



PMAP Capitation Rate Ranges for Calendar Year 2012

Prepared for:
Minnesota Department of Human Services

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SECTION 1 INTRODUCTION AND SCOPE

The Minnesota Department of Human Services (DHS) has engaged Milliman, Inc. to assist 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 PMAP Families and Children rate cells. Section 3 describes the development of CY 2012 demographic rates for the PMAP Adults without Children rate cells.

DHS conducted a competitive bidding process in the Twin Cities metropolitan area. In their bidding instructions, DHS requested bidders use a standard enrollment mix of PGAMC, MNCare G, and MNCare B look-alikes for developing bids for the PMAP Adults without Children rate cells. Therefore, Section 3 contains two sets of rates—one based on the estimated actual enrollment mix in each rate cell and one based on the standard mix to be used for bidding. Factors for converting rates based on the standard mix to rates based on the estimated actual mix are also included.

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.

As mentioned above, 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 have been developed consistent with the following:

- They include no provision for MERC;
- They include no provision for enhanced hospital payments;
- They include no adjustments for plan specific disproportionate utilization adjustments; and

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- They 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, as I understand that DHS plans to apply these adjustments separately.

There are also several appendices to this report, including:

- Appendix 1—a summary of all the low and high rates;
- Appendix 2—a copy of my June 1 report on rate relativities for PMAP 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 PMAP 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 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 PMAP 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.

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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 MA Expansion 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;
- 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

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experience is different than expected. Accordingly, DHS should continue to carefully monitor actual experience and make adjustments as necessary.

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SECTION 2 DEMOGRAPHIC RATE DEVELOPMENT FOR FAMILIES AND CHILDREN

I developed capitation rate ranges for each PMAP 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 PMAP Families and Children rate cells (including Pregnant Women) totaled just over 4 million.

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

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September 2010 and later and a 3% reduction made in September 2010 to the non-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 0.9941 for all rate cells;
 - A 2% rate increase for PT/OT/ST services—the adjustment factor I used is 1.0003 for all rate cells;
 - A 1.9% ratable reduction for inpatient services—the adjustment factor I used is 0.9941 for all rate cells; and
 - Reversal of the January 2010 ratable reduction for inpatient services expiring in September 2010—the adjustment factor is 1.0058 for all 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 FFS hospital services—the adjustment factor I used is 0.9944 for all rate cells; and
 - Reversal of the ratable reduction for FFS hospital services from September 2010—the adjustment factor I used is 1.0059 for all rate cells.
- In July 2011:
 - Sunset of basic care 1.5% ratable reduction—the adjustment factors I used are 1.0021 for pregnant women and 1.0015 for all other rate cells; and
 - A new ratable reduction for FFS hospital services—the adjustment factor I used is 0.9935 for all rate cells.

The combined impact of FFS reimbursement changes and the 3% adjustment for non-administrative services is 3.75%. 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.

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

Benefit	2010 Claims		Annual Trend Rate		
	Sum (000's)	Distribution	Utilization	Charge	Total
Hospital Inpatient	381,517	28.0%	0.00%	3.00%	3.00%
Hospital Outpatient	298,522	21.9%	3.50%	2.50%	6.09%
Physician / Other	486,045	35.7%	3.00%	1.00%	4.03%
Drugs	141,601	10.4%			5.50%
Dental	53,391	3.9%	0.00%	3.00%	3.00%
Total	1,361,077	100.0%			4.31%

High Annual Trend Rate	4.31%
FFS Reimbursement Reductions and 3% Non-Administrative Reduction	0.9625
Low Annual Trend Rate	2.33%

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:
 - Coverage for Health Care Home benefits—the adjustment factors I used are 1.0008 for pregnant women, 1.0009 for males and females ages 0-20, and 1.0023 for males and females over age 20; and
 - Expanding coverage of chiropractic services—the adjustment factors I used are 1.0004 for ages 0-20, 1.0007 for ages over 20, and 1.0003 for pregnant women.
- In July 2011:
 - Adding coverage for services provided in birth centers—the adjustment factor I used is 0.9987 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 all rate cells except pregnant women, which were not adjusted.

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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 analysis. (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 benefit 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 the 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 3.32%, from the adjusted experience trend in Section (d). The result, shown in Section (e) shows a residual trend of -0.8% from 2008 to 2009 and -2.4% from 2009 to 2010. Using a regular trend lower or higher than 3.32% 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 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.

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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 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))

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.

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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 Core Metro area is now split into the Anoka, Dakota, Scott, and Washington areas. For these four new areas, I used the enrollment data provided by the plans to allocate the Core Metro enrollment into the four 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.

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Exhibit 2A: Development of 2012 Average Premium Rate

Experience Base	PMAP	
	Families with Children	Families with Children
Scenario	Low	High
(1) 2010 Statewide Member Months	4,084,685	4,084,685
Average 2010 Claim Cost PMPM		
(2) 2010 Claim Costs PMPM	\$ 333.41	\$ 333.41
Apply 24 Months of Trend		
(3a) Annual Trend Rate for Regular Trend	2.33%	4.31%
(3b) RBRVS Adjustment	0.00%	2.00%
(3c) Trended 2012 Claim Cost	\$ 349.14	\$ 369.99
Benefit Adjustment Factor		
(4a) Factor for Changes Made in 2011	1.0009	1.0009
(4b) Adjusted Claim Cost	\$ 349.46	\$ 370.33
Apply Environmental Factor		
(5a) Factor	0.950	1.000
(5b) Adjusted Claim Cost	\$ 331.99	\$ 370.33
Apply Network Management Factor		
(6a) Factor	0.900	1.000
(6b) Adjusted Claim Cost	\$ 298.79	\$ 370.33
Add Provision for Administrative Cost		
(7a) Administrative Cost Factor	6.60%	10.10%
(7b) Administrative Margin	\$ 21.11	\$ 42.31
Add Provision for Contribution to Surplus		
(8a) Factor for Contribution to Surplus	0.00%	1.50%
(8b) Contribution to Surplus	\$ -	\$ 6.28
(9a) Projected 2012 Required Rev. - Using .90 Network Mgmt in Low Range	\$ 319.91	\$ 418.93
(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	\$ 337.68	\$ 418.93

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

Section (a)				
<u>Claim Costs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Member Months	3,092,399	3,037,486	3,651,290	4,084,685
Claim Cost PMPM	\$ 315.68	\$ 329.40	\$ 334.63	\$ 332.04
Claim Cost Trend		4.3%	1.6%	-0.8%
Section (b)				
<u>Benefit/Eligibility Changes</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Claim Cost Impact of Benefit/Eligibility Changes (compared to the prior year)		1.0041	1.0075	0.9982
Section (c)				
<u>Demog/Area Factors</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Avg Demog/Area Factor	1.035	1.031	1.015	1.001
Trend in D/A Factors		-0.3%	-1.6%	-1.4%
Section (d)				
<u>Experience Trend</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Claim Cost Trend		4.3%	1.6%	-0.8%
Net of Ben/Elig Changes		3.9%	0.8%	-0.6%
Net of Demog/Area Changes		4.2%	2.5%	0.8%
Section (e)				
<u>Regular Trend</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
Benchmark Trend		3.3%	3.3%	3.3%
Additional Environmental Factor		1.009	0.992	0.976
Residual Trend		0.9%	-0.8%	-2.4%

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

		Calendar Year	2007	2008	2009	2010
		Average Demographic/Area Factor	1.035	1.031	1.015	1.001
		Trend in Demographic/Area Factors		-0.3%	-1.6%	-1.4%
Demographic Factors			Area Factors			
<u>Families and Children</u>			<u>Region</u>			
Female	0-1	1.962	Anoka	1.136		
	1-2	0.559	Carver	1.015		
	2-15	0.455	Dakota	1.093		
	16-20	0.935	Hennepin	1.046		
	21-49	1.520	North Central	1.007		
	50+	2.406	Northeast	0.980		
Male	0-1	2.121	Olmsted	0.861		
	1-2	0.644	Ramsey	0.918		
	2-15	0.538	Scott	1.015		
	16-20	0.711	Sherburne	1.091		
	21-49	1.041	Southeast	0.931		
	50+	1.942	Southwest	0.944		
<u>Pregnant Women</u>			Washington	1.075		
Female	All Ages	3.785	Wright	1.091		

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

Rate Cell Relativities

Rate Cell		Region													
		Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright
Families with Children															
Female	0-1	2.229	1.992	2.145	2.052	1.976	1.923	1.690	1.801	1.992	2.141	1.827	1.853	2.109	2.141
	1-2	0.636	0.568	0.612	0.585	0.563	0.548	0.482	0.513	0.568	0.611	0.521	0.528	0.601	0.611
	2-15	0.517	0.462	0.498	0.476	0.458	0.446	0.392	0.418	0.462	0.497	0.424	0.430	0.489	0.497
	16-20	1.062	0.949	1.022	0.978	0.942	0.916	0.806	0.858	0.949	1.021	0.871	0.883	1.005	1.021
	21-49	1.726	1.543	1.661	1.589	1.531	1.489	1.309	1.395	1.543	1.659	1.415	1.435	1.634	1.659
	50+	2.733	2.442	2.630	2.516	2.423	2.358	2.072	2.208	2.442	2.626	2.240	2.272	2.587	2.626
Male	0-1	2.409	2.153	2.318	2.218	2.136	2.078	1.827	1.947	2.153	2.315	1.975	2.003	2.280	2.315
	1-2	0.731	0.653	0.704	0.673	0.648	0.631	0.555	0.591	0.653	0.703	0.599	0.608	0.692	0.703
	2-15	0.611	0.546	0.588	0.562	0.541	0.527	0.463	0.493	0.546	0.587	0.500	0.508	0.578	0.587
	16-20	0.807	0.721	0.777	0.743	0.716	0.696	0.612	0.652	0.721	0.776	0.662	0.671	0.764	0.776
	21-49	1.182	1.057	1.138	1.088	1.048	1.020	0.897	0.955	1.057	1.136	0.969	0.983	1.119	1.136
	50+	2.206	1.971	2.123	2.031	1.956	1.903	1.673	1.782	1.971	2.119	1.808	1.834	2.088	2.119
Pregnant Women															
Female	All Ages	4.300	3.842	4.137	3.958	3.812	3.709	3.260	3.474	3.842	4.131	3.524	3.574	4.069	4.131

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

2010 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	8,375	1,180	9,532	37,300	23,330	6,855	3,846	20,943	2,435	1,755	16,142	14,759	3,553	2,463	152,469
1-2	6,461	707	6,088	27,819	17,592	5,538	2,598	16,623	1,454	1,264	12,647	11,305	2,330	1,723	114,149
2-15	57,110	7,369	48,962	241,866	150,877	45,142	24,479	149,701	13,604	11,599	102,379	88,883	21,073	14,190	977,234
16-20	13,178	1,207	9,177	58,061	34,392	10,888	5,267	41,359	2,620	1,932	20,212	19,392	4,880	2,609	225,174
21-49	44,525	5,219	33,666	156,185	128,176	40,140	17,588	103,023	9,872	9,808	78,718	66,673	18,140	10,927	722,659
50+	1,850	229	1,197	8,748	4,262	1,218	890	5,060	474	321	2,727	2,145	689	312	30,122
Male 0-1	8,424	1,232	9,690	38,372	24,703	7,000	3,962	22,042	2,378	1,965	17,271	15,567	3,673	2,534	158,812
1-2	6,142	722	6,778	27,346	19,013	5,353	2,964	17,257	1,514	1,198	13,133	11,191	2,418	1,801	116,829
2-15	56,020	7,858	51,742	241,532	156,639	45,145	24,095	153,772	14,760	11,791	106,579	89,502	21,281	14,035	994,751
16-20	11,543	1,208	8,466	50,887	28,693	9,664	4,224	36,795	2,353	1,853	18,552	16,716	4,359	2,501	197,814
21-49	15,101	1,576	9,674	42,394	49,458	13,836	5,435	35,250	3,014	3,555	24,052	22,105	5,182	3,679	234,311
50+	1,496	159	916	5,408	3,561	818	864	3,890	298	248	2,453	1,550	469	252	22,381
Pregnant Women															
Female All Ages	7,746	1,054	8,253	33,499	22,156	6,298	3,492	16,289	2,002	1,739	15,501	14,225	3,247	2,479	137,980
Total	237,970	29,720	204,140	969,417	662,852	197,895	99,704	622,004	56,777	49,027	430,366	374,013	91,294	59,506	4,084,685

2009 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	8,141	992	9,307	37,845	22,654	4,856	3,397	21,091	2,047	1,866	16,767	15,257	2,958	2,363	149,541
1-2	5,768	730	5,793	25,795	17,453	3,634	2,704	15,143	1,389	1,278	12,727	10,506	2,357	1,739	107,017
2-15	50,926	6,311	44,573	215,234	136,301	30,808	21,919	135,598	11,339	10,715	91,506	79,942	18,528	12,498	866,197
16-20	12,389	1,100	8,060	53,713	31,976	7,753	4,540	37,444	2,171	1,754	19,026	18,083	4,378	2,584	204,971
21-49	40,107	4,576	30,151	136,938	114,968	25,763	15,278	91,109	8,382	8,526	70,005	58,768	16,058	9,955	630,584
50+	1,457	239	963	7,794	3,549	771	815	4,640	368	255	2,306	1,850	662	270	25,939
Male 0-1	8,587	1,056	9,757	37,461	23,961	4,556	3,898	21,542	2,159	1,721	17,155	15,160	3,445	2,458	152,917
1-2	6,036	709	6,206	26,398	18,782	3,605	2,971	15,687	1,437	1,292	13,001	10,847	2,356	1,742	111,069
2-15	50,058	6,429	45,795	214,647	141,812	30,993	21,270	138,576	12,691	10,559	96,353	82,068	19,022	12,271	882,544
16-20	10,083	1,155	7,198	45,134	25,896	6,730	3,759	33,417	1,694	1,763	16,427	14,243	3,475	2,204	173,178
21-49	12,820	1,230	7,919	34,697	43,057	8,474	4,478	28,903	2,562	2,861	20,169	18,192	4,384	3,271	193,016
50+	1,227	139	843	4,429	3,054	577	840	3,372	262	145	1,890	1,358	435	208	18,778
Pregnant Women															
Female All Ages	7,352	889	8,603	34,438	22,062	4,144	3,337	15,307	1,822	1,741	15,936	14,626	2,932	2,350	135,539
Total	214,950	25,555	185,167	874,523	605,525	132,664	89,206	561,829	48,324	44,474	393,268	340,900	80,990	53,915	3,651,290

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

2008 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	8,046	852	8,598	37,827	15,550	4,576	3,710	20,061	2,210	1,745	11,902	14,665	3,069	2,138	134,949
1-2	5,647	589	5,147	24,914	11,554	3,472	2,550	13,731	1,141	1,054	7,704	9,473	2,205	1,748	90,929
2-15	44,957	5,009	37,198	194,653	89,232	28,245	20,172	126,251	9,440	8,894	54,062	71,855	16,131	10,493	716,592
16-20	10,507	802	6,358	49,781	20,737	7,251	4,422	33,803	1,844	1,622	11,789	15,809	3,905	2,257	170,887
21-49	35,593	3,525	25,456	125,351	74,681	23,750	14,193	83,267	6,712	7,453	41,507	51,553	14,316	8,868	516,226
50+	1,190	164	653	7,400	2,207	866	794	4,331	319	207	1,308	1,597	550	232	21,819
Male 0-1	8,009	955	9,079	38,262	17,132	4,284	4,307	20,401	2,053	1,904	11,511	14,973	3,060	2,426	138,356
1-2	5,513	603	5,496	25,493	12,192	3,530	2,685	15,141	1,277	1,101	8,188	10,521	2,019	1,654	95,414
2-15	44,532	4,738	37,845	195,047	91,480	28,905	20,292	128,206	10,177	8,536	57,205	73,544	16,717	10,428	727,652
16-20	8,484	920	5,924	40,683	17,003	5,827	3,559	30,701	1,309	1,482	9,457	12,592	3,254	1,737	142,932
21-49	10,521	971	5,903	29,836	25,964	7,030	4,104	25,361	1,929	2,275	11,032	14,759	3,490	2,442	145,617
50+	907	102	621	4,112	1,782	548	722	2,985	143	113	1,078	1,257	361	163	14,894
Pregnant Women															
Female All Ages	7,183	875	8,199	34,364	15,229	4,018	3,290	15,150	1,721	1,672	10,547	13,888	2,690	2,393	121,219
Total	191,091	20,105	156,480	807,723	394,743	122,302	84,800	519,389	40,274	38,058	237,290	306,486	71,767	46,979	3,037,486

2007 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	7,586	1,009	8,472	37,175	18,412	4,388	4,047	19,152	2,067	1,739	16,855	13,995	2,959	2,257	140,113
1-2	4,850	539	4,620	22,794	12,127	3,538	2,456	13,276	1,081	999	11,105	8,858	1,870	1,448	89,561
2-15	40,419	4,762	34,538	185,442	102,907	27,950	19,899	125,037	9,084	8,170	78,846	69,393	14,724	9,733	730,904
16-20	9,560	756	6,253	47,516	23,762	6,951	4,472	33,285	1,758	1,466	16,923	14,774	3,488	2,057	173,021
21-49	32,770	3,215	24,333	118,989	82,431	23,268	13,955	82,015	6,805	6,803	59,628	48,438	13,224	7,848	523,722
50+	1,135	96	710	7,285	2,431	745	813	4,237	293	218	1,895	1,653	480	226	22,217
Male 0-1	7,585	1,097	8,648	38,534	20,063	4,321	4,085	20,463	1,998	1,713	17,413	15,241	3,085	2,274	146,520
1-2	4,817	507	5,031	23,749	13,113	3,442	2,661	13,791	1,151	1,097	11,588	9,823	1,850	1,587	94,207
2-15	40,236	4,554	36,169	183,898	104,440	28,279	19,812	127,021	10,053	7,990	82,623	70,059	15,233	9,502	739,869
16-20	7,774	742	5,574	40,176	19,061	5,697	3,630	29,430	1,383	1,279	13,298	11,768	2,863	1,615	144,289
21-49	9,147	835	5,591	28,488	28,054	6,359	4,152	24,391	1,786	2,004	16,406	13,645	3,107	2,165	146,130
50+	803	31	527	3,828	1,711	455	686	2,934	155	139	1,408	1,163	280	171	14,291
Pregnant Women															
Female All Ages	6,579	885	7,399	35,594	18,128	3,605	3,783	13,894	1,637	1,604	16,064	13,515	2,619	2,249	127,555
Total	173,261	19,028	147,866	773,468	446,640	118,998	84,451	508,926	39,251	35,219	344,052	292,325	65,780	43,134	3,092,399

