4b)	Trended Claim Cost	\$	579.37
	Benefit Difference Adjustments		
(5a)	Factor		0.992
(5b)	Adjusted Claim Cost	\$	575.01
	Apply morbidity factor		
(6a)	Factor		0.861
(6b)	Adjusted Claim Cost	\$	494.90
	Add Provision for Administrative Cost		
(7a)	Administrative Cost Factor		7.50%
(7b)	Administrative Margin	\$	33.10
	Add Provision for Contribution to Surplus		
(8a)	Factor for Contribution to Surplus		-19.64%
(8b)	Contribution to Surplus	\$	(86.67)
(9)	Average 2011 Capitation Rate	\$	441.33

---

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.

---



**Exhibit B: Projected Enrollment and Relative Morbidity for MNCare**

Month	MNCare G Look-alikes							MNCare B < 75% Look-alikes							MNCare over 75	MNCare	
	Enrolled on 3/1			Issued after 3/1		Total		Enrolled on 3/1			Issued after 3/1		Total				
	Inforce	Migrated	Remaining	FFS	Mgd Care	Mgd Care Expansion	All	Inforce	Migrated	Remaining	FFS	Mgd Care	Mgd Care Expansion	All			
January																	
February																	
March																	
April	13,475	4,492	8,983	398	1,194	5,685	15,067	31,442	10,481	20,961	928	2,785	13,266	35,156	37,145	67,089	
May	12,250	6,125	6,125	796	2,388	8,513	15,433	28,583	14,292	14,292	1,857	5,571	19,863	36,011	37,990	58,407	
June	11,025	7,350	3,675	1,194	3,581	10,931	15,800	25,725	17,150	8,575	2,785	8,356	25,506	36,867	38,855	51,105	
July	9,800	8,167	1,633	1,592	4,775	12,942	16,167	22,867	19,056	3,811	3,714	11,142	30,197	37,722	39,739	45,183	
August	8,575	8,575	-	1,990	5,969	14,544	16,533	20,008	20,008	-	4,642	13,927	33,935	38,578	40,643	40,643	
Sept	7,350	7,350	-	2,388	7,163	14,513	16,900	17,150	17,150	-	5,571	16,713	33,863	39,433	41,568	41,568	
Oct	6,125	6,125	-	2,785	8,356	14,481	17,267	14,292	14,292	-	6,499	19,498	33,790	40,289	42,514	42,514	
Nov	4,900	4,900	-	3,183	9,550	14,450	17,633	11,433	11,433	-	7,428	22,283	33,717	41,144	43,482	43,482	
Dec	3,675	3,675	-	3,581	10,744	14,419	18,000	8,575	8,575	-	8,356	25,069	33,644	42,000	44,471	44,471	
Total	77,175	56,758	20,417	17,906	53,719	110,477	148,800	180,075	132,436	47,639	41,781	125,344	257,780	347,200	366,408	434,463	

Month	MNCare G Look-alikes							MNCare B < 75% Look-alikes							MNCare over 75	MNCare
	Enrolled on 3/1			Issued after 3/1		Total		Enrolled on 3/1			Issued after 3/1		Total			
	Inforce	Migrated	Remaining	FFS	Mgd Care	Mgd Care Expansion	All	Inforce	Migrated	Remaining	FFS	Mgd Care	Mgd Care Expansion	All		
January																
February																
March																
April	1.185	2.191	0.682	1.185	1.185	1.980	1.185	0.999	1.847	0.575	0.999	0.999	1.669	0.999	0.920	0.780
May	1.185	1.776	0.594	1.185	1.185	1.610	1.185	0.999	1.497	0.501	0.999	0.999	1.357	0.999	0.920	0.783
June	1.185	1.518	0.518	1.185	1.185	1.409	1.185	0.999	1.280	0.437	0.999	0.999	1.188	0.999	0.920	0.810
July	1.185	1.333	0.445	1.185	1.185	1.278	1.185	0.999	1.124	0.375	0.999	0.999	1.078	0.999	0.920	0.857
August	1.185	1.185	-	1.185	1.185	1.185	1.185	0.999	0.999	-	0.999	0.999	0.999	0.999	0.920	0.920
Sept	1.185	1.185	-	1.185	1.185	1.185	1.185	0.999	0.999	-	0.999	0.999	0.999	0.999	0.920	0.920
Oct	1.185	1.185	-	1.185	1.185	1.185	1.185	0.999	0.999	-	0.999	0.999	0.999	0.999	0.920	0.920
Nov	1.185	1.185	-	1.185	1.185	1.185	1.185	0.999	0.999	-	0.999	0.999	0.999	0.999	0.920	0.920
Dec	1.185	1.185	-	1.185	1.185	1.185	1.185	0.999	0.999	-	0.999	0.999	0.999	0.999	0.920	0.920
Total	1.185	1.393	0.607	1.185	1.185	1.292	1.185	0.999	1.174	0.512	0.999	0.999	1.089	0.999	0.920	0.861

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.

