



A MILLIMAN GLOBAL FIRM

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July 10, 2003

## **Capitated Contracts Ratesetting Actuarial Certification**

I, Larry J. Pfannerstill, am associated with the firm of Milliman USA, Inc., Consultants & Actuaries. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I have been retained by the Minnesota Department of Human Services (DHS) to perform an actuarial certification of the capitation rates for 2003 for the Minnesota Disability Health Options (MnDHO) program.

I have reviewed the actuarial assumptions and actuarial methods used to develop payment rates for 2003 for MnDHO. The payment rates, methodology, data, and assumptions used to update the rates are documented in our letter to DHS of June 18, 2003 which is attached to this certification.

In making my opinion, I have relied on the accuracy of the data and information provided by DHS. I performed no independent verification as to the accuracy or completeness of this data and information. I did review the data for reasonableness and consistency within the years for the experience period. A reliance letter signed by DHS is attached and forms part of this opinion. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

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

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

Actuarial Certification

July 10, 2003


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I certify the payment rates to be appropriate in that: (1) they reflect historical fee-for-service costs in aggregate and (2) the assumptions and data used in the development of the rates are reasonable and appropriate.

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

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

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



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Larry J. Pfannerstill

Member, American Academy of Actuaries

July 10, 2003

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Date:



Minnesota Department of **Human Services**

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January 23, 2003

Mr. Larry Pfannerstill, F.S.A.  
Milliman USA, Inc.  
15800 Bluemound Road, Suite 400  
Brookfield, WI 53005-6069

**Re: Data Reliance for 2003 Minnesota Disability Health Options Capitation Rates**

Dear Larry:

I, Pam Parker, Minnesota Disability Health Options (MnDHO) Project Director, hereby affirm that the listings and summaries prepared and submitted to Milliman USA, Inc. were prepared under my direction, and to the best of my knowledge and belief are accurate and complete. These listings and summaries include:

1. Fee-for-service claims data from the period of January 1, 1996 through December 31, 1997. The payments for this period were allocated by Category of Service (COS) and included payment amounts reimbursed by the state of Minnesota as well as those which were patient liability (spenddown) amounts<sup>1</sup>.
2. Certain COS payments were not provided with the original data set and were subsequently sent to Milliman directly as per member per month (PMPM) costs. These categories included Dental, Common Carrier Transportation, and Interpreter Services.
3. Population counts, as categorized by MnDHO. This population was divided into Nursing Facility Residents, Nursing Home Certifiable, and Other Community, where the Nursing Home Certifiable population was further subcategorized as TBI-NF, TBI-NB, Home Care Ventilator Dependent, Home Care, and CADI. The county of residence and eligibility status as either single eligible or dual eligible was included. In addition to the historical enrollment for the period of January 1, 1996 through December 31, 1997, we provided Milliman with recent enrollment counts for the purpose of aggregate monthly projections for CMS.
4. Annual trend information was supplied by the Forecast and Projections division of DHS to project the fee-for-service data to be used in the calculation of capitation rates for subsequent years.

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<sup>1</sup> The MnDHO eligible population was mainly identified from a larger database previously developed under the Demonstration Project for People with Disabilities.

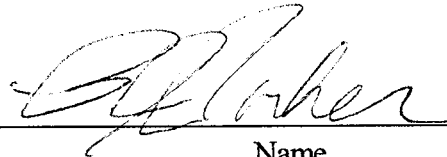
Mr. Larry Pfannerstill

January 23, 2003

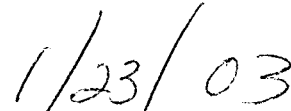
Page 2

5. Nursing facility admissions from calendar year 1996 only were provided for the calculation of the Nursing Facility Transfer Charge. Admission rates from 1997 were not credible and therefore were not provided.

I affirm that the number of eligibles, claims incurral dates, paid claim data, paid claim amounts, summaries, and related data submitted to Milliman USA, Inc. are, to the best of my knowledge and belief, accurately stated.



Name



Date



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June 18, 2003

Ms. Pam Parker, Ms. Susan Westrich, and Ms. Deborah Maruska  
Minnesota Department of Human Services  
444 Lafayette Road  
St. Paul, MN 55155-3854

**Re: MnDHO Rate Development**

Dear Pam, Susan, and Deborah:

Attached is the documentation for the capitation rate development for the Minnesota Disability Health Options (MnDHO) program. The report assumes the reader is familiar with the basic aspects of the MnDHO program and the population groups to be covered under the program.