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

Rate Cell Relativities

Rate Cell	Region													
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright
Families with Children														
Female 0-1	2.229	1.992	2.145	2.052	1.976	1.923	1.690	1.801	1.992	2.141	1.827	1.853	2.109	2.141
1-2	0.636	0.568	0.612	0.585	0.563	0.548	0.482	0.513	0.568	0.611	0.521	0.528	0.601	0.611
2-15	0.517	0.462	0.498	0.476	0.458	0.446	0.392	0.418	0.462	0.497	0.424	0.430	0.489	0.497
16-20	1.062	0.949	1.022	0.978	0.942	0.916	0.806	0.858	0.949	1.021	0.871	0.883	1.005	1.021
21-49	1.726	1.543	1.661	1.589	1.531	1.489	1.309	1.395	1.543	1.659	1.415	1.435	1.634	1.659
50+	2.733	2.442	2.630	2.516	2.423	2.358	2.072	2.208	2.442	2.626	2.240	2.272	2.587	2.626
Male 0-1	2.409	2.153	2.318	2.218	2.136	2.078	1.827	1.947	2.153	2.315	1.975	2.003	2.280	2.315
1-2	0.731	0.653	0.704	0.673	0.648	0.631	0.555	0.591	0.653	0.703	0.599	0.608	0.692	0.703
2-15	0.611	0.546	0.588	0.562	0.541	0.527	0.463	0.493	0.546	0.587	0.500	0.508	0.578	0.587
16-20	0.807	0.721	0.777	0.743	0.716	0.696	0.612	0.652	0.721	0.776	0.662	0.671	0.764	0.776
21-49	1.182	1.057	1.138	1.088	1.048	1.020	0.897	0.955	1.057	1.136	0.969	0.983	1.119	1.136
50+	2.206	1.971	2.123	2.031	1.956	1.903	1.673	1.782	1.971	2.119	1.808	1.834	2.088	2.119
Pregnant Women														
Female All Ages	4.300	3.842	4.137	3.958	3.812	3.709	3.260	3.474	3.842	4.131	3.524	3.574	4.069	4.131

2010 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	8,375	1,180	9,532	37,300	23,330	6,855	3,846	20,943	2,435	1,755	16,142	14,759	3,553	2,463	152,469
1-2	6,461	707	6,088	27,819	17,592	5,538	2,598	16,623	1,454	1,264	12,647	11,305	2,330	1,723	114,149
2-15	57,110	7,369	48,962	241,866	150,877	45,142	24,479	149,701	13,604	11,599	102,379	88,883	21,073	14,190	977,234
16-20	13,178	1,207	9,177	58,061	34,392	10,888	5,267	41,359	2,620	1,932	20,212	19,392	4,880	2,609	225,174
21-49	44,525	5,219	33,666	156,185	128,176	40,140	17,588	103,023	9,872	9,808	78,718	66,673	18,140	10,927	722,659
50+	1,850	229	1,197	8,748	4,262	1,218	890	5,060	474	321	2,727	2,145	689	312	30,122
Male 0-1	8,424	1,232	9,690	38,372	24,703	7,000	3,962	22,042	2,378	1,965	17,271	15,567	3,673	2,534	158,812
1-2	6,142	722	6,778	27,346	19,013	5,353	2,964	17,257	1,514	1,198	13,133	11,191	2,418	1,801	116,829
2-15	56,020	7,858	51,742	241,532	156,639	45,145	24,095	153,772	14,760	11,791	106,579	89,502	21,281	14,035	994,751
16-20	11,543	1,208	8,466	50,887	28,693	9,664	4,224	36,795	2,353	1,853	18,552	16,716	4,359	2,501	197,814
21-49	15,101	1,576	9,674	42,394	49,458	13,836	5,435	35,250	3,014	3,555	24,052	22,105	5,182	3,679	234,311
50+	1,496	159	916	5,408	3,561	818	864	3,890	298	248	2,453	1,550	469	252	22,381
Pregnant Women															
Female All Ages	7,746	1,054	8,253	33,499	22,156	6,298	3,492	16,289	2,002	1,739	15,501	14,225	3,247	2,479	137,980
Total	237,970	29,720	204,140	969,417	662,852	197,895	99,704	622,004	56,777	49,027	430,366	374,013	91,294	59,506	4,084,685

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

2012 Capitation Rate by Rate Cell - Based on 2010 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	\$ 712.64	\$ 636.78	\$ 685.78	\$ 655.98	\$ 666.93	\$ 648.89	\$ 570.40	\$ 575.79	\$ 636.78	\$ 722.69	\$ 616.51	\$ 625.26	\$ 674.43	\$ 722.69	\$ 643.81
1-2	203.19	181.56	195.53	187.04	190.16	185.02	162.64	164.17	181.56	206.06	175.78	178.28	192.30	206.06	183.29
2-15	165.34	147.74	159.11	152.19	154.73	150.55	132.34	133.59	147.74	167.67	143.04	145.07	156.47	167.67	149.07
16-20	339.66	303.50	326.86	312.65	317.88	309.28	271.87	274.43	303.50	344.45	293.84	298.02	321.45	344.45	305.20
21-49	552.01	493.25	531.21	508.12	516.61	502.63	441.84	446.01	493.25	559.80	477.55	484.33	522.42	559.80	498.64
50+	873.88	780.85	840.94	804.40	817.83	795.70	699.46	706.06	780.85	886.21	756.00	766.73	827.03	886.21	786.67
Male 0-1	770.35	688.34	741.31	709.09	720.94	701.43	616.59	622.41	688.34	781.21	666.43	675.89	729.04	781.21	695.61
1-2	233.83	208.94	225.01	215.23	218.83	212.91	187.16	188.92	208.94	237.13	202.29	205.16	221.29	237.13	210.81
2-15	195.24	174.46	187.88	179.71	182.72	177.77	156.27	157.75	174.46	197.99	168.90	171.30	184.77	197.99	175.98
16-20	258.15	230.67	248.42	237.62	241.59	235.05	206.62	208.57	230.67	261.79	223.33	226.50	244.31	261.79	231.94
21-49	378.08	337.83	363.83	348.02	353.83	344.26	302.62	305.48	337.83	383.41	327.08	331.72	357.81	383.41	341.58
50+	705.34	630.25	678.75	649.25	660.10	642.23	564.56	569.89	630.25	715.28	610.19	618.85	667.52	715.28	633.70
Pregnant Women															
Female All Ages	1,374.73	1,228.38	1,322.91	1,265.42	1,286.56	1,251.74	1,100.34	1,110.73	1,228.38	1,394.12	1,189.29	1,206.17	1,301.03	1,394.12	1,244.62
Total	\$ 364.12	\$ 325.16	\$ 357.59	\$ 330.39	\$ 345.12	\$ 335.02	\$ 293.79	\$ 282.39	\$ 327.50	\$ 377.68	\$ 317.22	\$ 324.16	\$ 354.44	\$ 381.38	\$ 327.94

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

2012 Capitation Rate by Rate Cell - Based on 2010 Enrollment

Rate Cell	Region														Total
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright	
Families with Children															
Female 0-1	\$ 933.23	\$ 833.89	\$ 898.05	\$ 859.03	\$ 827.41	\$ 805.02	\$ 707.65	\$ 754.02	\$ 833.89	\$ 896.59	\$ 764.85	\$ 775.71	\$ 883.20	\$ 896.59	\$ 823.01
1-2	266.09	237.76	256.06	244.93	235.92	229.53	201.77	214.99	237.76	255.64	218.08	221.18	251.82	255.64	234.20
2-15	216.52	193.47	208.36	199.30	191.97	186.77	164.18	174.94	193.47	208.02	177.45	179.97	204.91	208.02	190.62
16-20	444.80	397.45	428.04	409.43	394.36	383.69	337.28	359.38	397.45	427.33	364.55	369.72	420.95	427.33	390.79
21-49	722.89	645.93	695.64	665.41	640.91	623.57	548.15	584.06	645.93	694.50	592.46	600.87	684.13	694.50	636.24
50+	1,144.38	1,022.56	1,101.25	1,053.39	1,014.62	987.16	867.76	924.62	1,022.56	1,099.44	937.91	951.22	1,083.03	1,099.44	1,008.80
Male 0-1	1,008.80	901.41	970.77	928.59	894.41	870.20	764.95	815.07	901.41	969.18	826.79	838.52	954.71	969.18	888.93
1-2	306.21	273.61	294.66	281.86	271.48	264.14	232.19	247.40	273.61	294.18	250.96	254.52	289.79	294.18	269.26
2-15	255.67	228.46	246.04	235.34	226.68	220.55	193.87	206.58	228.46	245.63	209.54	212.52	241.97	245.63	224.99
16-20	338.06	302.07	325.31	311.18	299.72	291.61	256.34	273.14	302.07	324.78	277.06	281.00	319.93	324.78	297.06
21-49	495.11	442.40	476.45	455.74	438.97	427.09	375.43	400.03	442.40	475.67	405.78	411.54	468.57	475.67	435.00
50+	923.67	825.34	888.85	850.22	818.93	796.77	700.40	746.29	825.34	887.40	757.01	767.76	874.15	887.40	810.83
Pregnant Women															
Female All Ages	1,800.27	1,608.62	1,732.40	1,657.12	1,596.12	1,552.93	1,365.11	1,454.55	1,608.62	1,729.57	1,475.45	1,496.40	1,703.75	1,729.57	1,589.06
Total	\$ 476.84	\$ 425.80	\$ 468.28	\$ 432.65	\$ 428.16	\$ 415.64	\$ 364.48	\$ 369.80	\$ 428.88	\$ 468.56	\$ 393.55	\$ 402.15	\$ 464.16	\$ 473.15	\$ 418.93

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SECTION 3 RATE DEVELOPMENT FOR ADULTS WITHOUT CHILDREN

I developed 2012 capitation rates for the PMAP Adults without Children 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 PGAMC and MNCare Adults without Children populations. I continued to use 2009 data because experience data for PGAMC members and MNCare transitional members, who make up a significant portion of the PMAP Adults without Children enrollment, was not available for some or all of 2010.

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. The exhibit includes separate projections for each of three populations—PGAMC, MNCare B, and MNCare G (Transitional MNCare). 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 new PMAP rate cells for Adults without Children will be consistent with the figures shown for December 2011 in Attachment C-1 of my March 9 letter. In particular, DHS expects there will be an average of 20,250 PGAMC look-alike members per month, an average of 17,053 Transitional MNCare look-alike members per month (including 2,634 “additional” members), and 39,790 MNCare B look-alike members per month (including 6,146 “additional” members). 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 PGAMC and MNCare Adults without Children programs. These starting claim costs were developed in row (3) of my March 9, 2011 letter. (For this report, I am also splitting out the MNCare B and G populations.)

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 each 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

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applying it to the value of pharmacy claims underlying the 2009 claim costs in row (2a). For the PGAMC look-alike members, I used the 2009 experience of adults (excluding pregnant women) in the PMAP Families and Children rate cells as a proxy. Table 3-1 below shows the development of the pharmacy rebate assumption used in row (2b).

**Table 3-1
Pharmacy Rebate Assumptions**

	PGAMC	MNCare B and G
Gross Pharmacy Claims as a % of Total Net Claims	15.3%	20.7%
Rebates as a % of Gross Pharmacy Claims	4.5%	5.2%
Rebates as a % of Total Net Claims	0.7%	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 6.23% for former PGAMC members and 5.00% for former MNCare members. This reflects an underlying annual trend rate of 5.0% and an additional trend of 1.23% to account for differences between PGAMC and PMAP provider payment levels.

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 G program or the MNCare B program (under 75% of the federal poverty level (FPL) only), as appropriate. These morbidity adjustments are the same as those used for December 2011 in Exhibit C-2 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 PGAMC and MNCare claim costs in detail.

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 no provision for a contribution to surplus, consistent with my March 9 letter. DHS decided not to include a provision for contribution to surplus in the 2011 rates due to the state's current fiscal situation.

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Restated 2011 Required Revenue (Row (8))

Row (8) shows the restated 2011 average capitation rate for each subgroup.

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 5.0%, which is consistent with the trend in row (3). Note that the trend in row (3) for PGAMC included a provision of 1.23% to account for historical differences between the PGAMC and PMAP fee schedules, which I want to maintain.

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 factors I used are 0.9941 for PGAMC and 0.9933 for MNCare;
 - 2% rate increase for PT/OT/ST services—the adjustment factor I used is 1.0003 for PGAMC only; and
 - Reversal of expired ratable reduction on inpatient services—the adjustment factors I used are 1.0058 for PGAMC and 1.0010 for MNCare.
- In January 2011:
 - Ratable reduction for FFS hospitals in 2011—the adjustment factors I used are 0.9944 for PGAMC and 0.9979 for MNCare; and
 - Increase in dental rates for state operated dental clinics—the adjustment factors I used are 1.0002 for PGAMC and 1.0001 for MNCare.

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- In July 2011:
 - Sunset of basic care 1.5% ratable reduction—the adjustment factor I used is 1.0010 for PGAMC only; and
 - Ratable reduction for FFS hospitals—the adjustment factor I used is 0.9957 for PGAMC only.

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 PMAP Adults with Children (excluding pregnant women) experience since recent experience for PGAMC and for MNCare Adults without Children without a limited hospital benefit is not available.

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 rate, 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 3.59% for PGAMC and 3.50% for MNCare. 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.

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

Benefit	2010 Claims		Annual Trend Rate		
	Sum (000's)	Distribution	Utilization	Charge	Total
Hospital Inpatient	83,913	17.4%	0.00%	3.00%	3.00%
Hospital Outpatient	133,718	27.7%	3.50%	2.50%	6.09%
Physician / Other	173,525	36.0%	3.00%	1.00%	4.03%
Drugs	76,357	15.8%			5.50%
Dental	14,967	3.1%	0.00%	3.00%	3.00%
Total	482,482	100.0%			4.62%

	PGAMC	MNCare
High Annual Trend Rate	4.62%	4.62%
FFS Reimbursement Reductions and 3% Non-Administrative Reduction	0.9641	0.9650
Low Annual Trend Rate	2.72%	2.78%

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 PMAP 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 enrollees over 75% of the FPL who are remaining in the MNCare Adults without Children 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.

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).

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

Program	2008	2009	2010
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, so that the new morbidity relativity factors can be normalized to 1.000.

**Table 3-4
New MNCare Morbidity Relativity Factors
Normalized to the Projected 2012 Enrollment**

Program	New Factor	2012 Enrollment	New Normalized
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 former MNCare members now enrolled in the PMAP Adults without Children rate cells.

Benefit Adjustment Factor (Row (14))

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. The 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

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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 PMAP 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.

Contribution to Surplus (Row (18))

The range for the 2012 contribution to surplus in row (18) is exclusive of investment income. It is consistent with that used in my development of the Families and Children rates.

Projected 2012 Required Revenue (Row (19))

Row (19) shows the projected 2012 average capitation rate required for each subgroup. 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. The rates are developed separately for each of the three subgroups in the

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PMAP Adults without Children program. The aggregate membership and 2012 capitation rates are developed from the compilation of these three subgroups.

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 for each subgroup in Exhibit 3A was allocated to each demographic rate cell. For PGAMC, I am first allocating the members to the old PGAMC areas using 2009 enrollment by age and gender (consistent with Exhibit D-2 of my March 9 letter). Then I am using the 2009 PGAMC membership by county to sub-allocate the Core Metro members to the four counties in that area (Anoka, Dakota, Scott, and Washington).

For MNCare, 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 D-1 of my March 9 letter). I am then sub-allocating the metro members based on the 2009 data provided by the MCOs for the rate cell study. Then, I am sub-allocating non-metro members between Greater Metro and Other Non-Metro using the same 2009 data provided by the MCOs. Finally, I am sub-allocating the Other Non-Metro members into the remaining areas using the 2010 enrollment data by individual county since 2009 data broken out in these areas is not readily available.

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.

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

Experience Base		PGAMC		MNCare B		MNCare G		Total	
Scenario		Low	High	Low	High	Low	High	Low	High
Section I									
(1)	Expected Statewide Member Months	243,000	243,000	477,477	477,477	204,633	204,633	925,110	925,110
Average 2009 Claim Cost PMPM									
(2a)	Adjusted Claim Costs from 3/9/11 Letter	\$ 1,160.54	\$ 1,160.54	\$ 522.31	\$ 522.31	\$ 522.31	\$ 522.31	\$ 689.96	\$ 689.96
(2b)	<u>Estimated Pharmacy Rebates</u>	\$ 8.06	\$ 8.06	\$ 5.69	\$ 5.69	\$ 5.69	\$ 5.69	\$ 6.31	\$ 6.31
(2c)	2009 Claim Costs PMPM	\$ 1,168.60	\$ 1,168.60	\$ 528.00	\$ 528.00	\$ 528.00	\$ 528.00	\$ 696.27	\$ 696.27
Apply 25.5 Months of Trend									
(3a)	Annual Trend Rate from 2009 to 2011	6.23%	6.23%	5.00%	5.00%	5.00%	5.00%	5.54%	5.54%
(3b)	Trended 2011 Claim Cost (8/15/2011 Midpoint)	\$ 1,328.67	\$ 1,328.67	\$ 585.68	\$ 585.68	\$ 585.68	\$ 585.68	\$ 780.84	\$ 780.84
Morbidity Adjustment									
(4a)	Factor from 3/9/11 Letter	1.000	1.000	0.999	0.999	1.185	1.185	1.030	1.030
(4b)	Adjusted Claim Cost	\$ 1,328.67	\$ 1,328.67	\$ 585.04	\$ 585.04	\$ 694.02	\$ 694.02	\$ 804.48	\$ 804.48
Benefit Difference Adjustments									
(5a)	Factor for Chgs from 2009 to 2011	1.013	1.013	1.169	1.169	1.169	1.169	1.102	1.102
(5b)	Adjusted Claim Cost	\$ 1,346.44	\$ 1,346.44	\$ 683.98	\$ 683.98	\$ 811.40	\$ 811.40	\$ 886.18	\$ 886.18
Add Provision for Administrative Cost									
(6a)	Administrative Cost Factor	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
(6b)	Administrative Margin	\$ 101.35	\$ 101.35	\$ 51.48	\$ 51.48	\$ 61.07	\$ 61.07	\$ 66.70	\$ 66.70
Add Provision for Contribution to Surplus									
(7a)	Factor for Contribution to Surplus	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(7b)	Contribution to Surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(8)	Restated 2011 Required Revenue	\$ 1,447.79	\$ 1,447.79	\$ 735.47	\$ 735.47	\$ 872.47	\$ 872.47	\$ 952.88	\$ 952.88