**Exhibit C: Rates by Rate Cell -- MNCare B Adults without Children (April - June 2011)**

Age	Sex	Program	Projected Mbr Mths			Rate Cell Factors		Capitation Rates		
			Metro	Non Metro	Statewide	Metro	Non Metro	Metro	Non Metro	Statewide
21 - 49	F	B	59,256	71,611	130,868	1.3559	1.2956	\$ 437.56	\$ 418.08	\$ 426.90
50 +	F	B	38,637	59,599	98,236	1.8013	1.7211	581.27	555.39	565.57
21 - 49	M	B	68,408	69,707	138,115	1.0347	0.9886	333.89	319.02	326.38
50 +	M	B	27,073	40,171	67,244	1.6682	1.5939	538.32	514.35	524.00
All			193,375	241,088	434,463			443.71	439.42	441.33

---

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.

---



**Exhibit D-1: Rates with Withhold and Rateable - April through June**

**MNCare Adults without Children Rates**

**For Metro**

**April 1, 2011 - June 30, 2011**

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 441.98	\$ 35.36	\$ 406.62	\$ 402.56
50 +	F	587.14	46.97	540.17	534.77
21 - 49	M	337.26	26.98	310.28	307.18
50 +	M	543.76	43.50	500.26	495.26

**MNCare Adults without Children Rates**

**For Non Metro**

**April 1, 2011 - June 30, 2011**

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 422.30	\$ 33.78	\$ 388.52	\$ 384.63
50 +	F	561.00	44.88	516.12	510.96
21 - 49	M	322.24	25.78	296.46	293.50
50 +	M	519.55	41.56	477.98	473.20

**MNCare Adults without Children Rates**

**For Non Metro, County Based Plans**

**April 1, 2011 - June 30, 2011**

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 418.08	\$ 33.45	\$ 384.63	\$ 380.79
50 +	F	555.39	44.43	510.96	505.85
21 - 49	M	319.02	25.52	293.50	290.56
50 +	M	514.35	41.15	473.20	468.47

---

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.

---



**Exhibit D-2: Rates with Withhold and Rateable - July through December**

**MNCare Adults without Children Rates**

**For Metro**

July 1, 2011 - December 31, 2011

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 386.25	\$ 30.90	\$ 355.35	\$ 351.79
50 +	F	513.11	41.05	472.06	467.34
21 - 49	M	294.73	23.58	271.15	268.44
50 +	M	475.19	38.02	437.18	432.80

**MNCare Adults without Children Rates**

**For Non Metro**

July 1, 2011 - December 31, 2011

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 369.05	\$ 29.52	\$ 339.53	\$ 336.13
50 +	F	490.26	39.22	451.04	446.53
21 - 49	M	281.61	22.53	259.08	256.49
50 +	M	454.03	36.32	417.71	413.53

**MNCare Adults without Children Rates**

**For Non Metro, County Based Plans**

July 1, 2011 - December 31, 2011

Age	Sex	Rate before Withhold	Performance Withhold	Plan Rate before Ratable Reduction	Plan Rate after Ratable Reduction
21 - 49	F	\$ 365.36	\$ 29.23	\$ 336.13	\$ 332.77
50 +	F	485.36	38.83	446.53	442.06
21 - 49	M	278.79	22.30	256.49	253.92
50 +	M	449.49	35.96	413.53	409.40

---

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.