The rates reflect the same fee for service experience as was used in the previous contract period, updated to the 2003 rating period, based on trend rates provided by the Reports and Forecast Division of MDHS. All rate adjustments remain unchanged from the prior rating period.

We have provided rates for a supplemental rating period of October 1, 2003 through December 31, 2003. These rates are appropriate only if the Disability Payment System is not implemented on October 1, 2003.

The format and contents of this report is very similar to our report of September 26, 2000 which documented the development for the rates effective through 2002.

This report is intended for use by the Minnesota Department of Human Services. It is our understanding that MDHS intends to distribute this report to the health plans participating in MnDHO as well as to CMS to demonstrate budget neutrality. The results presented in this letter are estimates only based on historical fee-for-service experience. Actual 2003 experience will vary from these estimates.

We have relied on data and information supplied to us by DHS. We have not audited or

Ms. Pam Parker, Ms. Susan Westrich, and Ms. Debora Maruska  
June 18, 2003  
Page 2

attempted any independent verification of such data. If this data is incomplete or inaccurate, then our conclusions will be incomplete or inaccurate.

This report was prepared specifically for DHS and the development of 2003 capitation rates for the Minnesota Disabled Health Options program and may not be appropriate for other purposes. This report should only be viewed in its entirety. The report assumes the reader is familiar with the MnDHO program, managed care rate setting, long term care services and the Minnesota Medicaid program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Please call either Dave Ogden, Matt Stahl, or me with questions at [REDACTED]

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Pfannerstill". The signature is written in a cursive, flowing style.

Larry Pfannerstill, F.S.A.  
Actuary

LP/mm

Attachment

# **Minnesota Disability Health Options Premium Rate Development**

*Prepared by:*

David F. Ogden, F.S.A.  
Consulting Actuary

Larry J. Pfannerstill, F.S.A.  
Actuary

Matthew J. Stahl  
Actuarial Assistant

June 18, 2003

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This material assumes that the reader is familiar with Minnesota Medicaid long term care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated long term care programs. 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.

# Minnesota Disability Health Options Premium Rate Development

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- Appendix 4: 2003 Medicare+Choice Ratebook for MnDHO
- Appendix 5: MnDHO Rating Scheme

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This material assumes that the reader is familiar with Minnesota Medicaid long term care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated long term care programs. 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.



## **Minnesota Disability Health Options Premium Rate Development**

### **I. INTRODUCTION**

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This report documents the premium rate development for the Minnesota Disability Health Options (MnDHO) program. The report assumes the reader is familiar with the basic aspects of the MnDHO program and the population groups to be covered under the program, the Minnesota Medicaid program and managed care rating principles.

This report is intended for use by the Minnesota Department of Human Services (MDHS) and Ucare Minnesota as they negotiate the 2003 MnDHO contract. The information contained in this report may not be suitable for other purposes or audiences.

This report should only be reviewed in its entirety.

Several sections and descriptions of administrative procedures and methods included in this report were provided by MDHS staff. We reviewed these sections for reasonableness but relied on MDHS to assure the accuracy of the statements.

### **Caveats and Limitations**

The results presented in this letter are estimates only based on historical fee-for-service experience. Actual 2003 experience will vary from these estimates.

We have relied on data and information supplied to us by DHS. We have not audited or attempted any independent verification of such data. If this data is incomplete or inaccurate, then our conclusions will be incomplete or inaccurate.

This report was prepared specifically for DHS and the development of 2003 capitation rates for the Minnesota Disabled Health Options program and may not be appropriate for other purposes. This report should only be viewed in its entirety. The report assumes the reader is familiar with the MnDHO program, managed care rate setting, long term care services and the Minnesota Medicaid program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

## II . RATE METHODOLOGY SUMMARY

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Premium rates for the MnDHO program are based on projections of historical fee-for-service data. The aggregate rates developed from fee-for-service data are trended forward to the membership-weighted center of the appropriate rating period, and adjusted to reflect geographical region and eligibility for Medicaid only vs. eligibility for both Medicare and Medicaid. Because enrollment levels are projected to grow steadily throughout the rating period, the membership-weighted center of the rating period is equal to the midpoint of the period. The adjustment factors are also based on historical fee-for-service data. The trends are consistent with historical and projected trends of budgeted costs of the MDHS.