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

Experience Base Scenario	PGAMC		MNCare B		MNCare G		Total	
	Low	High	Low	High	Low	High	Low	High
Section II								
Back out Admin and Surplus Margins								
(9a) Admin and Surplus Margins	\$ 101.35	\$ 101.35	\$ 51.48	\$ 51.48	\$ 61.07	\$ 61.07	\$ 66.70	\$ 66.70
(9b) Trended 2011 Claim Cost	\$ 1,346.44	\$ 1,346.44	\$ 683.98	\$ 683.98	\$ 811.40	\$ 811.40	\$ 886.18	\$ 886.18
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%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
(10b) Trended 2010 Claim Cost	\$ 1,274.53	\$ 1,274.53	\$ 647.45	\$ 647.45	\$ 768.06	\$ 768.06	\$ 838.85	\$ 838.85
Reversal of Provider Reimbursements								
(11a) Provider Reimbursements made after 1/1/2010	0.991	0.991	0.992	0.992	0.992	0.992	0.992	0.992
(11b) Adjusted 2010 Claim Cost	\$ 1,285.53	\$ 1,285.53	\$ 652.43	\$ 652.43	\$ 773.97	\$ 773.97	\$ 845.61	\$ 845.61
Apply 24 Months of Trend to get to 7/1/2012								
(12a) Annual Trend Rate for Regular Trend	2.72%	4.62%	2.78%	4.62%	2.78%	4.62%	2.76%	4.62%
(12b) Trended 2012 Claim Cost	\$ 1,356.52	\$ 1,407.10	\$ 689.17	\$ 714.13	\$ 817.55	\$ 847.17	\$ 892.86	\$ 925.58
Morbidity Adjustment								
(13a) Back out Factor from 3/9/11 Letter	1.000	1.000	1.001	1.001	0.844	0.844	0.971	0.971
(13b) Add Revised Morbidity Factor	1.000	1.000	1.015	1.015	1.136	1.136	1.028	1.028
(13c) Adjusted Claim Cost	\$ 1,356.52	\$ 1,407.10	\$ 700.11	\$ 725.48	\$ 783.46	\$ 811.85	\$ 890.97	\$ 923.63
Benefit Adjustment Factor								
(14a) Factor for Changes Made after 7/1/2011	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
(14b) Adjusted Claim Cost	\$ 1,356.52	\$ 1,407.10	\$ 700.11	\$ 725.48	\$ 783.46	\$ 811.85	\$ 890.97	\$ 923.63
Apply Environmental Factor								
(15a) Factor	0.920	1.000	0.920	1.000	0.920	1.000	0.920	1.000
(15b) Adjusted Claim Cost	\$ 1,248.00	\$ 1,407.10	\$ 644.10	\$ 725.48	\$ 720.79	\$ 811.85	\$ 819.69	\$ 923.63
Apply Network Management Factor								
(16a) Factor	0.900	1.000	0.900	1.000	0.900	1.000	0.900	1.000
(16b) Adjusted Claim Cost	\$ 1,123.20	\$ 1,407.10	\$ 579.69	\$ 725.48	\$ 648.71	\$ 811.85	\$ 737.72	\$ 923.63
Add Provision for Administrative Cost								
(17a) Administrative Cost Factor	5.10%	7.60%	5.10%	7.60%	5.10%	7.60%	5.10%	7.60%
(17b) Administrative Margin	\$ 60.36	\$ 117.65	\$ 31.15	\$ 60.66	\$ 34.86	\$ 67.88	\$ 39.65	\$ 77.22
Add Provision for Contribution to Surplus								
(18a) Factor for Contribution to Surplus	0.00%	1.50%	0.00%	1.50%	0.00%	1.50%	0.00%	1.50%
(18b) Contribution to Surplus	\$ -	\$ 23.22	\$ -	\$ 11.97	\$ -	\$ 13.40	\$ -	\$ 15.24
(19a) Projected 2012 Required Rev. - Using .90 Network Mgmt in Low Range	\$ 1,183.56	\$ 1,547.97	\$ 610.85	\$ 798.11	\$ 683.57	\$ 893.12	\$ 777.37	\$ 1,016.09
(19b) Adjustment to Use .95 Network Mgmt in Low Range	1.056	1.000	1.056	1.000	1.056	1.000	1.056	1.000
(19c) Projected 2012 Required Rev. - Using .95 Network Mgmt in Low Range	\$ 1,249.31	\$ 1,547.97	\$ 644.78	\$ 798.11	\$ 721.55	\$ 893.12	\$ 820.56	\$ 1,016.09

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Exhibit 3B: 2012 Rates by Rate Cell - MA Expansion - Low Scenario

PGAMC - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1,460	730	2,290	25,639	9,824	981	1,307	731	6,436	4,959	3,858	3,234	40,924	20,525	61,449
50 - 64	F	521	156	447	10,556	3,133	120	391	191	2,469	1,884	1,059	1,016	14,933	7,010	21,943
21 - 49	M	4,917	1,249	3,638	61,788	13,660	1,638	1,951	1,511	14,530	7,616	8,402	6,353	86,889	40,363	127,252
50 - 64	M	916	211	769	16,460	3,862	228	556	303	3,502	2,300	1,707	1,541	22,446	9,909	32,355
Total		7,814	2,346	7,144	114,444	30,479	2,966	4,205	2,736	26,936	16,759	15,026	12,145	165,192	77,808	243,000

PGAMC - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.596	1.469	1.485	1.397	1.338	1.483	1.349	1.524	1.420	1.417	1.327	1.321	1.398	1.385	1.394
50 - 64	F	1.816	1.672	1.690	1.590	1.522	1.688	1.535	1.735	1.616	1.612	1.509	1.503	1.588	1.581	1.586
21 - 49	M	1.277	1.176	1.188	1.118	1.070	1.187	1.079	1.220	1.136	1.134	1.061	1.057	1.125	1.108	1.119
50 - 64	M	1.835	1.689	1.707	1.606	1.538	1.705	1.551	1.752	1.632	1.629	1.525	1.519	1.609	1.594	1.605
Weighted Average		1.438	1.346	1.371	1.294	1.262	1.345	1.268	1.396	1.313	1.339	1.214	1.223	1.300	1.286	1.296

PGAMC - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 1,458.31	\$ 1,342.25	\$ 1,356.68	\$ 1,276.61	\$ 1,222.16	\$ 1,355.06	\$ 1,300.93	\$ 1,470.02	\$ 1,369.50	\$ 1,366.16	\$ 1,279.14	\$ 1,273.88	\$ 1,277.55	\$ 1,335.85	\$ 1,297.03
50 - 64	F	1,659.40	1,527.34	1,543.76	1,452.65	1,390.70	1,541.92	1,480.32	1,672.73	1,558.35	1,554.54	1,455.52	1,449.54	1,451.09	1,524.79	1,474.63
21 - 49	M	1,166.75	1,073.90	1,085.44	1,021.38	977.82	1,084.14	1,040.84	1,176.12	1,095.69	1,093.02	1,023.40	1,019.19	1,027.38	1,068.46	1,040.41
50 - 64	M	1,676.25	1,542.85	1,559.43	1,467.40	1,404.81	1,557.57	1,495.35	1,689.71	1,574.16	1,570.33	1,470.30	1,464.25	1,469.93	1,537.40	1,490.59
Weighted Average		\$ 1,313.80	\$ 1,229.74	\$ 1,252.10	\$ 1,182.49	\$ 1,153.12	\$ 1,228.61	\$ 1,222.65	\$ 1,346.21	\$ 1,265.72	\$ 1,291.22	\$ 1,170.28	\$ 1,179.51	\$ 1,187.79	\$ 1,239.83	\$ 1,204.45

MNCare B - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	8,862	3,178	7,528	26,211	15,503	3,842	3,312	5,461	29,134	9,793	15,760	15,241	65,123	78,701	143,824
50 - 64	F	5,965	2,317	5,458	16,135	10,085	2,503	2,099	3,369	27,106	8,056	13,115	11,755	42,463	65,500	107,962
21 - 49	M	11,215	3,236	8,380	29,327	18,487	4,536	3,622	4,682	28,266	10,703	15,579	13,756	75,180	76,608	151,789
50 - 64	M	4,040	1,336	3,533	11,636	7,690	1,518	1,532	2,029	19,039	5,764	8,402	7,382	29,754	44,148	73,902
Total		30,082	10,067	24,899	83,309	51,764	12,398	10,565	15,541	103,545	34,316	52,856	48,135	212,520	264,957	477,477

MNCare B - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.088	1.001	1.012	0.952	0.912	1.011	0.920	1.039	0.968	0.966	0.904	0.900	0.974	0.945	0.958
50 - 64	F	1.457	1.341	1.356	1.276	1.221	1.354	1.232	1.392	1.297	1.294	1.211	1.206	1.307	1.266	1.282
21 - 49	M	0.926	0.852	0.861	0.810	0.776	0.860	0.782	0.884	0.824	0.822	0.769	0.766	0.830	0.804	0.817
50 - 64	M	1.325	1.219	1.233	1.160	1.110	1.231	1.120	1.265	1.179	1.176	1.101	1.096	1.184	1.152	1.165
Weighted Average		1.133	1.061	1.068	0.994	0.953	1.052	0.964	1.098	1.053	1.033	0.972	0.967	1.019	1.018	1.018

MNCare B - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 652.67	\$ 600.73	\$ 607.18	\$ 571.35	\$ 546.98	\$ 606.46	\$ 582.23	\$ 657.91	\$ 612.92	\$ 611.43	\$ 572.48	\$ 570.12	\$ 584.26	\$ 598.18	\$ 591.88
50 - 64	F	874.30	804.72	813.37	765.37	732.73	812.40	779.95	881.32	821.06	819.06	766.88	763.73	784.01	801.46	794.60
21 - 49	M	555.37	511.17	516.66	486.17	465.43	516.04	495.43	559.82	521.54	520.27	487.13	485.13	497.67	508.93	503.35
50 - 64	M	794.79	731.53	739.40	695.76	666.08	738.51	709.01	801.17	746.38	744.56	697.13	694.27	710.51	729.28	721.72
Weighted Average		\$ 679.43	\$ 636.25	\$ 640.68	\$ 596.32	\$ 571.74	\$ 631.12	\$ 610.13	\$ 695.50	\$ 667.00	\$ 654.10	\$ 615.38	\$ 612.15	\$ 611.21	\$ 644.47	\$ 629.67

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Exhibit 3B (Con't): 2012 Rates by Rate Cell - MA Expansion - Low Scenario

MNCare G - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	3,164	697	1,838	19,135	5,245	891	1,783	1,569	9,904	3,444	6,137	5,502	30,969	28,339	59,308
50 - 64	F	739	253	598	5,501	1,248	222	488	403	2,899	700	1,578	1,533	8,561	7,600	16,160
21 - 49	M	6,312	1,335	3,649	36,754	8,512	1,665	3,222	2,644	19,399	6,546	10,685	9,260	58,227	51,755	109,983
50 - 64	M	1,007	335	560	6,230	1,661	346	509	381	3,526	1,123	2,011	1,492	10,139	9,043	19,182
Total		11,221	2,619	6,644	67,621	16,666	3,123	6,002	4,997	35,728	11,813	20,411	17,786	107,895	96,738	204,633

MNCare G - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.088	1.001	1.012	0.952	0.912	1.011	0.920	1.039	0.968	0.966	0.904	0.900	0.966	0.942	0.954
50 - 64	F	1.457	1.341	1.356	1.276	1.221	1.354	1.232	1.392	1.297	1.294	1.211	1.206	1.293	1.261	1.278
21 - 49	M	0.926	0.852	0.861	0.810	0.776	0.860	0.782	0.884	0.824	0.822	0.769	0.766	0.823	0.802	0.814
50 - 64	M	1.325	1.219	1.233	1.160	1.110	1.231	1.120	1.265	1.179	1.176	1.101	1.096	1.177	1.148	1.163
Weighted Average		1.042	0.986	0.979	0.921	0.885	0.979	0.888	1.003	0.937	0.925	0.877	0.873	0.935	0.912	0.924

MNCare G - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 805.10	\$ 741.02	\$ 748.99	\$ 704.79	\$ 674.73	\$ 748.09	\$ 718.21	\$ 811.56	\$ 756.07	\$ 754.22	\$ 706.18	\$ 703.28	\$ 714.63	\$ 735.48	\$ 724.59
50 - 64	F	1,078.50	992.67	1,003.33	944.12	903.85	1,002.14	962.11	1,087.15	1,012.81	1,010.34	945.99	942.10	956.92	985.13	970.19
21 - 49	M	685.07	630.55	637.33	599.71	574.14	636.57	611.14	690.57	643.35	641.78	600.90	598.43	609.35	626.76	617.54
50 - 64	M	980.41	902.38	912.08	858.25	821.65	910.99	874.60	988.28	920.70	918.45	859.95	856.41	870.62	896.56	882.85
Weighted Average		\$ 771.31	\$ 729.65	\$ 724.31	\$ 681.29	\$ 655.15	\$ 724.69	\$ 693.85	\$ 783.25	\$ 731.94	\$ 722.71	\$ 684.76	\$ 682.11	\$ 691.69	\$ 711.98	\$ 701.28

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Exhibit 3B (Con't): 2012 Rates by Rate Cell - MA Expansion - Low Scenario

MA Expansion Combined Enrollment

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

MA Expansion - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 775.66	\$ 739.52	\$ 776.78	\$ 862.05	\$ 785.86	\$ 757.03	\$ 766.83	\$ 765.44	\$ 751.18	\$ 844.13	\$ 710.20	\$ 695.61	\$ 820.80	\$ 747.37	\$ 785.40
50 - 64	F	951.79	863.46	881.07	1,021.28	890.00	857.91	901.70	940.47	894.22	961.85	831.12	831.57	957.49	882.18	916.18
21 - 49	M	725.78	659.31	676.84	777.43	660.33	660.34	658.81	704.34	693.67	727.69	652.17	636.38	736.11	678.93	711.31
50 - 64	M	961.49	853.02	889.01	1,095.26	901.54	856.36	909.90	926.68	881.17	972.57	833.04	831.43	1,009.99	880.16	944.68
Weighted Average		\$ 801.34	\$ 745.15	\$ 767.95	\$ 870.76	\$ 764.94	\$ 742.79	\$ 758.32	\$ 790.84	\$ 777.99	\$ 836.77	\$ 725.85	\$ 716.36	\$ 825.23	\$ 764.73	\$ 796.49

MA Expansion - 2012 Rates by Rate Cell using the Statewide Assumed Mix of PGAMC, MNCare B, and MNCare G Members in Every Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions					
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest
21 - 49	F	\$ 898.00	\$ 826.54	\$ 835.42	\$ 786.12	\$ 752.59	\$ 834.42	\$ 801.09	\$ 905.21	\$ 843.31	\$ 841.26	\$ 787.67	\$ 784.43
50 - 64	F	1,125.69	1,036.11	1,047.24	985.44	943.41	1,045.99	1,004.21	1,134.73	1,057.14	1,054.56	987.39	983.33
21 - 49	M	744.65	685.39	692.75	651.87	624.07	691.93	664.29	750.63	699.30	697.59	653.16	650.47
50 - 64	M	1,067.38	982.43	992.99	934.39	894.54	991.81	952.19	1,075.95	1,002.38	999.93	936.24	932.39

MA Expansion - Factor to Convert 2012 Rates Using the Statewide Mix to 2012 Rates Using the Actual Mix of PGAMC, MNCare B, and MNCare G by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions					
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest
21 - 49	F	0.864	0.895	0.930	1.097	1.044	0.907	0.957	0.846	0.891	1.003	0.902	0.887
50 - 64	F	0.846	0.833	0.841	1.036	0.943	0.820	0.898	0.829	0.846	0.912	0.842	0.846
21 - 49	M	0.975	0.962	0.977	1.193	1.058	0.954	0.992	0.938	0.992	1.043	0.998	0.978
50 - 64	M	0.901	0.868	0.895	1.172	1.008	0.863	0.956	0.861	0.879	0.973	0.890	0.892

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Exhibit 3B (Con't): 2012 Rates by Rate Cell - MA Expansion - High Scenario

PGAMC - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1,460	730	2,290	25,639	9,824	981	1,307	731	6,436	4,959	3,858	3,234	40,924	20,525	61,449
50 - 64	F	521	156	447	10,556	3,133	120	391	191	2,469	1,884	1,059	1,016	14,933	7,010	21,943
21 - 49	M	4,917	1,249	3,638	61,788	13,660	1,638	1,951	1,511	14,530	7,616	8,402	6,353	86,889	40,363	127,252
50 - 64	M	916	211	769	16,460	3,862	228	556	303	3,502	2,300	1,707	1,541	22,446	9,909	32,355
Total		7,814	2,346	7,144	114,444	30,479	2,966	4,205	2,736	26,936	16,759	15,026	12,145	165,192	77,808	243,000

PGAMC - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.596	1.469	1.485	1.397	1.338	1.483	1.349	1.524	1.420	1.417	1.327	1.321	1.398	1.385	1.394
50 - 64	F	1.816	1.672	1.690	1.590	1.522	1.688	1.535	1.735	1.616	1.612	1.509	1.503	1.588	1.581	1.586
21 - 49	M	1.277	1.176	1.188	1.118	1.070	1.187	1.079	1.220	1.136	1.134	1.061	1.057	1.125	1.108	1.119
50 - 64	M	1.835	1.689	1.707	1.606	1.538	1.705	1.551	1.752	1.632	1.629	1.525	1.519	1.609	1.594	1.605
Weighted Average		1.438	1.346	1.371	1.294	1.262	1.345	1.268	1.396	1.313	1.339	1.214	1.223	1.300	1.286	1.296

PGAMC - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 1,907.31	\$ 1,755.52	\$ 1,774.39	\$ 1,669.67	\$ 1,598.46	\$ 1,772.27	\$ 1,611.92	\$ 1,821.43	\$ 1,696.88	\$ 1,692.74	\$ 1,584.92	\$ 1,578.40	\$ 1,670.90	\$ 1,655.19	\$ 1,665.65
50 - 64	F	2,170.32	1,997.60	2,019.07	1,899.91	1,818.88	2,016.66	1,834.20	2,072.60	1,930.87	1,926.16	1,803.47	1,796.06	1,897.86	1,889.30	1,895.13
21 - 49	M	1,525.98	1,404.54	1,419.63	1,335.85	1,278.88	1,417.94	1,289.65	1,457.27	1,357.62	1,354.31	1,268.05	1,262.83	1,343.70	1,323.88	1,337.41
50 - 64	M	2,192.35	2,017.87	2,039.56	1,919.19	1,837.34	2,037.13	1,852.82	2,093.64	1,950.47	1,945.72	1,821.78	1,814.29	1,922.51	1,904.92	1,917.12
Weighted Average		\$ 1,718.31	\$ 1,608.37	\$ 1,637.61	\$ 1,546.57	\$ 1,508.15	\$ 1,606.88	\$ 1,514.93	\$ 1,668.03	\$ 1,568.30	\$ 1,599.89	\$ 1,450.05	\$ 1,461.48	\$ 1,553.50	\$ 1,536.22	\$ 1,547.97