---



Exhibit E: MNCare Adults without Children Plan Specific Adjustment Factors

Step 1> Develop Projected Revenue by MCO and Program

Projected 2011 Revenues	Total	Blue Plus	HP	IMCare	Medica	MHP	Primewest	SCHA	UCare
<b>Projected Calendar Year 2011 Enrollment April - December</b>									
PMAP F&C and Pregnant Women	3,138,023	614,438	353,240	35,211	918,502	125,390	140,760	239,773	710,709
Seniors	451,960	121,431	37,974	5,568	115,954	13,241	28,676	26,586	102,529
MNCare Families and Children	667,701	283,345	71,717	7,388	176,066	6,939	7,647	7,365	107,233
MA Expansion	585,979	154,060	85,903	6,931	162,809	24,410	13,613	21,628	116,625
MNCare Adults w/o Children	434,463	154,807	57,179	5,465	112,300	8,167	6,517	10,014	80,014
Total	6,265,825	1,569,753	704,072	71,406	1,757,363	203,570	246,638	379,038	1,333,985
<b>Projected 2011 Rate April - December</b>									
PMAP F&C and Pregnant Women	\$ 397.10	\$ 403.48	\$ 399.92	\$ 424.58	\$ 412.27	\$ 418.01	\$ 405.10	\$ 387.53	\$ 367.18
Seniors	692.86	580.65	870.49	575.96	716.52	875.47	534.42	504.99	808.98
MNCare Families and Children	332.21	330.31	336.12	338.85	340.91	294.59	427.19	338.92	315.09
MA Expansion	1,003.11	994.25	1,023.84	958.92	1,012.64	1,027.30	930.47	930.91	1,005.68
MNCare Adults w/o Children	404.30	406.25	398.51	406.09	406.04	408.11	387.66	386.17	405.31
Total	406.10	400.11	439.11	413.49	416.67	464.02	368.18	350.47	395.36
<b>Projected 2011 Revenue</b>									
PMAP F&C and Pregnant Women	\$ 1,246,109,774	\$ 247,912,879	\$ 141,266,503	\$ 14,949,990	\$ 378,667,017	\$ 52,414,505	\$ 57,021,653	\$ 92,919,625	\$ 260,957,602
Seniors	313,143,328	70,509,702	33,056,262	3,206,817	83,084,046	11,592,465	15,325,110	13,425,579	82,943,347
MNCare Families and Children	221,819,391	93,592,295	24,105,523	2,503,486	60,023,225	2,044,240	3,266,739	2,496,236	33,787,646
MA Expansion	587,801,054	153,174,007	87,950,061	6,645,952	164,866,934	25,076,287	12,666,714	20,133,689	117,287,410
MNCare Adults w/o Children	175,652,235	62,890,339	22,786,426	2,219,213	45,598,873	3,333,208	2,526,600	3,866,992	32,430,582
Total	2,544,525,782	628,079,223	309,164,775	29,525,459	732,240,095	94,460,705	90,806,817	132,842,121	527,406,587
MNCare Adults w/o Children as a % of Other Revenue	7.4%	11.1%	8.0%	8.1%	6.6%	3.7%	2.9%	3.0%	6.6%

Step 2> Restate MCO Revenue, Assuming an Equal Concentration of MNCare B Business

Revenues	Total	Blue Plus	HP	IMCare	Medica	MHP	Primewest	SCHA	UCare
Other Than MNCare Adults w/o Children	\$ 2,368,873,548	\$ 565,188,883	\$ 286,378,349	\$ 27,306,246	\$ 686,641,222	\$ 91,127,497	\$ 88,280,216	\$ 128,975,129	\$ 494,976,004
MNCare Adults w/o Children	175,652,235	41,908,818	21,234,986	2,024,761	50,914,522	6,757,114	6,545,988	9,563,520	36,702,525
Combined Programs Total	\$ 2,544,525,782	\$ 607,097,701	\$ 307,613,335	\$ 29,331,007	\$ 737,555,745	\$ 97,884,611	\$ 94,826,204	\$ 138,538,649	\$ 531,678,530
MNCare Adults w/o Children as % of Other	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%

Step 3> Calculate an adjustment to each plan's MNCare B Revenue to Level the Playing Field

	Total	Blue Plus	HP	IMCare	Medica	MHP	Primewest	SCHA	UCare
MNCare Adults w/o Children Additional Revenue	(0)	\$ (20,981,521)	\$ (1,551,440)	\$ (194,452)	\$ 5,315,649	\$ 3,423,905	\$ 4,019,387	\$ 5,696,529	\$ 4,271,943
MNCare Adults w/o Children Loss Margin	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%
MNCare Adults w/o Children Losses	-	\$ (4,120,420)	\$ (304,677)	\$ (38,187)	\$ 1,043,905	\$ 672,398	\$ 789,341	\$ 1,118,703	\$ 838,938
Percent Change in MNCare Adults w/o Children Revenue	0.0%	6.6%	1.3%	1.7%	-2.3%	-20.2%	-31.2%	-28.9%	-2.6%

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.