The analyses described in the previous paragraph were completed separately for acute care services and long term care services. The rates for each of these broad categories of service were adopted to reflect differences in expected costs by region and eligibility status, and then added together, resulting in a preliminary total rate before adjustments. The preliminary rates were adjusted to reflect additions for special Medicaid services and then discounted by 4%. The resulting rates will be paid to the health plans on a monthly basis.

Compared to the 2002 rates, the average PMPM increases in 2003 are 7.0% for acute care and 6.7% for LTC Bundled services. The PMPM for the 2003 Nursing Facility (NF) Add-on represents an approximate increase of 25% over the 2002 rates. The reason that this increase is significantly larger than the 4.3% increase in per diem average charges is because the 2003 NF Add-on is also funding admissions from the end of 2002, i.e., the tail rate of 2002. These percentage increases are based on projected enrollment provided by MDHS.

The rates reflect the same fee for service experience as was used in the previous contract period, updated to the calendar year 2003 rating periods, based on trend rates provided by the Reports and Forecast Division of MDHS. The rates also reflect the adjustments to the allocation of cost of service categories as recently directed by MDHS staff. This reclassification caused approximately 0.8% of the acute fee-for-service dollars from the 1996 and 1997 data to shift from acute to long term care. All other rate adjustments remain unchanged from the prior period.

The State will issue a single monthly payment to each health plan or its designee for which the health plan must provide the Medical Assistance (MA) benefit set forth in the contract for all enrolled persons. The amount of the monthly payment will be equal to the sum of the rate cell values assigned to all persons enrolled in the health plan. To ensure that the payments to the

health plan reflect, as accurately as possible, the resource needs of the enrolled population, the State has developed an experience-adjusted rate-setting methodology which acknowledges each enrollee's previous service utilization and participation in waiver or home care programs, and whether or not the person resides in a nursing facility.

### **Description of MnDHO Rate Cell Categories**

As shown in Appendix 5, MnDHO has twenty-one base rate cell categories (RCCs) which are assigned values A-V, excluding T. RCCs are based on combinations of living arrangement, nursing home certifiable status, diversion/conversion status, waiver type, home care (HC) status and level of service (CADI, HC and NF).

Rate cells within these rate cell categories reflect the following:

- ◆ **County of Residence** Hennepin vs. Other Metro Counties (includes Ramsey, Anoka, Dakota, Scott, Carver and Washington Counties), and
- ◆ **Medicare Coverage** Medicaid only (single eligible) vs. Medicaid and Medicare (both Parts A and B) dual eligible.

### **Rate Calculation Methodology**

The rate development is based on historical fee-for-service data from 1996 and 1997 provided by the MDHS. The data consisted of fee-for-service experience of eligible people with physical disabilities. We relied on this data as given, but did perform reasonableness tests where possible.

The fee-for-service data was analyzed to calculate aggregate per member per month (PMPM) amounts for acute care services and bundled long term care services. The cost of prescription drugs has been excluded from the rate development as these services will not be covered under the contract. Prescription drugs will continue to be covered on a fee-for-service basis by the State. Bundled long term care services consist of home care services including personal care assistance, home health aides, hospice services, and private duty nurse services, as well as Medicaid home and community-based waiver services. Nursing facility institutional costs are excluded from bundled LTC costs but are accounted for in the nursing facility Add-On Rate which is only applicable to the community population. Nursing facility costs for persons who resided in a nursing facility prior to enrollment in MnDHO will be paid on a fee-for-service

basis. Additionally, nursing facility costs after the health plan’s 180-day NF liability period will be paid on a fee-for-service basis.

The base rates in Appendix 2 are net of third party collections since third party revenues were removed from the fee-for-service cost experience. We included spenddown amounts in several tables in this report where the comparison seemed appropriate.

The aggregate fee-for-service based costs for acute and LTC services for each population category are shown in Table 1 along with the associated eligible months of exposure. The costs are displayed both including and excluding prescription drugs. The fee-for-service costs shown in Table 1 include spenddown amounts.