MNCare B - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	8,862	3,178	7,528	26,211	15,503	3,842	3,312	5,461	29,134	9,793	15,760	15,241	65,123	78,701	143,824
50 - 64	F	5,965	2,317	5,458	16,135	10,085	2,503	2,099	3,369	27,106	8,056	13,115	11,755	42,463	65,500	107,962
21 - 49	M	11,215	3,236	8,380	29,327	18,487	4,536	3,622	4,682	28,266	10,703	15,579	13,756	75,180	76,608	151,789
50 - 64	M	4,040	1,336	3,533	11,636	7,690	1,518	1,532	2,029	19,039	5,764	8,402	7,382	29,754	44,148	73,902
Total		30,082	10,067	24,899	83,309	51,764	12,398	10,565	15,541	103,545	34,316	52,856	48,135	212,520	264,957	477,477

MNCare B - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.088	1.001	1.012	0.952	0.912	1.011	0.920	1.039	0.968	0.966	0.904	0.900	0.974	0.945	0.958
50 - 64	F	1.457	1.341	1.356	1.276	1.221	1.354	1.232	1.392	1.297	1.294	1.211	1.206	1.307	1.266	1.282
21 - 49	M	0.926	0.852	0.861	0.810	0.776	0.860	0.782	0.884	0.824	0.822	0.769	0.766	0.830	0.804	0.817
50 - 64	M	1.325	1.219	1.233	1.160	1.110	1.231	1.120	1.265	1.179	1.176	1.101	1.096	1.184	1.152	1.165
Weighted Average		1.133	1.061	1.068	0.994	0.953	1.052	0.964	1.098	1.053	1.033	0.972	0.967	1.019	1.018	1.018

MNCare B - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 852.75	\$ 784.88	\$ 793.32	\$ 746.50	\$ 714.66	\$ 792.37	\$ 720.68	\$ 814.35	\$ 758.67	\$ 756.82	\$ 708.61	\$ 705.69	\$ 763.37	\$ 740.42	\$ 750.81
50 - 64	F	1,142.33	1,051.42	1,062.72	1,000.00	957.35	1,061.45	965.42	1,090.89	1,016.30	1,013.82	949.24	945.34	1,024.35	992.04	1,004.75
21 - 49	M	725.62	667.87	675.05	635.21	608.12	674.24	613.24	692.95	645.56	643.99	602.97	600.49	650.23	629.95	640.00
50 - 64	M	1,038.43	955.79	966.06	909.05	870.28	964.91	877.61	991.68	923.86	921.61	862.91	859.36	928.32	902.69	913.01
Weighted Average		\$ 887.71	\$ 831.29	\$ 837.08	\$ 779.12	\$ 747.01	\$ 824.60	\$ 755.22	\$ 860.88	\$ 825.61	\$ 809.64	\$ 761.71	\$ 757.72	\$ 798.59	\$ 797.72	\$ 798.11

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Exhibit 3B (Con't): 2012 Rates by Rate Cell - MA Expansion - High Scenario

MNCare G - Target Enrollment using 2011 Rating Distributions

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	3,164	697	1,838	19,135	5,245	891	1,783	1,569	9,904	3,444	6,137	5,502	30,969	28,339	59,308
50 - 64	F	739	253	598	5,501	1,248	222	488	403	2,899	700	1,578	1,533	8,561	7,600	16,160
21 - 49	M	6,312	1,335	3,649	36,754	8,512	1,665	3,222	2,644	19,399	6,546	10,685	9,260	58,227	51,755	109,983
50 - 64	M	1,007	335	560	6,230	1,661	346	509	381	3,526	1,123	2,011	1,492	10,139	9,043	19,182
Total		11,221	2,619	6,644	67,621	16,666	3,123	6,002	4,997	35,728	11,813	20,411	17,786	107,895	96,738	204,633

MNCare G - Rate Cell Relativities

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	1.088	1.001	1.012	0.952	0.912	1.011	0.920	1.039	0.968	0.966	0.904	0.900	0.966	0.942	0.954
50 - 64	F	1.457	1.341	1.356	1.276	1.221	1.354	1.232	1.392	1.297	1.294	1.211	1.206	1.293	1.261	1.278
21 - 49	M	0.926	0.852	0.861	0.810	0.776	0.860	0.782	0.884	0.824	0.822	0.769	0.766	0.823	0.802	0.814
50 - 64	M	1.325	1.219	1.233	1.160	1.110	1.231	1.120	1.265	1.179	1.176	1.101	1.096	1.177	1.148	1.163
Weighted Average		1.042	0.986	0.979	0.921	0.885	0.979	0.888	1.003	0.937	0.925	0.877	0.873	0.935	0.912	0.924

MNCare G - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 1,051.91	\$ 968.19	\$ 978.60	\$ 920.84	\$ 881.57	\$ 977.43	\$ 889.00	\$ 1,004.54	\$ 935.85	\$ 933.57	\$ 874.10	\$ 870.51	\$ 933.70	\$ 910.37	\$ 922.55
50 - 64	F	1,409.12	1,296.97	1,310.91	1,233.55	1,180.94	1,309.35	1,190.89	1,345.67	1,253.65	1,250.60	1,170.93	1,166.12	1,250.27	1,219.39	1,235.75
21 - 49	M	895.08	823.85	832.70	783.56	750.14	831.71	756.46	854.78	796.33	794.39	743.79	740.73	796.15	775.79	786.57
50 - 64	M	1,280.96	1,179.01	1,191.69	1,121.36	1,073.53	1,190.26	1,082.58	1,223.28	1,139.63	1,136.85	1,064.44	1,060.06	1,137.51	1,109.75	1,124.42
Weighted Average		\$ 1,007.76	\$ 953.33	\$ 946.35	\$ 890.14	\$ 855.99	\$ 946.85	\$ 858.84	\$ 969.50	\$ 905.99	\$ 894.57	\$ 847.59	\$ 844.31	\$ 903.74	\$ 881.29	\$ 893.12

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Exhibit 3B (Con't): 2012 Rates by Rate Cell - MA Expansion - High Scenario

MA Expansion Combined Enrollment

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

MA Expansion - 2012 Rates by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions						Subtotal Bid Areas	Subtotal Non-Metro	Total
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest			
21 - 49	F	\$ 1,013.66	\$ 966.51	\$ 1,015.27	\$ 1,126.94	\$ 1,027.29	\$ 989.41	\$ 949.51	\$ 947.63	\$ 930.04	\$ 1,045.33	\$ 879.32	\$ 861.24	\$ 1,072.93	\$ 925.36	\$ 1,001.78
50 - 64	F	1,243.73	1,128.28	1,151.32	1,335.00	1,163.24	1,121.00	1,116.37	1,164.21	1,107.01	1,190.92	1,028.88	1,029.45	1,251.45	1,092.12	1,164.07
21 - 49	M	948.61	861.74	884.66	1,016.41	863.20	863.07	815.76	872.08	858.94	901.16	807.57	787.98	962.31	840.69	909.56
50 - 64	M	1,256.59	1,114.75	1,161.87	1,431.96	1,178.46	1,119.11	1,126.68	1,147.27	1,090.97	1,204.33	1,031.39	1,029.41	1,320.32	1,089.76	1,204.34
Weighted Average		\$ 1,047.27	\$ 973.84	\$ 1,003.67	\$ 1,138.38	\$ 999.92	\$ 970.76	\$ 938.95	\$ 979.10	\$ 963.25	\$ 1,036.18	\$ 898.71	\$ 886.93	\$ 1,078.75	\$ 946.85	\$ 1,016.09

MA Expansion - 2012 Rates by Rate Cell using the Statewide Assumed Mix of PGAMC, MNCare B, and MNCare G Members in Every Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions					
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest
21 - 49	F	\$ 1,173.80	\$ 1,080.39	\$ 1,092.00	\$ 1,027.55	\$ 983.73	\$ 1,090.70	\$ 992.02	\$ 1,120.95	\$ 1,044.30	\$ 1,041.76	\$ 975.40	\$ 971.39
50 - 64	F	1,471.36	1,354.27	1,368.82	1,288.04	1,233.11	1,367.19	1,243.50	1,405.12	1,309.03	1,305.84	1,222.66	1,217.63
21 - 49	M	973.34	895.87	905.50	852.06	815.72	904.42	822.60	929.51	865.95	863.84	808.81	805.49
50 - 64	M	1,395.18	1,284.15	1,297.95	1,221.35	1,169.26	1,296.40	1,179.11	1,332.36	1,241.25	1,238.23	1,159.35	1,154.59

MA Expansion - Factor to Convert 2012 Rates Using the Statewide Mix to 2012 Rates Using the Actual Mix of PGAMC, MNCare B, and MNCare G by Rate Cell

Age	Gender	Metro Regions						Non-Metro Regions					
		Anoka	Scott / Carver	Dakota	Hennepin	Ramsey	Washington	Olmsted	Greater Metro	NorthCentral	Northeast	Southeast	Southwest
21 - 49	F	0.864	0.895	0.930	1.097	1.044	0.907	0.957	0.845	0.891	1.003	0.901	0.887
50 - 64	F	0.845	0.833	0.841	1.036	0.943	0.820	0.898	0.829	0.846	0.912	0.842	0.845
21 - 49	M	0.975	0.962	0.977	1.193	1.058	0.954	0.992	0.938	0.992	1.043	0.998	0.978
50 - 64	M	0.901	0.868	0.895	1.172	1.008	0.863	0.956	0.861	0.879	0.973	0.890	0.892

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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

Program	Affected Rate Cells	Factor
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

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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

Program	Affected Rate Cells	Factor
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.

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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

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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.

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APPENDIX 1

SUMMARY OF ALL LOW AND HIGH RATES

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

PMAP Families and Children

Scenario	Bid Areas	Non-Metro	Total
Low	\$ 323.88	\$ 332.73	\$ 327.94
High	\$ 424.13	\$ 412.79	\$ 418.93

PMAP Adults without Children

Scenario	Bid Areas	Non-Metro	Total
Low	\$ 825.23	\$ 764.73	\$ 796.49
High	\$ 1,078.75	\$ 946.85	\$ 1,016.09

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Appendix 1: 2012 Rates by Rate Cell – PMAP – Low Scenario

2012 Capitation Rate by Rate Cell – Low Scenario

Rate Cell	Region													
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright
Families with Children														
Female 0-1	\$ 712.64	\$ 636.78	\$ 685.78	\$ 655.98	\$ 666.93	\$ 648.89	\$ 570.40	\$ 575.79	\$ 636.78	\$ 722.69	\$ 616.51	\$ 625.26	\$ 674.43	\$ 722.69
1-2	203.19	181.56	195.53	187.04	190.16	185.02	162.64	164.17	181.56	206.06	175.78	178.28	192.30	206.06
2-15	165.34	147.74	159.11	152.19	154.73	150.55	132.34	133.59	147.74	167.67	143.04	145.07	156.47	167.67
16-20	339.66	303.50	326.86	312.65	317.88	309.28	271.87	274.43	303.50	344.45	293.84	298.02	321.45	344.45
21-49	552.01	493.25	531.21	508.12	516.61	502.63	441.84	446.01	493.25	559.80	477.55	484.33	522.42	559.80
50+	873.88	780.85	840.94	804.40	817.83	795.70	699.46	706.06	780.85	886.21	756.00	766.73	827.03	886.21
Male 0-1	770.35	688.34	741.31	709.09	720.94	701.43	616.59	622.41	688.34	781.21	666.43	675.89	729.04	781.21
1-2	233.83	208.94	225.01	215.23	218.83	212.91	187.16	188.92	208.94	237.13	202.29	205.16	221.29	237.13
2-15	195.24	174.46	187.88	179.71	182.72	177.77	156.27	157.75	174.46	197.99	168.90	171.30	184.77	197.99
16-20	258.15	230.67	248.42	237.62	241.59	235.05	206.62	208.57	230.67	261.79	223.33	226.50	244.31	261.79
21-49	378.08	337.83	363.83	348.02	353.83	344.26	302.62	305.48	337.83	383.41	327.08	331.72	357.81	383.41
50+	705.34	630.25	678.75	649.25	660.10	642.23	564.56	569.89	630.25	715.28	610.19	618.85	667.52	715.28
Pregnant Women														
Female All Ages	\$ 1,374.73	\$ 1,228.38	\$ 1,322.91	\$ 1,265.42	\$ 1,286.56	\$ 1,251.74	\$ 1,100.34	\$ 1,110.73	\$ 1,228.38	\$ 1,394.12	\$ 1,189.29	\$ 1,206.17	\$ 1,301.03	\$ 1,394.12
Adults without Children														
Female 21-49	\$ 775.66	\$ 739.52	\$ 776.78	\$ 862.05	\$ 751.18	\$ 844.13	\$ 766.83	\$ 785.86	\$ 739.52	\$ 765.44	\$ 710.20	\$ 695.61	\$ 757.03	\$ 765.44
50-64	951.79	863.46	881.07	1,021.28	894.22	961.85	901.70	890.00	863.46	940.47	831.12	831.57	857.91	940.47
Male 21-49	725.78	659.31	676.84	777.43	693.67	727.69	658.81	660.33	659.31	704.34	652.17	636.38	660.34	704.34
50-64	961.49	853.02	889.01	1,095.26	881.17	972.57	909.90	901.54	853.02	926.68	833.04	831.43	856.36	926.68

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Appendix 1: 2012 Rates by Rate Cell – PMAP – High Scenario

2012 Capitation Rate by Rate Cell – High Scenario

Rate Cell	Region													
	Anoka	Carver	Dakota	Hennepin	North Central	Northeast	Olmsted	Ramsey	Scott	Sherburne	Southeast	Southwest	Washington	Wright
Families with Children														
Female 0-1	\$ 933.23	\$ 833.89	\$ 898.05	\$ 859.03	\$ 827.41	\$ 805.02	\$ 707.65	\$ 754.02	\$ 833.89	\$ 896.59	\$ 764.85	\$ 775.71	\$ 883.20	\$ 896.59
1-2	266.09	237.76	256.06	244.93	235.92	229.53	201.77	214.99	237.76	255.64	218.08	221.18	251.82	255.64
2-15	216.52	193.47	208.36	199.30	191.97	186.77	164.18	174.94	193.47	208.02	177.45	179.97	204.91	208.02
16-20	444.80	397.45	428.04	409.43	394.36	383.69	337.28	359.38	397.45	427.33	364.55	369.72	420.95	427.33
21-49	722.89	645.93	695.64	665.41	640.91	623.57	548.15	584.06	645.93	694.50	592.46	600.87	684.13	694.50
50+	1,144.38	1,022.56	1,101.25	1,053.39	1,014.62	987.16	867.76	924.62	1,022.56	1,099.44	937.91	951.22	1,083.03	1,099.44
Male 0-1	1,008.80	901.41	970.77	928.59	894.41	870.20	764.95	815.07	901.41	969.18	826.79	838.52	954.71	969.18
1-2	306.21	273.61	294.66	281.86	271.48	264.14	232.19	247.40	273.61	294.18	250.96	254.52	289.79	294.18
2-15	255.67	228.46	246.04	235.34	226.68	220.55	193.87	206.58	228.46	245.63	209.54	212.52	241.97	245.63
16-20	338.06	302.07	325.31	311.18	299.72	291.61	256.34	273.14	302.07	324.78	277.06	281.00	319.93	324.78
21-49	495.11	442.40	476.45	455.74	438.97	427.09	375.43	400.03	442.40	475.67	405.78	411.54	468.57	475.67
50+	923.67	825.34	888.85	850.22	818.93	796.77	700.40	746.29	825.34	887.40	757.01	767.76	874.15	887.40
Pregnant Women														
Female All Ages	\$ 1,800.27	\$ 1,608.62	\$ 1,732.40	\$ 1,657.12	\$ 1,596.12	\$ 1,552.93	\$ 1,365.11	\$ 1,454.55	\$ 1,608.62	\$ 1,729.57	\$ 1,475.45	\$ 1,496.40	\$ 1,703.75	\$ 1,729.57
Adults without Children														
Female 21-49	\$ 1,013.66	\$ 966.51	\$ 1,015.27	\$ 1,126.94	\$ 930.04	\$ 1,045.33	\$ 949.51	\$ 1,027.29	\$ 966.51	\$ 947.63	\$ 879.32	\$ 861.24	\$ 989.41	\$ 947.63
50-64	1,243.73	1,128.28	1,151.32	1,335.00	1,107.01	1,190.92	1,116.37	1,163.24	1,128.28	1,164.21	1,028.88	1,029.45	1,121.00	1,164.21
Male 21-49	948.61	861.74	884.66	1,016.41	858.94	901.16	815.76	863.20	861.74	872.08	807.57	787.98	863.07	872.08
50-64	1,256.59	1,114.75	1,161.87	1,431.96	1,090.97	1,204.33	1,126.68	1,178.46	1,114.75	1,147.27	1,031.39	1,029.41	1,119.11	1,147.27

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

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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 PMAP 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 PMAP Families and Children and Pregnant Women program. The capitation rates for this 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 only intended to apply 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 and (2) demographic rate cell. For PMAP, 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 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.

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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 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 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 and geographic area cell are shown in Tables 1 and 2, respectively. The tables show factors developed using MCO experience for each calendar year 2008 through 2010, as well as preliminary factors for 2012. The preliminary factors were developed using experience for 2009 and 2010, along with certain adjustments described below.

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Table 1: Rate Relativities by Category and Gender

Rate Cell			Calculated Cost Relativity Factors by Year			Preliminary Factors
Age Grp	Gender	Type	2008	2009	2010	
0 - 1	F	F&C	1.960	1.870	2.008	1.962
01 - 02	F	F&C	0.595	0.617	0.531	0.559
02 - 15	F	F&C	0.451	0.454	0.456	0.455
16 - 20	F	F&C	0.895	0.926	0.940	0.935
21 - 49	F	F&C	1.500	1.516	1.521	1.520
50 - 64	F	F&C	2.353	2.318	2.450	2.406
0 - 1	M	F&C	2.272	2.140	2.112	2.121
01 - 02	M	F&C	0.690	0.675	0.628	0.644
02 - 15	M	F&C	0.533	0.534	0.539	0.538
16 - 20	M	F&C	0.690	0.734	0.699	0.711
21 - 49	M	F&C	1.065	1.095	1.014	1.041
50 - 64	M	F&C	2.078	2.083	1.874	1.942
All Ages	F	Preg Women	3.749	3.723	3.815	3.785

Table 2: Rate Relativities by Geographic Area

Area	Calculated Cost Relativity Factors by Year			Preliminary Factors
	2008	2009	2010	
Hennepin	1.016	1.041	1.048	1.046
Ramsey	0.923	0.913	0.920	0.918
Olmsted	0.810	0.868	0.858	0.861
Anoka	1.120	1.167	1.119	1.136
Dakota	1.099	1.085	1.098	1.093
Scott/Carver	0.987	0.985	1.030	1.015
Washington	1.105	1.090	1.066	1.075
Greater Metro	1.200	1.095	1.090	1.091
North East	1.010	0.980	0.980	0.980
North Central	0.992	1.008	1.007	1.007
South West	1.021	0.939	0.948	0.944
South East	0.923	0.940	0.927	0.931

Exhibit A of this letter shows the impact of these preliminary factors on July 1, 2011 demographic capitation rates without MERC and before adjustments for DHU or enhanced hospital payments. We anticipate providing factors including MERC in the future.

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

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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 and 2 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, and demographic rate cell. The new 2012 areas defined for this product include: Hennepin, Ramsey, Olmsted, Anoka, Dakota, Scott/Carver, Washington, Greater Metro, North East, North Central, South West, and South East. These area definitions differ from those previously established in 2004. In particular, Anoka, Dakota, Scott, and Washington previously comprised the Core Metro area, and Carver was previously included in the South West area.

The MCOs provided enrollment and estimated aggregate incurred claim costs 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 July 1, 2011. For purposes of this analysis, I did not reflect adjustments for trend and utilization (including FFS ratable reductions).

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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 1.0005 for pregnant women, 1.0064 for females over 15, and 1.0140 for males over 15. 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 1.0054 for children ages 2-20;
- Adding coverage of intensive mental health outpatient treatment—the adjustment factor I used is 1.0001 for all rate cells;
- Adding coverage for halfway house and extended care treatment services starting July 1, 2008—the adjustment factor I used is 1.0011 for males and females over age 2;
- 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 0.9992 for all rate cells; and
- Implementation of income based limits on copays—the adjustment factor I used is 1.0001 for males and females over age 20.

Benefit changes from 2009 to 2010 included:

- Dental coverage changes—the adjustment factors I used are 0.9961 for ages 2-20 and 0.9802 for ages over 20;
- Adding coverage for Gardasil for males ages 9-26—the adjustment factors I used are 1.0001 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, 1.0002 for males and females ages 0-20, and 1.0005 for males and females over age 20.

Benefit changes from 2010 to July 1, 2011 included:

- 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:
 - Removal of adjustment factors from 2010—the adjustment factors I used are 0.9998 for pregnant women and for males and females ages 0-20, and 0.9995 for males and females over age 20;

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- Addition of adjustment factors for 2011—the adjustment factors I used are 1.0008 for pregnant women, 1.0009 for males and females ages 0-20, and 1.0023 for males and females over age 20;
- Expanding coverage of chiropractic services—the adjustment factors I used are 1.0004 for ages 0-20, 1.0007 for ages over 20, and 1.0003 for pregnant women;
- Adding coverage for services provided in birth centers starting July 1, 2011—the adjustment factor I used is 0.9987 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 all rate cells except pregnant women, which were not adjusted.

All of these factors were developed previously as the benefit changes were introduced, as described in prior letters in 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 the relativity for each rate cell (demographic and area) 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 there have been significant changes in the program since that time.

I then used these initial relativities to calculate preliminary demographic and area 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 and demographic rate cell.

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.

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 enrollment mix by demographic rate cell. The area factor was set equal to the ratio of the average relativity factor for

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Mr. R. Jason Wiley
June 1, 2011

that area to the average across areas using the statewide enrollment mix by area. I continued this process, adjusting the initial table of relativities using the demographic and area factors in turn. Each set of adjusted relativities was used as a starting point to create another set of factors and this process was repeated until the 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 overall enrollment mix. After the iterative process was complete, I applied a final revenue neutrality adjustment to both the demographic and the area factors so that they averaged 1.000 over the calendar year 2010 membership distribution by demographic rate cell and area.



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

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Exhibit A: Calculation of Percentage Change in Demographic Capitation Rates Excluding MERC

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast	Total
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast	Total
1. 2010 Enrollment by Rate Cell																	
0 - 1	F	F & C	37,529	20,986	3,821	8,325	9,475	2,420	3,532	1,736	2,437	6,852	23,024	1,144	14,562	16,025	151,869
01 - 02	F	F & C	27,761	16,621	2,626	6,473	6,099	1,457	2,334	1,270	1,730	5,527	17,626	703	11,354	12,631	114,212
02 - 15	F	F & C	241,887	149,759	24,516	57,182	49,024	13,621	21,100	11,612	14,205	45,183	150,814	7,385	89,034	102,309	977,630
16 - 20	F	F & C	58,109	41,454	5,315	13,217	9,204	2,628	4,894	1,943	2,625	10,912	34,443	1,214	19,518	20,276	225,751
21 - 49	F	F & C	156,206	102,965	17,559	44,508	33,653	9,868	18,133	9,816	10,936	40,110	127,976	5,218	66,647	78,532	722,127
50 - 64	F	F & C	8,752	5,065	891	1,850	1,197	474	689	322	313	1,219	4,262	229	2,148	2,725	30,136
0 - 1	M	F & C	38,619	22,146	3,946	8,326	9,577	2,350	3,630	1,946	2,510	6,987	24,422	1,227	15,364	17,184	158,234
01 - 02	M	F & C	27,292	17,248	2,999	6,150	6,787	1,516	2,421	1,208	1,817	5,347	18,992	726	11,275	13,151	116,930
02 - 15	M	F & C	241,726	153,825	24,150	56,161	51,873	14,797	21,335	11,800	14,046	45,179	156,598	7,863	89,637	106,479	995,469
16 - 20	M	F & C	50,932	36,881	4,260	11,562	8,480	2,357	4,366	1,867	2,519	9,676	28,784	1,210	16,842	18,633	198,369
21 - 49	M	F & C	42,405	35,209	5,426	15,090	9,667	3,012	5,178	3,550	3,673	13,845	49,338	1,577	22,046	23,959	233,975
50 - 64	M	F & C	5,416	3,894	865	1,498	917	298	470	249	254	815	3,566	160	1,553	2,452	22,407
All Ages	F	Preg Women	33,543	16,288	3,503	7,753	8,260	2,004	3,250	1,735	2,474	6,297	22,135	1,054	14,239	15,476	138,011
Total			970,177	622,341	99,877	238,095	204,213	56,802	91,332	49,054	59,539	197,949	661,981	29,710	374,219	429,832	4,085,121
2. 2011 Original Capitation Rates without MERC and after Ratable Reductions																	
0 - 1	F	F & C	\$ 754.83	\$ 691.03	\$ 593.76	\$ 833.29	\$ 833.29	\$ 833.29	\$ 833.29	\$ 833.31	\$ 746.71	\$ 765.91	\$ 733.20	\$ 740.62	\$ 658.44	\$ 746.00	
01 - 02	F	F & C	\$ 242.38	\$ 221.90	\$ 190.66	\$ 267.60	\$ 267.60	\$ 267.60	\$ 267.61	\$ 267.61	\$ 239.80	\$ 245.97	\$ 235.46	\$ 237.84	\$ 211.46	\$ 239.00	
02 - 15	F	F & C	\$ 179.07	\$ 163.93	\$ 140.86	\$ 197.68	\$ 197.68	\$ 197.68	\$ 197.68	\$ 197.68	\$ 177.16	\$ 181.70	\$ 173.94	\$ 175.70	\$ 156.20	\$ 176.55	
16 - 20	F	F & C	\$ 359.56	\$ 329.17	\$ 282.84	\$ 396.99	\$ 396.99	\$ 396.99	\$ 396.99	\$ 396.97	\$ 355.74	\$ 364.86	\$ 349.26	\$ 352.79	\$ 313.67	\$ 353.76	
21 - 49	F	F & C	\$ 602.24	\$ 551.37	\$ 473.75	\$ 664.93	\$ 664.93	\$ 664.93	\$ 664.92	\$ 664.92	\$ 595.88	\$ 611.13	\$ 585.06	\$ 590.93	\$ 525.39	\$ 594.58	
50 - 64	F	F & C	\$ 975.34	\$ 892.95	\$ 767.25	\$ 1,076.83	\$ 1,076.83	\$ 1,076.83	\$ 1,076.83	\$ 1,076.80	\$ 964.99	\$ 989.75	\$ 947.39	\$ 957.02	\$ 850.86	\$ 960.50	
0 - 1	M	F & C	\$ 926.40	\$ 848.11	\$ 728.74	\$ 1,022.77	\$ 1,022.77	\$ 1,022.77	\$ 1,022.77	\$ 1,022.79	\$ 916.52	\$ 940.01	\$ 899.84	\$ 908.99	\$ 808.15	\$ 914.70	
01 - 02	M	F & C	\$ 285.89	\$ 261.74	\$ 224.88	\$ 315.63	\$ 315.63	\$ 315.63	\$ 315.63	\$ 315.63	\$ 282.86	\$ 290.10	\$ 277.71	\$ 280.52	\$ 249.38	\$ 281.69	
02 - 15	M	F & C	\$ 212.63	\$ 194.67	\$ 167.27	\$ 234.75	\$ 234.75	\$ 234.75	\$ 234.75	\$ 234.76	\$ 210.37	\$ 215.77	\$ 206.54	\$ 208.64	\$ 185.49	\$ 209.62	
16 - 20	M	F & C	\$ 267.79	\$ 245.16	\$ 210.65	\$ 295.63	\$ 295.63	\$ 295.63	\$ 295.63	\$ 295.64	\$ 264.92	\$ 271.73	\$ 260.11	\$ 262.74	\$ 233.61	\$ 263.47	
21 - 49	M	F & C	\$ 437.49	\$ 400.52	\$ 344.15	\$ 482.98	\$ 482.98	\$ 482.98	\$ 482.98	\$ 483.00	\$ 432.84	\$ 443.96	\$ 424.96	\$ 429.25	\$ 381.67	\$ 432.09	
50 - 64	M	F & C	\$ 870.12	\$ 796.57	\$ 684.43	\$ 960.58	\$ 960.58	\$ 960.58	\$ 960.58	\$ 960.60	\$ 860.87	\$ 882.98	\$ 845.23	\$ 853.79	\$ 759.05	\$ 853.30	
All Ages	F	Preg Women	\$ 1,536.72	\$ 1,406.87	\$ 1,208.83	\$ 1,696.58	\$ 1,696.58	\$ 1,696.58	\$ 1,696.58	\$ 1,696.50	\$ 1,696.50	\$ 1,520.30	\$ 1,559.41	\$ 1,492.77	\$ 1,507.74	\$ 1,340.55	\$ 1,520.15
Total			\$ 397.15	\$ 353.64	\$ 319.48	\$ 444.13	\$ 454.05	\$ 447.30	\$ 456.83	\$ 454.97	\$ 459.37	\$ 402.41	\$ 413.93	\$ 390.64	\$ 400.75	\$ 354.01	\$ 396.55
3. 2011 Capitation Rates Recalculated using Average 2011 Capitation Rate and Recommended Adjustment Factors																	
0 - 1	F	F & C	\$ 813.58	\$ 714.12	\$ 670.21	\$ 883.86	\$ 850.54	\$ 789.77	\$ 836.47	\$ 849.15	\$ 849.15	\$ 762.43	\$ 783.63	\$ 789.77	\$ 734.67	\$ 724.39	\$ 779.51
01 - 02	F	F & C	\$ 231.97	\$ 203.62	\$ 191.10	\$ 252.01	\$ 242.51	\$ 225.18	\$ 238.50	\$ 242.12	\$ 242.12	\$ 217.39	\$ 223.43	\$ 225.18	\$ 209.47	\$ 206.54	\$ 221.80
02 - 15	F	F & C	\$ 188.76	\$ 165.68	\$ 155.50	\$ 205.06	\$ 197.33	\$ 183.23	\$ 194.07	\$ 197.01	\$ 197.01	\$ 176.89	\$ 181.81	\$ 183.23	\$ 170.45	\$ 168.06	\$ 180.53
16 - 20	F	F & C	\$ 387.77	\$ 340.37	\$ 319.44	\$ 421.27	\$ 405.39	\$ 376.42	\$ 398.68	\$ 404.72	\$ 404.72	\$ 363.39	\$ 373.50	\$ 376.42	\$ 350.16	\$ 345.26	\$ 370.10
21 - 49	F	F & C	\$ 630.20	\$ 553.16	\$ 519.15	\$ 684.64	\$ 658.83	\$ 611.76	\$ 647.93	\$ 657.75	\$ 657.75	\$ 590.58	\$ 607.00	\$ 611.76	\$ 569.08	\$ 561.11	\$ 602.59
50 - 64	F	F & C	\$ 997.65	\$ 875.70	\$ 821.85	\$ 1,083.84	\$ 1,042.98	\$ 968.46	\$ 1,025.73	\$ 1,041.27	\$ 1,041.27	\$ 934.93	\$ 960.93	\$ 968.46	\$ 900.89	\$ 888.28	\$ 955.41
0 - 1	M	F & C	\$ 879.45	\$ 771.95	\$ 724.48	\$ 955.43	\$ 919.41	\$ 853.72	\$ 904.20	\$ 917.91	\$ 917.91	\$ 824.16	\$ 847.08	\$ 853.72	\$ 794.16	\$ 783.04	\$ 841.84
01 - 02	M	F & C	\$ 266.95	\$ 234.31	\$ 219.91	\$ 290.01	\$ 279.07	\$ 259.13	\$ 274.46	\$ 278.62	\$ 278.62	\$ 250.16	\$ 257.12	\$ 259.13	\$ 241.06	\$ 237.68	\$ 255.00
02 - 15	M	F & C	\$ 222.89	\$ 195.65	\$ 183.61	\$ 242.15	\$ 233.02	\$ 216.37	\$ 229.16	\$ 232.64	\$ 232.64	\$ 208.88	\$ 214.69	\$ 216.37	\$ 201.27	\$ 198.46	\$ 213.10
16 - 20	M	F & C	\$ 294.71	\$ 258.69	\$ 242.78	\$ 320.17	\$ 308.10	\$ 286.09	\$ 303.00	\$ 307.60	\$ 307.60	\$ 276.18	\$ 283.86	\$ 286.09	\$ 266.13	\$ 262.40	\$ 281.33
21 - 49	M	F & C	\$ 431.63	\$ 378.87	\$ 355.57	\$ 468.92	\$ 451.24	\$ 419.00	\$ 443.78	\$ 450.50	\$ 450.50	\$ 404.49	\$ 415.74	\$ 419.00	\$ 389.77	\$ 384.31	\$ 412.00
50 - 64	M	F & C	\$ 805.24	\$ 706.80	\$ 663.34	\$ 874.80	\$ 841.82	\$ 781.67	\$ 827.90	\$ 840.44	\$ 840.44	\$ 754.61	\$ 775.60	\$ 781.67	\$ 727.14	\$ 716.96	\$ 767.95
All Ages	F	Preg Women	\$ 1,569.44	\$ 1,377.59	\$ 1,292.88	\$ 1,705.02	\$ 1,640.74	\$ 1,523.51	\$ 1,613.60	\$ 1,638.06	\$ 1,638.06	\$ 1,470.77	\$ 1,511.67	\$ 1,523.51	\$ 1,417.23	\$ 1,397.39	\$ 1,505.01
Total			\$ 410.01	\$ 350.27	\$ 344.82	\$ 451.10	\$ 442.92	\$ 405.68	\$ 439.09	\$ 443.19	\$ 447.47	\$ 393.50	\$ 405.06	\$ 402.58	\$ 380.24	\$ 372.45	\$ 396.55