<b>Table 1</b> <b>Minnesota Disability Health Options</b> <b>Fee-for-Service Costs</b> <b>Per Member Per Month</b> <b>January 1996 through December 1997</b>			
<b>Population</b>	<b>Member Months</b>	<b>PMPM Cost Excluding Rx</b>	<b>PMPM Cost Including Rx</b>
TBI-NB	480	\$7,783	\$8,051
TBI-NF	2,227	2,627	2,782
CADI/HC	34,884	2,115	2,306
NF	14,826	1,166	1,398
HC-Vent.	870	13,175	14,229
Other	293,305	309	383

With one exception, the PMPM amounts shown in Table 1 exclude the costs for conversions. The aggregate rates shown in Table 1 for TBI-NB include experience for both conversions and diversions (i.e., anyone who is not a conversion), since the population is not large enough to split into credible subgroups.

The adjustments for the conversion population will be outlined in a later section.

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## Population Categories

The populations eligible to participate in the MnDHO program are as follows:

- ◆ TBI-NB
- ◆ TBI-NF
- ◆ CADI
- ◆ Nursing Facility (NF)
- ◆ Home Care (HC)
- ◆ Other Community (Other)

The definitions and eligibility qualifications for these programs are consistent with those under MDHS.

### CADI and HC

The LTC fee-for-service data showed a wide variation in costs per person within the CADI and HC population groups. The CADI and HC populations were combined and then separated into “high”, “medium”, and “low” cost subgroups based on average PMPM costs of bundled LTC services.

By separating the populations into “high”, “medium”, and “low” cost subcategories, the risk that the actual experience of those enrolled in a health plan will vary from the premium rate assumptions will be reduced. The eligibles will be assigned to the high, medium, or low category based on the case mix category assigned by MDHS.

Table 2 contains the aggregate base rates for bundled LTC services, and the PMPM definition for the CADI/Home Care categories.

<b>Table 2</b> <b>Minnesota Disability Health Options</b> <b>Aggregate Fee-for-Service Rates for LTC Services</b> <b>January 1996 through December 1997</b>		
<b>CADI/HC Population</b>	<b>LTC Services FFS PMPM</b>	<b>LTC PMPM Definition</b>
Low	\$770	\$0 - \$2,000
Medium	2,651	\$2,001 - \$3,300
High	3,930	\$3,301 +

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Eligibles in the home care population with PMPM costs of greater than \$8,000 for acute and bundled LTC services combined, or who meet other MDHS criteria for this population, will be assigned to the HC-Vent. category.

**NF**

The fee-for-service data of the acute care costs per person for nursing facility residents also showed a wide variation. Therefore, the NF population was divided into “high” and “low” cost subgroups based on average PMPM costs of acute care services. The eligibles will be assigned to high and low cost groups based on MDHS’s category of service level analysis of historic utilization patterns from fee-for-service data.

The NF-Low category is defined as nursing facility residents with an expected acute care PMPM of less than \$1,000. All other NF enrollees will be categorized as NF-High. The acute care fee-for-service PMPM for the NF-Low and NF-High groups are \$271 and \$4,471, respectively.

Table 3 contains the split of aggregate PMPM costs into Acute and Long Term Care Services.

<b>Table 3</b> <b>Minnesota Disability Health Options</b> <b>Aggregate Fee-for-Service Costs</b> <b>Excluding Rx</b> <b>January 1996 through December 1997</b>		
<b>Population</b>	<b>Acute Care</b>	<b>Bundled LTC</b>
TBI-NB	\$1,497	\$6,286
TBI-NF	791	1,836
CADI/HC-Low	699	770
CADI/HC-Medium	699	2,651
CADI/HC-High	699	3,930
NF-Low	271	- 0 -
NF-High	4,471	- 0 -
HC-Vent.	7,421	5,754
Other	309	- 0 -

We used the aggregate of the low, medium and high CADI/HC cells for acute care services in Table 3 as directed by MDHS.

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## Spenddown

Enrollees with medical spenddowns are required to prepay their monthly spenddown amount to the State. The enrollee must meet this monthly obligation in order to retain enrollment in MnDHO. Because prepayment results in a double spenddown obligation in the first month of enrollment, the value of the first month's spenddown is deducted from all community rate cells. The per member per month value for the first month spenddown for new community enrollees was estimated and is deducted from all community rate cells. Institutional spenddowns for enrollees in nursing facilities (NF) are collected directly from nursing facilities through a separate process. Capitation rates include the value of the spenddown, reflecting the fact that the State collects the spenddown amounts.