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

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast	Total
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast	Total
4. Dollar Difference between Recalculated Capitation Rates and Original Capitation Rates																	
0 - 1	F	F & C	\$ 58.75	\$ 23.09	\$ 76.45	\$ 50.57	\$ 17.25	\$ (43.52)	\$ 3.18	\$ 15.84	\$ 15.84	\$ 15.71	\$ 17.73	\$ 56.56	\$ (5.95)	\$ 65.94	\$ 33.51
01 - 02	F	F & C	\$ (10.40)	\$ (18.28)	\$ 0.43	\$ (15.59)	\$ (25.09)	\$ (42.41)	\$ (29.10)	\$ (25.49)	\$ (25.49)	\$ (22.41)	\$ (22.54)	\$ (10.28)	\$ (28.36)	\$ (4.91)	\$ (17.20)
02 - 15	F	F & C	\$ 9.69	\$ 1.75	\$ 14.64	\$ 7.39	\$ (0.34)	\$ (14.44)	\$ (3.61)	\$ (0.67)	\$ (0.67)	\$ (0.27)	\$ 0.11	\$ 9.30	\$ (5.25)	\$ 11.86	\$ 3.99
16 - 20	F	F & C	\$ 28.21	\$ 11.20	\$ 36.60	\$ 24.28	\$ 8.40	\$ (20.57)	\$ 1.69	\$ 7.76	\$ 7.76	\$ 7.65	\$ 8.64	\$ 27.16	\$ (2.63)	\$ 31.59	\$ 16.34
21 - 49	F	F & C	\$ 27.96	\$ 1.80	\$ 45.39	\$ 19.71	\$ (6.10)	\$ (53.17)	\$ (17.00)	\$ (7.17)	\$ (7.17)	\$ (5.30)	\$ (4.13)	\$ 26.70	\$ (21.85)	\$ 35.72	\$ 8.01
50 - 64	F	F & C	\$ 22.31	\$ (17.25)	\$ 54.60	\$ 7.01	\$ (33.85)	\$ (108.37)	\$ (51.10)	\$ (35.53)	\$ (35.53)	\$ (30.06)	\$ (28.82)	\$ 21.06	\$ (56.12)	\$ 37.42	\$ (5.09)
0 - 1	M	F & C	\$ (46.94)	\$ (76.16)	\$ (4.26)	\$ (67.34)	\$ (103.36)	\$ (169.05)	\$ (118.57)	\$ (104.89)	\$ (104.89)	\$ (92.36)	\$ (92.93)	\$ (46.12)	\$ (114.83)	\$ (25.11)	\$ (72.86)
01 - 02	M	F & C	\$ (18.94)	\$ (27.43)	\$ (4.98)	\$ (25.62)	\$ (36.56)	\$ (56.50)	\$ (41.17)	\$ (37.01)	\$ (37.01)	\$ (32.69)	\$ (32.98)	\$ (18.58)	\$ (39.46)	\$ (11.70)	\$ (26.70)
02 - 15	M	F & C	\$ 10.26	\$ 0.97	\$ 16.35	\$ 7.39	\$ (1.73)	\$ (18.38)	\$ (5.59)	\$ (2.13)	\$ (2.13)	\$ (1.50)	\$ (1.08)	\$ 9.82	\$ (7.36)	\$ 12.96	\$ 3.48
16 - 20	M	F & C	\$ 26.92	\$ 13.53	\$ 32.13	\$ 24.54	\$ 12.47	\$ (9.54)	\$ 7.38	\$ 11.96	\$ 11.96	\$ 11.27	\$ 12.13	\$ 25.98	\$ 3.39	\$ 28.80	\$ 17.85
21 - 49	M	F & C	\$ (5.86)	\$ (21.65)	\$ 11.42	\$ (14.07)	\$ (31.74)	\$ (63.99)	\$ (39.21)	\$ (32.50)	\$ (32.50)	\$ (28.35)	\$ (28.22)	\$ (5.96)	\$ (39.48)	\$ 2.64	\$ (20.09)
50 - 64	M	F & C	\$ (64.88)	\$ (89.77)	\$ (21.09)	\$ (85.79)	\$ (118.76)	\$ (178.91)	\$ (132.69)	\$ (120.16)	\$ (120.16)	\$ (106.26)	\$ (107.38)	\$ (63.56)	\$ (126.65)	\$ (42.09)	\$ (85.35)
All Ages	F	Preg Women	\$ 32.72	\$ (29.28)	\$ 84.05	\$ 8.44	\$ (55.84)	\$ (173.07)	\$ (82.98)	\$ (58.44)	\$ (58.44)	\$ (49.53)	\$ (47.73)	\$ 30.74	\$ (90.51)	\$ 56.83	\$ (15.13)
Total			\$ 12.86	\$ (3.37)	\$ 25.33	\$ 6.97	\$ (11.14)	\$ (41.62)	\$ (17.74)	\$ (11.78)	\$ (11.91)	\$ (8.91)	\$ (8.87)	\$ 11.94	\$ (20.50)	\$ 18.44	\$ 0.00
5. Dollar Difference as a Percentage of Original Capitation Rates																	
0 - 1	F	F & C	7.8%	3.3%	12.9%	6.1%	2.1%	-5.2%	0.4%	1.9%	1.9%	2.1%	2.3%	7.7%	-0.8%	10.0%	4.5%
01 - 02	F	F & C	-4.3%	-8.2%	0.2%	-5.8%	-9.4%	-15.9%	-10.9%	-9.5%	-9.5%	-9.3%	-9.2%	-4.4%	-11.9%	-2.3%	-7.2%
02 - 15	F	F & C	5.4%	1.1%	10.4%	3.7%	-0.2%	-7.3%	-1.8%	-0.3%	-0.2%	0.1%	5.3%	-3.0%	7.6%	2.3%	
16 - 20	F	F & C	7.8%	3.4%	12.9%	6.1%	2.1%	-5.2%	0.4%	2.0%	2.0%	2.2%	2.4%	7.8%	-0.7%	10.1%	4.6%
21 - 49	F	F & C	4.6%	0.3%	9.6%	3.0%	-0.9%	-8.0%	-2.6%	-1.1%	-1.1%	-0.9%	-0.7%	4.6%	-3.7%	6.8%	1.3%
50 - 64	F	F & C	2.3%	-1.9%	7.1%	0.7%	-3.1%	-10.1%	-4.7%	-3.3%	-3.3%	-3.1%	-2.9%	2.2%	-5.9%	4.4%	-0.5%
0 - 1	M	F & C	-5.1%	-9.0%	-0.6%	-6.6%	-10.1%	-16.5%	-11.6%	-10.3%	-10.3%	-10.1%	-9.9%	-5.1%	-12.6%	-3.1%	-8.0%
01 - 02	M	F & C	-6.6%	-10.5%	-2.2%	-8.1%	-11.6%	-17.9%	-13.0%	-11.7%	-11.7%	-11.6%	-11.4%	-6.7%	-14.1%	-4.7%	-9.5%
02 - 15	M	F & C	4.8%	0.5%	9.8%	3.1%	-0.7%	-7.8%	-2.4%	-0.9%	-0.9%	-0.7%	-0.5%	4.8%	-3.5%	7.0%	1.7%
16 - 20	M	F & C	10.1%	5.5%	15.3%	8.3%	4.2%	-3.2%	2.5%	4.0%	4.0%	4.3%	4.5%	10.0%	1.3%	12.3%	6.8%
21 - 49	M	F & C	-1.3%	-5.4%	3.3%	-2.9%	-6.6%	-13.2%	-8.1%	-6.7%	-6.7%	-6.5%	-6.4%	-1.4%	-9.2%	0.7%	-4.6%
50 - 64	M	F & C	-7.5%	-11.3%	-3.1%	-8.9%	-12.4%	-18.6%	-13.8%	-12.5%	-12.5%	-12.3%	-12.2%	-7.5%	-14.8%	-5.5%	-10.0%
All Ages	F	Preg Women	2.1%	-2.1%	7.0%	0.5%	-3.3%	-10.2%	-4.9%	-3.4%	-3.4%	-3.3%	-3.1%	2.1%	-6.0%	4.2%	-1.0%
Total			3.2%	-1.0%	7.9%	1.6%	-2.5%	-9.3%	-3.9%	-2.6%	-2.6%	-2.2%	-2.1%	3.1%	-5.1%	5.2%	0.0%

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

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast
Member Months																
0 - 1	F	F & C	37,929	19,951	3,615	8,050	8,602	2,211	3,071	1,744	2,137	4,564	15,319	850	14,422	11,736
01 - 02	F	F & C	24,882	13,800	2,574	5,674	5,172	1,146	2,216	1,059	1,756	3,463	11,659	585	9,538	7,821
02 - 15	F	F & C	194,685	126,290	20,226	44,938	37,182	9,436	16,124	8,893	10,492	28,284	89,292	5,010	71,934	54,120
16 - 20	F	F & C	49,788	33,887	4,436	10,520	6,366	1,846	3,910	1,623	2,258	7,251	20,846	808	15,912	11,840
21 - 49	F	F & C	125,370	83,289	14,164	35,555	25,429	6,705	14,301	7,448	8,861	23,761	74,554	3,518	51,453	41,508
50 - 64	F	F & C	7,380	4,341	798	1,186	651	318	548	207	232	866	2,207	165	1,597	1,310
0 - 1	M	F & C	38,275	20,425	4,264	7,979	9,045	2,045	3,048	1,880	2,396	4,315	16,897	954	14,690	11,378
01 - 02	M	F & C	25,568	15,182	2,716	5,548	5,531	1,285	2,032	1,113	1,671	3,540	12,264	602	10,664	8,282
02 - 15	M	F & C	195,133	128,330	20,307	44,578	37,884	10,187	16,734	8,537	10,430	28,865	91,593	4,755	73,597	57,244
16 - 20	M	F & C	40,697	30,783	3,586	8,486	5,926	1,309	3,255	1,491	1,747	5,820	17,099	926	12,671	9,523
21 - 49	M	F & C	29,872	25,353	4,095	10,519	5,902	1,929	3,489	2,275	2,443	7,018	25,978	974	14,757	11,032
50 - 64	M	F & C	4,118	2,988	721	908	622	143	361	113	164	548	1,787	102	1,259	1,078
All Ages	F	Preg Women	34,387	15,174	3,314	7,213	8,233	1,728	2,701	1,683	2,408	4,019	15,341	880	13,861	10,592
Relativity Factors																
0 - 1	F	F & C	2.389	2.219	1.336	1.871	1.596	1.253	1.710	2.781	2.781	0.931	1.807	1.253	1.676	1.341
01 - 02	F	F & C	0.679	0.591	0.468	0.546	0.778	0.422	0.570	0.589	0.589	0.521	0.435	0.422	0.530	0.543
02 - 15	F	F & C	0.428	0.388	0.327	0.512	0.472	0.416	0.498	0.552	0.552	0.444	0.451	0.416	0.454	0.414
16 - 20	F	F & C	0.815	0.761	0.789	0.943	0.887	0.875	1.031	0.997	0.997	1.048	0.914	0.875	0.861	0.885
21 - 49	F	F & C	1.414	1.408	1.309	1.701	1.720	1.630	1.595	1.612	1.612	1.434	1.440	1.630	1.301	1.380
50 - 64	F	F & C	2.358	2.264	1.412	1.680	2.725	2.002	3.354	2.084	2.084	2.115	2.350	2.002	2.441	2.075
0 - 1	M	F & C	2.430	2.500	1.983	2.490	2.491	1.687	2.880	3.588	3.588	1.563	1.584	1.687	2.259	1.751
01 - 02	M	F & C	0.866	0.662	0.582	0.652	0.642	0.453	0.468	0.952	0.952	0.526	0.552	0.453	0.573	0.597
02 - 15	M	F & C	0.529	0.447	0.364	0.557	0.539	0.520	0.563	0.594	0.594	0.556	0.526	0.520	0.594	0.460
16 - 20	M	F & C	0.647	0.492	0.562	0.811	0.835	0.795	0.725	0.705	0.705	0.872	0.748	0.795	0.707	0.619
21 - 49	M	F & C	0.890	0.950	1.125	1.208	1.253	1.135	1.283	1.237	1.237	1.036	0.999	1.135	1.080	1.029
50 - 64	M	F & C	1.768	1.957	0.796	1.605	4.247	1.852	2.406	2.665	2.665	3.312	1.933	1.852	1.789	2.052
All Ages	F	Preg Women	3.790	4.146	3.373	3.760	3.674	3.702	3.353	3.532	3.532	3.255	3.420	3.702	3.427	3.315

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

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast
Member Months																
0 - 1	F	F & C	37,922	20,976	3,338	8,063	9,217	2,027	2,930	1,841	2,331	4,854	22,287	977	14,975	16,562
01 - 02	F	F & C	25,896	15,222	2,703	5,828	5,854	1,404	2,382	1,289	1,755	3,644	17,582	740	10,633	12,767
02 - 15	F	F & C	215,241	135,623	21,971	50,935	44,581	11,341	18,531	10,715	12,499	30,821	136,198	6,300	80,039	91,402
16 - 20	F	F & C	53,724	37,459	4,577	12,432	8,088	2,178	4,393	1,773	2,612	7,749	31,993	1,107	18,187	19,061
21 - 49	F	F & C	136,991	91,117	15,255	40,094	30,141	8,379	16,053	8,523	9,951	25,767	114,764	4,578	58,749	69,840
50 - 64	F	F & C	7,773	4,637	816	1,464	967	370	665	255	271	778	3,541	240	1,860	2,306
0 - 1	M	F & C	37,435	21,563	3,817	8,506	9,665	2,139	3,412	1,695	2,422	4,549	23,553	1,044	14,888	16,964
01 - 02	M	F & C	26,460	15,771	3,026	6,081	6,252	1,448	2,374	1,305	1,760	3,618	18,945	719	10,934	13,074
02 - 15	M	F & C	214,773	138,630	21,274	50,155	45,884	12,716	19,059	10,567	12,280	30,994	141,720	6,435	82,217	96,235
16 - 20	M	F & C	45,123	33,460	3,801	10,092	7,205	1,696	3,478	1,771	2,214	6,731	25,951	1,162	14,326	16,493
21 - 49	M	F & C	34,723	28,890	4,474	12,820	7,919	2,562	4,384	2,858	3,267	8,472	42,976	1,227	18,169	20,096
50 - 64	M	F & C	4,442	3,377	840	1,227	843	262	435	145	208	567	3,045	139	1,351	1,886
All Ages	F	Preg Women	34,455	15,301	3,337	7,359	8,612	1,824	2,935	1,739	2,348	4,143	22,055	891	14,624	15,898
Relativity Factors																
0 - 1	F	F & C	2.418	1.814	1.421	2.047	1.979	1.390	2.031	2.238	2.238	1.208	1.348	1.390	1.755	1.555
01 - 02	F	F & C	0.647	0.446	0.364	0.509	0.493	0.431	0.745	0.978	0.978	0.407	0.461	0.431	0.433	0.621
02 - 15	F	F & C	0.464	0.410	0.336	0.509	0.494	0.471	0.425	0.437	0.437	0.460	0.470	0.471	0.412	0.431
16 - 20	F	F & C	0.895	0.728	0.858	1.079	0.963	0.950	0.891	1.093	1.093	1.014	1.050	0.950	0.865	0.933
21 - 49	F	F & C	1.503	1.410	1.439	1.788	1.615	1.606	1.609	1.691	1.691	1.469	1.513	1.606	1.363	1.386
50 - 64	F	F & C	2.570	2.150	1.490	2.114	2.329	1.693	2.460	2.334	2.334	1.756	2.531	1.693	2.167	2.052
0 - 1	M	F & C	2.337	2.583	1.277	1.887	2.998	1.681	2.168	2.202	2.202	1.596	1.896	1.681	1.824	1.619
01 - 02	M	F & C	0.749	0.678	0.467	1.204	0.918	0.560	1.530	0.918	0.918	0.501	0.498	0.560	0.548	0.573
02 - 15	M	F & C	0.548	0.467	0.480	0.550	0.559	0.496	0.554	0.568	0.568	0.528	0.547	0.496	0.540	0.494
16 - 20	M	F & C	0.735	0.457	0.733	0.926	0.798	0.824	1.025	0.852	0.852	0.812	0.827	0.824	0.710	0.770
21 - 49	M	F & C	1.021	0.954	1.292	1.439	1.110	1.074	1.199	1.194	1.194	1.150	1.076	1.074	0.996	1.049
50 - 64	M	F & C	2.129	1.976	1.745	1.622	2.923	2.190	2.350	2.274	2.274	2.788	1.925	2.190	1.783	1.950
All Ages	F	Preg Women	3.807	4.083	3.009	3.899	3.988	3.705	4.069	3.457	3.457	3.346	3.483	3.705	3.605	3.239

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Exhibit B Cont.: Member Months and Relativity Factors

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

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast
Member Months																
0 - 1	F	F & C	37,529	20,986	3,821	8,325	9,475	2,420	3,532	1,736	2,437	6,852	23,024	1,144	14,562	16,025
01 - 02	F	F & C	27,761	16,621	2,626	6,473	6,099	1,457	2,334	1,270	1,730	5,527	17,626	703	11,354	12,631
02 - 15	F	F & C	241,887	149,759	24,516	57,182	49,024	13,621	21,100	11,612	14,205	45,183	150,814	7,385	89,034	102,309
16 - 20	F	F & C	58,109	41,454	5,315	13,217	9,204	2,628	4,894	1,943	2,625	10,912	34,443	1,214	19,518	20,276
21 - 49	F	F & C	156,206	102,965	17,559	44,508	33,653	9,868	18,133	9,816	10,936	40,110	127,976	5,218	66,647	78,532
50 - 64	F	F & C	8,752	5,065	891	1,850	1,197	474	689	322	313	1,219	4,262	229	2,148	2,725
0 - 1	M	F & C	38,619	22,146	3,946	8,326	9,577	2,350	3,630	1,946	2,510	6,987	24,422	1,227	15,364	17,184
01 - 02	M	F & C	27,292	17,248	2,999	6,150	6,787	1,516	2,421	1,208	1,817	5,347	18,992	726	11,275	13,151
02 - 15	M	F & C	241,726	153,825	24,150	56,161	51,873	14,797	21,335	11,800	14,046	45,179	156,598	7,863	89,637	106,479
16 - 20	M	F & C	50,932	36,881	4,260	11,562	8,480	2,357	4,366	1,867	2,519	9,676	28,784	1,210	16,842	18,633
21 - 49	M	F & C	42,405	35,209	5,426	15,090	9,667	3,012	5,178	3,550	3,673	13,845	49,338	1,577	22,046	23,959
50 - 64	M	F & C	5,416	3,894	865	1,498	917	298	470	249	254	815	3,566	160	1,553	2,452
All Ages	F	Preg Women	33,543	16,288	3,503	7,753	8,260	2,004	3,250	1,735	2,474	6,297	22,135	1,054	14,239	15,476
Relativity Factors																
0 - 1	F	F & C	2.664	2.177	0.952	2.913	2.226	1.701	2.324	1.332	1.332	1.241	1.723	1.701	1.570	1.375
01 - 02	F	F & C	0.579	0.525	0.419	0.516	0.550	0.539	0.409	0.850	0.850	0.396	0.491	0.539	0.459	0.570
02 - 15	F	F & C	0.491	0.412	0.391	0.475	0.467	0.485	0.488	0.503	0.452	0.464	0.464	0.485	0.431	0.420
16 - 20	F	F & C	0.910	0.782	1.122	0.986	1.055	1.300	0.893	1.013	1.013	1.037	1.033	1.300	0.853	0.973
21 - 49	F	F & C	1.505	1.468	1.431	1.733	1.627	1.719	1.566	1.696	1.696	1.587	1.553	1.719	1.404	1.375
50 - 64	F	F & C	2.682	2.617	2.177	2.456	2.502	2.386	2.592	2.436	2.436	1.879	2.167	2.386	2.263	2.241
0 - 1	M	F & C	2.585	2.355	1.253	2.642	2.427	2.182	2.420	2.165	2.165	1.664	1.657	2.182	1.823	1.579
01 - 02	M	F & C	0.653	0.629	0.633	0.620	0.645	0.455	0.623	0.602	0.602	0.514	0.517	0.455	0.684	0.722
02 - 15	M	F & C	0.560	0.489	0.430	0.569	0.619	0.498	0.578	0.591	0.591	0.550	0.552	0.498	0.528	0.506
16 - 20	M	F & C	0.624	0.490	0.658	1.030	0.922	0.911	0.829	0.771	0.771	0.735	0.808	0.911	0.790	0.680
21 - 49	M	F & C	0.996	0.869	0.913	1.239	1.134	0.945	1.233	1.108	1.108	0.974	1.059	0.945	0.946	1.008
50 - 64	M	F & C	1.922	1.779	1.344	3.345	2.134	1.275	2.220	2.693	2.693	1.894	1.523	1.275	1.835	1.567
All Ages	F	Preg Women	4.072	4.136	3.270	4.001	4.095	3.701	3.949	3.897	3.897	3.412	3.769	3.701	3.606	3.233

Table B-4: Weighted Average Relativity Factor

Rate Cell			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott	Washington	Sherburne	Wright	NorthEast	NorthCentral	Carver	SouthWest	SouthEast
			Hennepin	Ramsey	Olmsted	Anoka	Dakota	Scott / Carver	Washington	Greater Metro	Greater Metro	NorthEast	NorthCentral	Scott / Carver	SouthWest	SouthEast
0 - 1	F	F & C	2.582	2.056	1.108	2.625	2.144	1.597	2.226	1.634	1.634	1.230	1.598	1.597	1.632	1.435
01 - 02	F	F & C	0.602	0.573	0.428	0.708	0.571	0.503	0.892	0.892	0.892	0.400	0.481	0.503	0.450	0.587
02 - 15	F	F & C	0.482	0.411	0.373	0.486	0.476	0.480	0.467	0.481	0.481	0.455	0.466	0.480	0.425	0.424
16 - 20	F	F & C	0.905	0.764	1.034	1.017	1.024	1.183	0.893	1.040	1.040	1.029	1.039	1.183	0.857	0.960
21 - 49	F	F & C	1.504	1.449	1.434	1.751	1.623	1.681	1.581	1.694	1.694	1.548	1.540	1.681	1.390	1.379
50 - 64	F	F & C	2.645	2.461	1.948	2.342	2.444	2.155	2.548	2.402	2.402	1.838	2.288	2.155	2.231	2.178
0 - 1	M	F & C	2.502	2.431	1.261	2.390	2.617	2.015	2.336	2.177	2.177	1.641	1.737	2.015	1.823	1.592
01 - 02	M	F & C	0.685	0.645	0.578	0.815	0.618	0.490	0.925	0.708	0.708	0.510	0.510	0.490	0.639	0.673
02 - 15	M	F & C	0.556	0.481	0.447	0.562	0.599	0.497	0.570	0.583	0.583	0.543	0.550	0.497	0.532	0.502
16 - 20	M	F & C	0.661	0.479	0.683	0.995	0.881	0.882	0.894	0.798	0.798	0.761	0.814	0.882	0.764	0.710
21 - 49	M	F & C	1.004	0.898	1.039	1.305	1.126	0.988	1.222	1.136	1.136	1.033	1.065	0.988	0.963	1.021
50 - 64	M	F & C	1.991	1.845	1.477	2.771	2.397	1.580	2.264	2.553	2.553	2.192	1.657	1.580	1.817	1.695
All Ages	F	Preg Women	3.984	4.119	3.183	3.967	4.060	3.703	3.989	3.750	3.750	3.390	3.674	3.703	3.606	3.235

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APPENDIX 3
COPY OF JUNE 7, 2011 LETTER
RATE CELL RELATIVES FOR ADULTS WITHOUT
CHILDREN

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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.

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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.

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

Area	Mix	Cost Relativities	Combined Impact
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%
Bid Areas	0.0%	2.1%	2.1%
Non-Metro Areas	0.0%	-2.6%	-2.6%
Total	0.0%	0.0%	0.0%

Impact of Demographic Relativity Changes on July 2011 Rates

Demographic Cell	Bid Areas	Non-Metro Areas	Statewide
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%
Total	2.1%	-2.6%	0.0%

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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%
Bid Areas	-0.6%
Non-Metro Areas	0.5%
Total	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

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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.

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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

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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.

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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.

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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

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**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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas			137,016	65,956	220,297	62,338	485,607
Subtotal Non-Metro			127,566	80,109	168,727	63,101	439,503
Total			264,581	146,066	389,024	125,439	925,110

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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas			\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
Subtotal Non-Metro			\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
Total			\$960.15	\$1,099.95	\$823.28	\$1,151.98	\$950.68

**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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas		\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
Subtotal Non-Metro		\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
Total		\$960.15	\$1,099.95	\$823.28	\$1,151.98	\$950.68

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	
Metro Regions	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%
Non-Metro Regions	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%
Subtotal Bid Areas		0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal Non-Metro		0.0%	0.0%	0.0%	0.0%	0.0%
Total		0.0%	0.0%	0.0%	0.0%	0.0%

**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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas			137,016	65,956	220,297	62,338	485,607
Subtotal Non-Metro			127,566	80,109	168,727	63,101	439,503
Total			264,581	146,066	389,024	125,439	925,110

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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas			\$1,005.05	\$1,165.33	\$903.86	\$1,233.86	\$1,010.29
Subtotal Non-Metro			\$865.44	\$1,012.34	\$790.38	\$1,014.60	\$884.81
Total			\$937.74	\$1,081.42	\$854.64	\$1,123.56	\$950.68

**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	
Metro Regions	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
Non-Metro Regions	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
Subtotal Bid Areas		\$1,007.82	\$1,171.27	\$853.18	\$1,235.38	\$989.08
Subtotal Non-Metro		\$908.95	\$1,041.23	\$784.24	\$1,069.59	\$908.25
Total		\$960.15	\$1,099.95	\$823.28	\$1,151.98	\$950.68

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	
Metro Regions	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%
Non-Metro Regions	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%
Subtotal Bid Areas		-0.3%	-0.5%	5.9%	-0.1%	2.1%
Subtotal Non-Metro		-4.8%	-2.8%	0.8%	-5.1%	-2.6%
Total		-2.3%	-1.7%	3.8%	-2.5%	0.0%

**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	
Metro Regions	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%
Non-Metro Regions	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%
Subtotal Bid Areas		-0.3%	-0.5%	5.9%	-0.1%	2.1%
Subtotal Non-Metro		-4.8%	-2.8%	0.8%	-5.1%	-2.6%
Total		-2.3%	-1.7%	3.8%	-2.5%	0.0%

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		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	

Subtotal Bid Areas	72,785	47,458	84,025	33,254	237,523
Subtotal Non-Metro	87,960	73,206	85,621	49,342	296,129
Total	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		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	

Subtotal Bid Areas	\$ 389.62	\$ 514.83	\$ 329.78	\$ 465.66	\$ 404.12
Subtotal Non-Metro	\$ 379.85	\$ 500.34	\$ 320.81	\$ 453.72	\$ 404.88
Total	\$ 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		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	

Subtotal Bid Areas	\$ 401.08	\$ 532.81	\$ 306.05	\$ 493.44	\$ 406.72
Subtotal Non-Metro	\$ 383.23	\$ 509.09	\$ 292.43	\$ 471.47	\$ 402.79
Total	\$ 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		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%	

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

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APPENDIX 4

COPY OF MARCH 9, 2011 LETTER

DEVELOPMENT OF 2011 PMAP ADULTS WITHOUT CHILDREN RATES

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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: Capitation Rates for Medicaid Expansion

Dear Jason:

This letter contains preliminary capitation rates for Minnesota's new PMAP expansion rate cells for adults without children, to be effective April 1, 2011. These rates were developed using historical data and a number of key assumptions as described herein.

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

The results contained in this letter are intended only for use by DHS and CMS, the federal agency that must approve the capitation rates used for the PMAP expansion program. This analysis should be considered preliminary until the resulting capitation rates are approved by DHS and CMS. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work. This letter should be reviewed only in its entirety. It assumes the reader is familiar with Minnesota's Medicaid programs and managed care rating principles.

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

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

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.

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:

- 2009 Enrollment and Capitation reports from DHS that provide detail by rate cell for each health plan and area;
- Projected 2011 enrollment by “look-alike” population, as defined below;
- 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;
- 2009 Aggregate Provider Reports, Tables 1, 2, and 4.
- Rate sheets with rate adjustment factors for October 2009, January 2010, September 2010, and January 2011;
- Plan data estimating the impact of the hospital cap on claim costs for the MNCare limited benefit set;
- Various summaries of risk factors from DHS;
- Certifications, provided by the health plans, of the percentage of expenses that were for non-State Plan services;
- Benefit descriptions for 2009 PGAMC and MNCare Limited Hospital Benefit Sets and 2011 MA Expansion Benefit Set; 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.

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Background

DHS is projecting that approximately 99,000 people will eventually be enrolled in this expansion of the state's MA program, with approximately 75% enrolled in managed care. Of these, approximately 27,000 are expected to shift from the GAMC program, 60,000 are expected to shift from MNCare, and 12,000 are additional eligibles who are not currently enrolled in a Minnesota Medicaid program.

- GAMC-- Current GAMC enrollees will be automatically enrolled in the MA expansion on a fee-for-service basis on March 1 and then moved to managed care in May. GAMC recipients who were enrolled with an MCO on March 1, 2010 will be automatically enrolled with that same MCO, assuming it is still an option in the area. (I understand that enrollees will have the option of changing MCOs, but I have assumed that will not have a material impact on the rate.)
- MNCare – Approximately 49,000 people enrolled in MNCare as of March 1 are expected to be migrated to MA over six months, beginning in March 2011. DHS projects this group will grow to 60,000 by the end of 2011.

Enrollees with significant health needs (particularly those requiring hospitalization) will be migrated first. However, all enrollees who are eligible for the expansion program will receive the new benefit set starting March 1, including those who have not yet been transitioned to MA. Prior to migration, services provided by the MNCare limited hospital benefit set will be covered by the MCOs, while other services will be covered on a FFS basis. Enrollment in managed care is expected to start April 1. New enrollees who would have previously been eligible for MNCare will be enrolled directly into MA instead.

- Additional – DHS is expecting 12,000 additional enrollees will eventually join the program. DHS is projecting approximately 9,000 will be enrolled in managed care by the end of the year. These are people who would have been eligible for GAMC and/or MNCare in the past, but who did not enroll in either program. DHS assumes that these enrollees will look like MNCare enrollees in terms of morbidity. I used monthly projected managed care enrollment figures provided by DHS for this group, which are shown in exhibits later in this letter.

Risk adjustment, MERC add-ons, and enhanced hospital payments will not apply to the expansion rates in 2011. The current MA withhold of 9.5% will apply. Ratable reductions will also apply.

I first developed an average 2011 capitation rate for the expansion rate cells. I then developed rate cell specific capitation rates. Each of these steps is described separately below.

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Development of 2011 Average Capitation Rate

I developed an average capitation rate for this population by adjusting MCO 2009 per member per month (PMPM) claim cost experience for the PGAMC and MNCare Adults without Children populations. (All references in this letter to MNCare are specific to the Adults without Children population, unless stated otherwise.) Claim cost adjustments were made for trend, benefit changes, and expected morbidity levels. Additional adjustments were made to provide for expected administrative costs and a contribution to surplus.

Exhibit A to this letter summarizes each of these steps. The exhibit includes separate projections for each of three populations—PGAMC, MNCare, and Additional. The development of costs and factors shown for each is described below.

Average 2009 Claim Cost (Row (2))

Capitation rates were developed by adjusting MCO 2009 per member per month (PMPM) claim cost experience for the PGAMC and MNCare Adults without Children programs. This claim cost experience was taken from two data sources: (1) data received from the MCOs and used to develop 2011 capitation rates for the PMAP and MNCare programs (the “Rating Data”) and (2) data provided to DHS by the MCOs in the Aggregate Provider Payment report.

I used the rating data, except when it was not available for a particular MCO. In those cases, I used the Aggregate Provider Payment report data. In general, I preferred to use the rating data where it was available to be consistent with the data source used to price the PMAP Families and Children rate cells and because that data was provided along with an actuarial certification attesting that the data represented the MCO’s best estimate of actual cost. However, I did compare the two data sources where they were both available and followed up with the MCOs regarding any significant differences.

Adjustment for Missing Experience (Row (3))

The starting average claim cost for each program (2009 PGAMC and 2009 MNCare Adults without Children) is shown on row (2) of Exhibit A attached to this letter. Because I did not have 2009 claim data for First Plan, which discontinued participation in the program in 2010, I adjusted the claim cost in row (2) to estimate what the claim cost would have been had First Plan data been included. To do this, I used (1) 2009 enrollment by rate cell, area, and MCO, (2) the current demographic and area adjustment factors for each program and (3) the average cost for the other plans to estimate what the average cost was in 2009, including First Plan’s experience. The adjustment factor and resulting average cost are shown in rows (3a) and (3b), respectively.

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Trend (Row (4))

Next, I applied 25.5 months of trend to project claim cost to August 15, 2011, the midpoint of the effective period for these rates assuming coverage begins on April 1, 2011. I used an annual trend rate of 6.23%. This value includes an underlying annual trend rate of 5.0% and an additional trend of 1.23% to account for potential differences between PGAMC and PMAP provider payment levels. The underlying trend rate of 5% is just slightly lower than the trend rate used to project claim cost for the PMAP and MNCare Families and Children rate last year.

The additional trend, when applied over 25.5 months, effectively adds 2.5% to the expected cost level for this group. The state's fee-for-service fee schedule for GAMC is lower than its MA fee schedule for many services. Although the MCOs are not required to use the state's fee schedules, I expect their provider payment levels for PGAMC enrollees may also have been somewhat lower than payment levels for PMAP enrollees because PGAMC capitation rates have historically been set at a level that produces a financial loss to the MCOs.

I also considered the impact of recent changes to the state's RBRVS fee-for-service fee schedule. Based on comments from a number of MCOs and a high level review of the changes, I do not expect that the changes would result in significantly higher payments for the childless adult population covered by the rates developed in this letter. (In fact, it is possible that the change may result in lower costs for this population.) In addition, the MCOs are not required to use the state's fee-for-service fee schedule, so whatever impact the change might have on the state's fee-for-service costs would not necessarily be directly correlated to expected costs among the MCOs. Therefore, I am not making an adjustment for this change.

The trend rate and resulting claim cost are shown in rows (4a) and (4b) of Exhibit A.

Also shown in row (4b) is a projected rate for the Additional population, which is equal to the rate for the MNCare population since DHS expects the morbidity of this group to be consistent with that of the MNCare group.

Benefit Adjustment Factors (Row (5))

I then adjusted the projected claim cost to reflect benefit and provider reimbursement changes between 2009 and 2011. A summary of the benefit differences between PGAMC and MNCare in 2009 and the MA expansion in 2011 is provided in Exhibit B. The adjustments to the PGAMC and MNCare experience appear in row (5) and are discussed separately below.

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MNCare

I adjusted the MNCare experience data to reflect differences between the 2009 MNCare limited hospital benefit set and the 2011 PMAP benefit set. I first made adjustments to the 2009 MNCare experience 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. The development of the factors I used for each change is described in detail in prior letters. These factors can also be found in the Excel capitation rate spreadsheets provided by DHS to the MCOs for rate changes effective January 1, 2010 and later.

I then made an adjustment for differences between the 2011 MNCare benefit set and the 2011 PMAP benefit set, including:

- Removing the 10% cost sharing and \$10,000 benefit maximum applicable to most inpatient services. I applied an adjustment factor to total plan claim cost of 1.15 for this change. I have substantial uncertainty regarding the impact this change will have on claim costs. I reviewed data provided by the plans estimating what claims would have been without the cap. However, it was not clear to me what this data represented in many cases, so I did not want to rely on it exclusively. I also considered that actual experience with a cap is likely to be understated due to missing claims for enrollees who have met their limit and due to reduced utilization of the benefit due to the cap.

I also did some modeling of the potential impact of removing the cap, using an internal claim probability distribution after making adjustments to tailor it to this population. Finally, I considered that the relative projected claim cost between the MNCare and PGAMC populations after making all of the adjustments in this letter, including this adjustment, are reasonably consistent with past estimates of the morbidity differences between these groups.

- Removing other copays, as summarized in Exhibit B. I estimate that removing these copays will increase per member per month costs by approximately 1.15%. This estimate is based on some simplified modeling (since I did not have encounter data) and a review of the adjustments made for these copays when they were initially introduced;

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- Adding coverage for common carrier and specialty ambulance transportation. I estimate these benefits will increase claim cost by approximately 0.80%.
- Adding coverage for PCA coverage. I estimate this benefit will increase claim cost by approximately 1.7%, based on discussions with DHS.

PGAMC

For PGAMC, I first made an adjustment for differences between the 2009 PGAMC benefit set and the 2009 PMAP benefit set, including:

- Adding coverage for home care (including PCA) services. DHS estimates adding this benefit will increase claim cost by approximately 3.5%.
- Adding coverage for specialty carrier transportation. I estimate adding this benefit will increase claim cost by approximately 0.5%.

I did not make an adjustment for the impact of decreasing the copay for non-emergency benefits to the ER from \$25 to \$6.00. I understand that this copay is rarely collected because it is only applied in the case of a non emergency, with “emergency” being subject to a layman’s standard.

I then made adjustments to the experience to reflect PMAP benefit and provider reimbursement changes that occurred between 2009 and 2011. I used adjustment factors previously developed for the PMAP Families and Children adult population for this purpose. Adjustments are included for:

- Changes in provider reimbursement levels (e.g. ratable reductions scheduled through 2011 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, health care homes, and PCA behavioral threshold changes.

The adjustment factor applied to claims for these changes was 0.9787. Again, the development of the factors I used is described in detail in prior letters.

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Morbidity Adjustments (Row (6))

To develop morbidity assumptions for these rates, I asked DHS to provide a mapping of the 99,000 people expected to be covered by the expansion program to the 2009 PGAMC and MNCare experience I used as a basis for projection. The assumptions DHS provided are summarized in Table 1 below. These figures represent total average monthly enrollment by the end of 2011. DHS is assuming that 75% of the member months for new enrollees will be in managed care and the other 25% in fee-for-service.

Table 1: Distribution of DHS Expansion Population by 2009 Program Fee-for-Service and Managed Care

2009 Program	DHS Expansion Population			
	GAMC	MNCare	Additional	Total
PGAMC	27,000	0	0	27,000
MNCare G	0	18,000	0	18,000
MNCare B	0	42,000	0	42,000
Not Enrolled	0	0	12,000	12,000
Total	27,000	60,000	12,000	99,000

Because new people are always being enrolled while others discontinue coverage, the 27,000 GAMC enrollees shown in the 2009 PGAMC program are not necessarily the actual people enrolled in PGAMC in 2009. However, the 75% of them (20,250) in managed care are assumed to look like the 2009 PGAMC enrollees in terms of their healthcare status and benefit utilization profile so that we can use that experience for a basis for projection. (I will refer to them as “look-alikes” in this letter.)

Exhibit C-1 shows projected managed care enrollment by month. As mentioned above, GAMC enrollees will be enrolled beginning in May. The MNCare look-alikes are first broken into the “G” and “B” groups and each of those is then subdivided into two groups--(1) those who were assumed to be enrolled with an MCO on March 1 and who will be migrated to the new rate cells over six months and (2) new enrollees who were not enrolled in MNCare on March 1 who will be enrolled directly into the new program. Additional detail behind the enrollment figures is provided in Exhibit C-2.

Each of these four groups (G vs B and existing vs new enrollees) has different morbidity levels, also shown in Exhibit C-2. Because the 2009 MNCare experience I am using as a basis for projection includes MNCare enrollees over 75% of the federal poverty level (FPL) who will not be migrating, I developed morbidity adjustments to reflect the relatively higher expected cost of those who will be moving out of MNCare. I first 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.

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To develop these factors, I used the same model that was used to develop MNCare rate cell factors in 2009. I used 2007 experience data provided by the MCOs for the MNCare G, B-1, and B-3 rate cells which was the last year enrollees below and above the 75% of FPL threshold were in different rate cells--B-1 and B-3, respectively. (The model includes adjustment factors for benefit changes that occurred between 2007 and 2009.)

The relative factors I developed were 0.900 for MNCare B enrollees over 75% of the FPL, 0.977 for MNCare B enrollees under 75%, and 1.159 for MNCare G enrollees. Using 2009 enrollment, the average factor for the MNCare B and G rate cells, including those over and under 75%, is 0.978. Therefore, I assumed that MNCare G enrollees had morbidity (and cost) 1.185 ($= 1.159/0.978$) times the average cost of the MNCare group and that MNCare B rate cell enrollees under 75% of the FPL had costs 0.999 ($= 0.977 / 0.978$) times the average cost of the MNCare group.

I made further morbidity adjustments that varied by month to the MNCare G and B enrollees who will be migrated to the expansion program over six months, to reflect that sicker enrollees will likely be moved first. To develop these additional morbidity factors, I used stratified risk score data for the limited hospital plan provided by DHS. DHS provided average risk scores for each of six cohorts (excluding those with fewer than six months of enrollment), after ordering enrollees from lowest to highest by risk score. (In other words, the first cohort includes the 1/6 of enrollees with the lowest risk score, the second cohort includes the 1/6 of enrollees with the next highest risk scores, and so on.)