Table 4 contains the estimated PMPM amounts equivalent to one month of spenddown for new community enrollees in 2003. One month of spenddown was estimated by dividing the total spenddown dollars over the experience period by the average length of enrollment per member. This effectively assumes that the pattern of spenddown amounts is level by month, and not skewed with higher spenddown amounts in the earliest months. These amounts are multiplied by the estimated proportion of new community enrollees (approximately 4%) and then subtracted from the aggregate PMPM before applying the adjustment factors.

<b>Table 4</b>	
<b>Minnesota Disability Health Options</b>	
<b>PMPM Estimates of One Month Spenddown Per New Enrollee</b>	
<b>January 1996 through December 1997</b>	
<b>Population</b>	<b>PMPM</b>
TBI-NB	\$10.65
TBI-NF	8.66
CADI/HC-Low	4.24
CADI/HC - Medium	7.53
CADI/HC-High	8.31
HC-Vent.	4.29
Other	1.97
NF-Low*	N/A
NF-High*	N/A
* For enrollees in NFs, the institutional spenddown is collected directly from the NF through a separate process.	

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## Costs by Service Category

Appendix 1 contains actuarial cost models which show the distribution of PMPM costs by service category for each population category. Note that the fee-for-service prescription drug costs are included in the cost models but are excluded from the rate calculation.

The aggregate costs by service category are adjusted by various factors described in the following sections of this report.

## Adjustment Factors

The fee-for-service data was also used to develop adjustment factors for geographical region, and single vs. dual eligibility. For the purpose of these adjustments, a person eligible for both Medicaid and Medicare (either Part A or B, or both) was considered dual eligible. In each case, separate factors were developed for acute and LTC costs.

### *Regional Adjustments*

Regional Adjustments for acute and bundled LTC costs are contained in Table 5. Two rating regions have been defined. One region consists of Hennepin County and the other region, Metro, consists of the combination of the following six metropolitan counties:

- ◆ Anoka
- ◆ Carver
- ◆ Dakota
- ◆ Ramsey
- ◆ Scott
- ◆ Washington

<b>Table 5</b>				
<b>Minnesota Disability Health Options</b>				
<b>Regional Adjustments</b>				
<b>Population</b>	<b>Acut</b>		<b>Bundled LTC</b>	
	<b>Hennep</b>	<b>Metro</b>	<b>Henne</b>	<b>Metro</b>
NHC/NF	1.003	0.995	0.979	1.031
Other	1.043	0.938	N/A	N/A



The relationship of adjustment factors is only valid within a population and broad category of service.

To improve credibility by working with a larger population, the smaller NF population was combined with the NHC population.

Acute costs are higher in Hennepin County compared to the other metropolitan counties (Metro). The opposite is true for the Bundled LTC costs as the Metro costs are higher than these costs in Hennepin County.

**Single vs. Dual Eligible**

Table 6 contains the relationship of costs between those enrollees who are eligible for Medicaid only (single eligibles) and both Medicaid and Medicare (dual eligibles). Again, comparisons are only relevant within a population and broad cost category.

<b>Table 6</b>				
<b>Minnesota Disability Health Options</b>				
<b>Single vs. Dual Eligibility</b>				
<b>Population</b>	<b>Acute Care Costs</b>		<b>Bundled LTC</b>	
	<b>Single</b>	<b>Dual</b>	<b>Single</b>	<b>Dual</b>
NHC/NF	1.658	0.603	0.914	1.061
Other	1.217	0.634	N/A	N/A

Acute care costs are higher for the single eligibles compared to those who are dually eligible, in both the NHC and Other population. For the LTC Bundled costs the reverse is true: these costs are higher for the dual eligibles than for the single eligibles.

The NF population was excluded from the calculation of the adjustment factors for single vs. dual eligibility for NHC category due to lack of credible data. The derived relationships were applied to the NF population for acute and bundled LTC services.

**Dental Care and Dental Access**

Dental service costs were also based on 1996 and 1997 fee-for-service data including spenddown amounts. Dental costs were relatively level across all populations except for the NF population where costs exceeded twice that of the remaining populations.

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Dental costs were increased by 40% as an incentive to improve access to dental care. This adjustment was added to correct for some of the current under utilization of dental services in the fee-for-service program due to limited access to providers.

Table 7 contains the fee-for-service dental costs and dental access additions on a PMPM basis. These costs are already included in the fee-for-service costs in Tables 1 through 3.

<b>Table 7</b> <b>Minnesota Disability Health Options</b> <b>Dental Services</b> <b>Fee-for-Service Costs</b> <b>January 1996 through December 1997</b>		
<b>Population</b>	<b>Dental</b>	<b>Dental Access</b>
TBI-NB	\$11.29	\$4.52
TBI-NF	11.29	4.52
CADI/HC	11.29	4.52
NF	25.27	10.11
HC-Vent.	11.29	4.52
Other	11.29	4.52

## Trends

The fee-for-service costs have been trended to the appropriate membership-weighted averages during the various rating periods within the calendar year 2003 contract period. We used enrollment projections provided by MDHS to calculate member-weighted averages for each of the rating periods.

Separate trend assumptions were provided for acute care services and LTC services for each NHC population. The average annual trend adjustments by population and cost category are contained in Table 8.

<b>Table 8</b>		
<b>Minnesota Disability Health Options</b>		
<b>Average Annual Trend Assumptions</b>		
<b>January 1, 1997 to July 1, 2003</b>		
<b>Population</b>	<b>Acute Care</b>	<b>Bundled LTC</b>
TBI-NB	7.0%	7.0%
TBI-NF	7.0%	7.0%
CADI/HC	7.0%	6.9%
NF	7.0%	N/A
HC – Vent.	7.0%	6.2%
Other	7.0%	N/A

## Rate Tables

On October 1, 2003, the MnDHO program is scheduled to begin using the *Chronic Disability Payment System (CDPS)* to adjust the acute care portion of the MnDHO rates effective October 1, 2003. If for any reason *CDPS* is not implemented in October 2003, MDHS has calculated two sets of capitation rates for acute care services for use in calendar year 2003:

<b>Rating Periods for Medicaid Acute Care Services</b>	<b>Scenario</b>
January 1, 2003 – September 30, 2003	<i>CDPS</i> Implemented October 1, 2003
October 1, 2003 – December 31, 2003	Medicaid rates for October – December 2003 if <i>CDPS</i> is Implemented after October 2003

This segmentation of the 2003 rating period is only applicable to the acute care portion of the Medicaid rates since the LTC Bundled and NF Add-On portions of the Medicaid payments will remain the same after *CDPS* is implemented.

Appendix 2 contains premium rate tables for the 9-month and 3-month rating periods shown in the table above and for each combination of:

- ◆ Region (Hennepin and Metro),
- ◆ Single vs. Dual eligibility,
- ◆ Service Grouping (Acute excluding Prescription Drugs, LTC Bundled, NF Add-on, Spenddown adjustment and Total),

- ◆ Population category (TBI-NF, TBI-NB, CADI/HC (high, medium and low), HC-Vent, NF (high and low) and Other)
- ◆ Conversion vs. Diversion

The Acute totals in these rate tables are calculated by multiplying the aggregate acute care costs minus the spenddown adjustment, by the adjustment factors for:

- ◆ region, and
- ◆ single vs. dual eligibility,

and then trending forward to the appropriate membership-weighted center of the contract period i.e. May 15, 2003 for the January – September 2003 rating period and November 15, 2003 for the October – December 2003 rating period. The amounts in each rate cell are then increased by the following allocations:

- ◆ \$1.20 PMPM for common carrier transportation, and
- ◆ \$1.21 PMPM for interpreter services.

The resulting rates are then discounted by 4%.

The same process is followed for the bundled LTC costs except that the common carrier transportation and interpreter services are excluded.

The premium rates for acute care services, the LTC Bundled services, and the NF Add-On are combined to obtain the total rates (see Appendix 2).