I averaged the risk score for each cohort with the average risk score across all cohorts, using weights of 2/3 and 1/3, respectively. I used these averages to estimate the relative morbidity of enrollees transitioning to MA in each migration month (March through August), assuming those migrating first would have the highest risk score, those migrating in the second month the next highest risk score, and so on. I then calculated a morbidity factor for each experience month, taking into account the mix of enrollees by month of migration. The resulting morbidity factors for each MNCare group are summarized in Exhibit C-2.

Exhibit A also includes a morbidity adjustment for the Additional group. As mentioned above, the Additional group is expected to look like the MNCare enrollee group in terms of morbidity. The factor differs from the factor for the MNCare group because the Additional group is not subject to the phase in adjustments.

Administrative Cost (Row (7))

Next I included a provision for administrative cost as shown in rows (7a) and (7b) of Exhibit A. I chose this assumption taking into consideration the recent prior experience of the MCOs, Minnesota's statutory limit on administrative costs for managed Medicaid programs, the relatively

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high level of claim cost for this population, and that administrative costs associated with managing the MCO's investments should be excluded since no adjustment is being made to rates for expected investment income.

Contribution to Surplus (Row (8))

Row (8) shows that these rates include no provision for a contribution to surplus. In other words, the rates are being set so that the MCOs, as a group, are projected to break even after covering their claim and administrative expenses. DHS is not including a provision for contribution to surplus in these rates due to the state's current fiscal situation.

Average 2011 Capitation Rate (Row (9))

Row 9 shows the average capitation rate required for each sub group.

Capitation Rates by Rate Cell

I have developed rates for two areas, "Metro" and "non-Metro" and for four demographic groups, including:

- Females Ages 21 – 49;
- Females Ages 50 – 64;
- Males Ages 21 – 49;
- Males Ages 50 – 64.

The metro area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties, which are the same counties included in the MNCare Metro region. The non-Metro area includes all other counties.

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I developed three separate sets of rates—one for each of the groups shown on Exhibit A (PGAMC, MNCare, and Additional) and then blended them together using weights that tie to the member months in row (1) of Exhibit A. Additional detail is provided in Exhibit D:

- MNCare (Exhibit D-1): The total projected member months in this exhibit ties to that shown in row (1) of Exhibit A. Calendar year 2009 membership by program (B or G), age, gender, and area was used to distribute the members by rate cell. The rate cell factors are those developed in 2009 and currently in use. A rate was determined for each rate cell by applying the ratio of the rating factor for that cell to the average rating factor applied to the MNCare rate from row (9) of Exhibit A.
- PGAMC (Exhibit D-2): Average area factors were calculated for the metro and non-metro area using 2009 PGAMC enrollment along with the PGAMC area factors developed in 2009. As mentioned above, the metro area includes the Core Metro (Anoka, Dakota, Scott, and Washington counties), along with Carver, Hennepin, and Ramsey counties.

The morbidity factors for the expansion rate cells are the average PGAMC risk scores for each group (F 21-49, F 50-64, M 21-49, and M 50-64) using assessment data for the year ending March 31, 2010. The member counts by age and gender underlying the risk scores were used to allocate projected member months from row (1) of Exhibit A to the rate cells. The allocation by area is based on 2009 PGAMC enrollment data. Capitation rates were developed for each rate cell by applying the appropriate area factor and morbidity factor to the PGAMC rate in row (9) of Exhibit A.

- Additional (Exhibit D-3): Projected enrollment and capitation rates are proportional to the values in Exhibit D-1.
- Total (Exhibit D-4): Enrollment and rates from Exhibits D-1 through D-3 is shown for each group (PGAMC, MNCare, Additional), along with total enrollment and overall average rates by rate cell.

Appendix II-E Tables

As requested, I am including Appendix II-E tables as Exhibit E to this letter. There are three tables—one for metro and both county based and non-county based tables for non metro. The tables include rateable reductions equal to approximately 2.5% ($1 - 0.99 \times 0.99 \times 0.995$) and the withhold of 9.5%.

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Mr. R Jason Wiley
March 9, 2011



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

Sincerely,

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

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

LMW/mtf

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Exhibit A: Development of Average Premium Rate

		PGAMC	MNCare	Additional	Combined
(1)	Expected Member Months	162,000	368,257	55,722	585,979
(2)	Average 2009 Claim Cost	\$ 1,158.60	\$ 522.71		
	Adjustment for Missing Experience				
(3a)	Adjustment Factor	1.002	0.999		
(3b)	Adjusted Claim Cost	\$ 1,160.54	522.31		
	Apply two years of trend				
(4a)	Annual Trend Rate	6.23%	5.00%		
(4b)	Trended Claim Cost	\$ 1,319.50	\$ 579.37	\$ 579.37	
	Benefit Difference Adjustments				
(5a)	Factor	1.019	1.178	1.178	
(5b)	Adjusted Claim Cost	\$ 1,344.64	\$ 682.71	\$ 682.71	
	Apply morbidity factor				
(6a)	Factor	1.000	1.150	1.055	
(6b)	Adjusted Claim Cost	\$ 1,344.64	\$ 784.97	\$ 720.08	\$ 933.52
	Add Provision for Administrative Cost				
(7a)	Administrative Cost Factor	7.00%	7.00%	7.00%	7.00%
(7b)	Administrative Margin	\$ 101.21	\$ 59.08	\$ 54.20	\$ 70.27
	Add Provision for Contribution to Surplus				
(8a)	Factor for Contribution to Surplus	0.00%	0.00%	0.00%	0.00%
(8b)	Contribution to Surplus	\$ -	\$ -	\$ -	\$ -
(9)	Average 2011 Capitation Rate	\$ 1,445.85	\$ 844.05	\$ 774.27	\$ 1,003.79

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Exhibit B: Summary of Benefits

Rate Cell Year Eligibility	MA Expansion 2011 Childless Adults	PGAMC 2009	BB (M1)/G 2009 Adults without Children
Chem Dependency	No Cost Sharing	No Cost Sharing	10% copay up to \$1K and \$10K annual limit apply only to the treatment portion of residentially lisc program
Child and Teen Checkup	NA	NA	NA
Chiropractic	No Cost Sharing	No Cost Sharing	\$3 copay
Dental	No Cost Sharing; limited coverage	No Cost Sharing; limited coverage	No Cost Sharing; limited coverage
ER	\$3.50 copay for non-er visits	\$25 copay for non-er visits	\$6.00 copay for non-er visits
Eye Care	No Cost Sharing	No Cost Sharing	\$3 copay
Glasses	No Cost Sharing	No Cost Sharing	\$25 copay
Family Planning	No Cost Sharing	No Cost Sharing	\$3 copay for non-prev visit
Hearing Aids	No Cost Sharing	No Cost Sharing	No Cost Sharing
Home Care (inc PDN and PCA)	No Cost Sharing	Not Covered	NCS; Excludes PDN and PCA
Hospice	No Cost Sharing	Not Covered	Not Covered
Hospital Stay	No Cost Sharing	No Cost Sharing	10% copay up to \$1K and \$10K annual limit
Immunizations	No Cost Sharing	No Cost Sharing	No Cost Sharing
Interpreters (hearing / lang)	No Cost Sharing	No Cost Sharing	No Cost Sharing
Lab, Radiology, and Diagnostics	No Cost Sharing	No Cost Sharing	lab/rad - no copay; diag \$3 copay
Medical Equipment and Supplies	No Cost Sharing	No Cost Sharing	No Cost Sharing
Medical Transportation (ER and Spec)	No Cost Sharing	No Cost Sharing; ER only	No Cost Sharing; ER only
Medication Therapy Management	No Cost Sharing	No Cost Sharing	No Cost Sharing
Mental Health inc ARMHS, ACT, IRTS, Crisis Response Services	No Cost Sharing	No Cost Sharing	No Cost Sharing
Outpatient Surgery	No Cost Sharing	No Cost Sharing	No Cost Sharing
Physicians and Clinics	No Cost Sharing	No Cost Sharing	\$3 copay
Podiatrist	No Cost Sharing	No Cost Sharing	\$3 copay
Prescriptions	\$3 copay brand/\$1 copay generic	\$3 copay brand/\$1 copay generic	\$3 copay
Physicals / Prev Care	No Cost Sharing	No Cost Sharing	No Cost Sharing
Rehab Therapies	No Cost Sharing	No Cost Sharing	No Cost Sharing
Abortion	Not Covered	Not Covered	Not Covered
Children's Residential MH Treatment (Rule 5)	NA	NA	NA
MH TCM	No Cost Sharing	No Cost Sharing	No Cost Sharing
Common Carrier (CC) Transport and Mileage Reimbursement	No Cost Sharing; CC Only	NCS; CC Only	Not Covered
NH/ICF-MR Facility	Not Covered	Not Covered	Not Covered
School Based Services	NA	NA	NA

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Exhibit C-1: Projected Enrollment

Month	2009 PGAMC Look-alikes	2009 MNCare B/G Look-alikes				Additional	Totals			
		G Rate Cell		B Rate Cell < 75%			PGAMC	MNCare	Additional	Total
		Enrolled on 3/1	Enrolled after 3/1	Enrolled on 3/1	Enrolled after 3/1					
January	-	-	-	-	-	-	-	-	-	
February	-	-	-	-	-	-	-	-	-	
March	-	-	-	-	-	-	-	-	-	
April	-	4,492	1,194	10,481	2,785	688	-	18,951	688	19,639
May	20,250	6,125	2,388	14,292	5,571	2,320	20,250	28,375	2,320	50,945
June	20,250	7,350	3,581	17,150	8,356	4,297	20,250	36,438	4,297	60,985
July	20,250	8,167	4,775	19,056	11,142	7,101	20,250	43,139	7,101	70,490
August	20,250	8,575	5,969	20,008	13,927	7,747	20,250	48,479	7,747	76,476
Sept	20,250	7,350	7,163	17,150	16,713	8,005	20,250	48,375	8,005	76,630
Oct	20,250	6,125	8,356	14,292	19,498	8,263	20,250	48,271	8,263	76,784
Nov	20,250	4,900	9,550	11,433	22,283	8,521	20,250	48,167	8,521	76,938
Dec	20,250	3,675	10,744	8,575	25,069	8,780	20,250	48,063	8,780	77,093

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Exhibit C-2: Projected Enrollment and Relative Morbidity for MNCare Look-alikes

Month	MNCare G Look-alikes							MNCare B < 75% Look-alikes						
	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
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
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
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
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
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
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
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
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
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

Month	MNCare G Look-alikes							MNCare B < 75% Look-alikes						
	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
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
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
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
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
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
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
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
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
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

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Exhibit D - 1: Rates by Rate Cell – MNCare

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	39,688	47,963	87,651	1.3559	1.2956	\$ 820.57	\$ 784.03	\$ 800.58
50 +	F	B	25,878	39,917	65,795	1.8013	1.7211	1,090.07	1,041.54	1,060.63
21 - 49	M	B	45,817	46,687	92,504	1.0347	0.9886	626.15	598.27	612.08
50 +	M	B	18,133	26,905	45,038	1.6682	1.5939	1,009.53	964.58	982.67
21 - 49	F	G	11,694	10,701	22,395	1.6617	1.5877	1,005.61	960.84	984.22
50 +	F	G	3,232	2,870	6,102	2.2075	2.1092	1,335.89	1,276.41	1,307.92
21 - 49	M	G	21,986	19,543	41,529	1.2680	1.2115	767.35	733.18	751.27
50 +	M	G	3,828	3,415	7,243	2.0444	1.9533	1,237.18	1,182.09	1,211.21
21 - 49	F	B/G	51,382	58,664	110,045	1.4255	1.3489	862.68	816.28	837.95
50 +	F	B/G	29,110	42,787	71,897	1.8464	1.7471	1,117.37	1,057.29	1,081.61
21 - 49	M	B/G	67,803	66,230	134,034	1.1103	1.0544	671.93	638.08	655.20
50 +	M	B/G	21,961	30,320	52,281	1.7337	1.6344	1,049.21	989.07	1,014.33
All			170,257	198,000	368,257	1.4117	1.3801	854.32	835.21	844.05

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Exhibit D-2: Rates by Rate Cell – PGAMC

Development of Metro and Non Metro Area Factors

Age	Sex	Program	2009 Member Months												
			Metro	Non Metro	Statewide	Carver	Core Metro	Greater Metro	Hennepin	NE	NW	Olmsted	Ramsey	SE	SW
All Ages	F	GA	34,009	16,880	50,889	212	4,326	601	21,307	4,078	5,293	1,075	8,164	3,173	2,660
All Ages	M	GA	60,200	28,407	88,607	268	4,746	776	42,555	7,633	10,004	1,583	12,631	4,292	4,119
All Ages	F	GAMC	19,738	10,737	30,475	148	2,451	402	14,036	2,026	3,865	519	3,103	2,235	1,690
All Ages	M	GAMC	45,908	19,270	65,178	163	4,182	589	33,665	4,473	6,810	1,082	7,898	3,319	2,997
Total			159,855	75,294	235,149	791	15,705	2,368	111,563	18,210	25,972	4,259	31,796	13,019	11,466
Metro Indicator			1.0000	-		1.0000	1.0000	-	1.0000	-	-	-	1.0000	-	-
Area Factor			0.9522	1.0964	0.9984	1.1204	1.3096	1.3096	0.8676	1.0511	1.1295	1.0491	1.0684	1.0491	1.1204

Morbidity Factor

Age	Sex	Program	Morbidity Factor		
			Metro	Non-Metro	Statewide
21 - 49	F	GA/MC	1.4025	1.4025	1.4025
50 +	F	GA/MC	1.5959	1.5959	1.5959
21 - 49	M	GA/MC	1.1221	1.1221	1.1221
50 +	M	GA/MC	1.6121	1.6121	1.6121

Projected 2011 Enrollment

Age	Sex	Program	Projected 2011 Enrollment		
			Metro	Non-Metro	Statewide
21 - 49	F	GA/MC	27,282.47	13,683.36	40,965.83
50 +	F	GA/MC	9,955.55	4,673.35	14,628.90
21 - 49	M	GA/MC	57,926.08	26,908.92	84,834.99
50 +	M	GA/MC	14,963.98	6,606.29	21,570.27
Total			110,128	51,872	162,000

Capitation Rate by Rate Cell

Age	Sex	Program	Rates		
			Metro	Non-Metro	Statewide
21 - 49	F	GA/MC	\$ 1,486.53	\$ 1,711.64	\$ 1,561.72
50 +	F	GA/MC	1,691.51	1,947.67	1,773.34
21 - 49	M	GA/MC	1,189.33	1,369.43	1,246.45
50 +	M	GA/MC	1,708.68	1,967.44	1,787.93
Total			\$ 1,378.92	\$ 1,587.96	\$ 1,445.85

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Exhibit D - 3: Rates by Rate Cell – Additional

Age	Sex	Projected Mbr Mths			Capitation Rates		
		Metro	Non Metro	Statewide	Metro	Non Metro	Statewide
21 - 49	F	7,775	8,877	16,651	\$ 791.37	\$ 748.80	\$ 768.68
50 +	F	4,405	6,474	10,879	1,025.00	969.89	992.20
21 - 49	M	10,260	10,021	20,281	616.39	585.33	601.04
50 +	M	3,323	4,588	7,911	962.48	907.31	930.48
All		25,762	29,960	55,722	783.70	766.17	774.27

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Exhibit D-4: Rates by Rate Cell -- Total

Age	Sex	Enrollment			Rates		
		Metro	Non-Metro	Statewide	Metro	Non-Metro	Statewide
MNCare							
21 - 49	F	51,381.67	58,663.67	110,045.34	\$ 862.68	\$ 816.28	\$ 837.95
50 +	F	29,110.30	42,786.99	71,897.29	1,117.37	1,057.29	1,081.61
21 - 49	M	67,803.49	66,230.04	134,033.53	671.93	638.08	655.20
50 +	M	21,961.05	30,319.74	52,280.79	1,049.21	989.07	1,014.33
Total		170,256.51	198,000.44	368,256.94	854.32	835.21	844.05
PGAMC							
21 - 49	F	27,282.47	13,683.36	40,965.83	\$ 1,486.53	\$ 1,711.64	\$ 1,561.72
50 +	F	9,955.55	4,673.35	14,628.90	1,691.51	1,947.67	1,773.34
21 - 49	M	57,926.08	26,908.92	84,834.99	1,189.33	1,369.43	1,246.45
50 +	M	14,963.98	6,606.29	21,570.27	1,708.68	1,967.44	1,787.93
Total		110,128.09	51,871.91	162,000.00	1,378.92	1,587.96	1,445.85
Additional							
21 - 49	F	7,774.71	8,876.57	16,651.27	\$ 791.37	\$ 748.80	\$ 768.68
50 +	F	4,404.76	6,474.22	10,878.98	1,025.00	969.89	992.20
21 - 49	M	10,259.54	10,021.45	20,280.99	616.39	585.33	601.04
50 +	M	3,322.99	4,587.77	7,910.75	962.48	907.31	930.48
Total		25,761.99	29,960.01	55,722.00	783.70	766.17	774.27
Total							
21 - 49	F	86,438.85	81,223.59	167,662.45	\$ 1,053.17	\$ 959.75	\$ 1,007.91
50 +	F	43,470.62	53,934.55	97,405.17	1,239.50	1,123.95	1,175.52
21 - 49	M	135,989.10	103,160.41	239,149.51	888.13	823.72	860.35
50 +	M	40,248.02	41,513.80	81,761.81	1,287.24	1,135.73	1,210.31
Total		306,146.59	279,832.36	585,978.94	1,037.09	967.36	1,003.79

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Exhibit E: Appendix II-E Tables

Appendix II-E: MA Adults without Children Rates

For Metro

April 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	\$ 1,079.95	\$ 102.60	\$ 977.36	\$ 953.12
50 +	F	1,271.02	120.75	1,150.27	1,121.75
21 - 49	M	910.72	86.52	824.20	803.76
50 +	M	1,319.97	125.40	1,194.58	1,164.95

Appendix II-E: MA Adults without Children Rates

For Non Metro

April 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	\$ 984.15	\$ 93.49	\$ 890.66	\$ 868.57
50 +	F	1,152.53	109.49	1,043.04	1,017.17
21 - 49	M	844.67	80.24	764.43	745.47
50 +	M	1,164.61	110.64	1,053.98	1,027.84

Appendix II-E: MA Adults without Children Rates

For Non Metro, County Based Plans

April 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	\$ 974.31	\$ 92.56	\$ 881.75	\$ 859.88
50 +	F	1,141.01	108.40	1,032.61	1,007.00
21 - 49	M	836.23	79.44	756.78	738.02
50 +	M	1,152.97	109.53	1,043.44	1,017.56

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