### III. STOP-LOSS RATE DEVELOPMENT

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MDHS is offering the health plans the option to purchase individual stop-loss reinsurance from the State because of the potential for excess liability for high cost “outliers”. Stop-loss coverage will be available on total per person costs, exceeding the designated thresholds on a per person, per year basis for **Medicaid only enrollees**. Stop-loss reinsurance is not offered for dually eligible enrollees, because of the complexity of accounting for Medicare versus Medicaid service costs. The State reinsures 80% of the costs over the threshold.

Premium rates to the health plan will be reduced by a stop-loss premium. The stop-loss premiums are based on historical fee-for-service experience for combined acute and bundled LTC services, and reflect only the expected portion of the cost above the threshold that will be covered by MDHS. The fee-for-service experience includes costs from the conversion population but excludes costs from the dually eligible population.

We have calculated rates for two threshold amounts. In each scenario, we assumed that MDHS will be responsible for 80% of the costs over the threshold and will be reimbursed at Medicaid levels. Stop-loss coverage will only be available on those enrollees who are eligible for Medicaid only.

The stop-loss premiums contained in Table 9 are annual rates for the period beginning January 1, 2003. We trended the claim distribution using the average annual trend assumptions described earlier.

Table 9 contains stop-loss premiums at threshold levels for the NHC population and the Other Community population.

<b>Table 9</b> <b>Minnesota Disability Health Options</b> <b>PMPM Stop-Loss Premium Rates</b> <b>Effective January 1, 2003 – December 31, 2003</b>			
<b>Population</b>	<b>Threshold</b>	<b>NHC Population</b>	<b>Other Community</b>
All Populations Except TBI-NB, NF-High, and HC-Vent	\$104,000	\$153	\$28
TBI-NB, NF- High, and HC-Vent	\$182,000	\$3,397	N/A

To determine if the stop-loss threshold has been exceeded, MDHS will use health plan encounter data, checked against health plan individual service and cost tracking. MDHS MA pricing will be used to determine costs. Settlement will be based on total costs for each person for the contract year.

Settlement occurs when MDHS has received the necessary encounter data. Timeframes for MDHS issuing payment, once complete encounter data has been received, will be set forth in the contract.

## IV . CONVERSION RATES

---

We examined the cost experience of people on the CADI waiver program and found that CADI “conversions” were about 23% higher in cost than “diversions”. Since MDHS currently does not track conversion status for home care recipients, a policy decision was made to use the CADI experience to set the conversion rates. They were thus set twenty-five percent higher than the corresponding rate cell for each category, except for TBI-NB and Home Care-Vent. Since these rates are already very high, the conversion rate will be the same as the diversion rate. A summary of the conversion adjustment factors is as follows:

TBI – NB	1.00
TBI – NF	1.25
CADI/HC	1.25
HC-Vent.	1.00

The rate setting policy for conversion rates is designed to provide a strong incentive to convert people from nursing facilities to community settings. A health plan may receive a conversion rate for a maximum of twelve months.

## V . MnDHO NF ADD-ON RATE

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The health plan will be responsible for the first 180 days of nursing facility care for new admissions. The nursing facility per diem costs for persons who resided in nursing facilities prior to enrollment in the health plan are paid on a fee-for-service basis by the Medical Assistance program. For dual eligibles, Medicare covered skilled nursing facility days are counted toward the 180 days health plan liability. The 180 days may be consecutive days or total days for multiple admissions for a contract year. Policies applying to the administration of the SNF/NF liability described in the MSHO contract will also apply to MnDHO.

The PMPM rates for a nursing facility benefit for the MnDHO population were calculated in a similar manner to the way we calculated rates for the MSHO program nursing facility add-on rate. We based the calculations on data made available from MDHS.

The aggregate nursing facility rate for the MnDHO population is calculated by the following formula:

$$\begin{aligned} \text{Monthly Rate} = & \text{Annual Frequency of Nursing Facility Admissions}/12 \\ & \times \text{Average Length-of-Stay} \\ & \times \text{Average Charge per Day} \end{aligned}$$

The calculation of the initial rate as well as subsequent adjustments are outlined in Appendix 3. Section A shows the calculation of the initial rate of \$66.28 PMPM for 2003 compared to \$63.33 PMPM for 2002 for the NHC population and \$4.48 and \$4.22 for 2003 and 2002, respectively, for the Other population.

Section B of Appendix 3 contains the calculation of the tail rate. The tail rate is equal to the expected nursing facility costs for days in 2003 resulting from admissions occurring in 2002, divided by projected community eligible months in 2003. The tail rate for 2003 is \$12.79 and \$0.86 for the NHC and Other populations, respectively.

Section C of Appendix 3 contains the calculations of the value of the enrollment adjustment based on updated enrollment. There is an enrollment adjustment of (\$1.86) and (\$0.23) for the NHC and Other populations, respectively, for 2003.

Section D of Appendix 3 contains an overall base rate for 2003 of \$77.21 and \$5.11 for the NHC and Other populations.



The aggregate monthly rates are then multiplied by adjustments for region and single vs. dual eligibility.

To maintain budgeted targets, the monthly rate must also be equal to the projected total dollars the State would have paid to nursing facilities for covered days divided by the eligible months for those in the community.

The data source for the calculation consists of fee-for-service experience data from calendar years 1996 and 1997. Data was compiled by MDHS staff. The data reflects experience from the dually eligible population (those eligible for both Medicare and Medicaid benefits), and those eligible only for Medicaid.

**A. Frequency**

The frequency of admission is expressed as the expected number of admissions per eligible on an annual basis. We calculated the frequency of admission separately for the NHC and Other populations. The results are contained in Table 10. The frequency of NF admissions from the NHC is approximately 15 times the frequency for the Other population.

<b>Table 10</b> <b>Nursing Facility Annual Admission Rate</b> <b>From MnDHO Population</b> <b>1996 and 1997 Combined</b> <b>Reflects Statewide Age/Gender Mix</b>	
<b>Population</b>	<b>Annual Frequency</b>
NHC	7.31%
Other	0.49%

The frequency for the Other population is based on information from 1996 admissions only. The 1997 data was not reliable and therefore was excluded.

**B. Length-of-Stay**

The length-of-stay of 122.6 days includes only the first 180 days per stay for all admissions combined. Skilled nursing facility days reimbursed by Medicare will be included in the 180-day pre-funded liability, with lower payments due to Medicare’s portion. In the NF Add-on rate calculation, the length-of-stay is adjusted to exclude days which occur beyond the contract period resulting in an average length of stay of 91.0 days for the NHC population and 91.8 days for the Other population.

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### C. Charge Per Day

The fee-for-service charge per day was calculated for all regions and populations combined. This charge reflects data from 1996 and 1997, trended to the membership weighted center of the rating period assuming an annual trend rate consistent with projections prepared by MDHS. The charge reflects Medicaid reimbursed amounts as well as any spenddown amounts. The average charge per day as of January 1, 1997 was \$95.47. The value trended to the membership weighted center of the contract period is \$119.61. This represents an annual average increase of 4.3% and is based on Average NF Charge per Day information from MDHS.

### D. Calculation

The aggregate rate calculation uses the following formula:

$$\frac{\text{Admits}}{\text{Eligible Months}} \times \frac{\text{Days}}{\text{Admit}} \times \frac{\$}{\text{Day}} = \frac{\$}{\text{Eligible Months}}$$

Variations by region and eligibility are applied to calculate final NF Add-on rates. The adjustment factors are based on the historical fee-for-service costs and are contained in Tables 11 and 12.

The aggregate rate calculation only considers NF days that occur within the contract period and is therefore dependent on the enrollment assumptions by month. Enrollment assumptions by month were provided by MDHS and are shown in the detailed aggregate rate calculations contained in Appendix 3. Separate calculations were completed for the NHC and Other populations.

The resulting aggregate NF Add-on rates were:

- ◆ \$79.06 PMPM for the NHC population, and
- ◆ \$5.34 PMPM for the “Other” population

These aggregate values represent an approximate increase of 25% from the 2002 rates.

**E. Adjustments**

Tables 11 and 12 contain the regional and eligibility adjustments based on the fee-for-service experience.

<b>Table 11</b> <b>Minnesota Disability Health Options</b> <b>NF Add-On Rate Adjustments</b> <b>Regional Rate Adjustments</b>	
<b>Region</b>	<b>Factor</b>
Hennepin	0.995
Metro	1.009

<b>Table 12</b> <b>Minnesota Disability Health Options</b> <b>NF Add-on Rate Adjustments</b> <b>Single vs. Dual</b>	
<b>Eligibility</b>	<b>Factor</b>
Single	0.772
Dual	1.080

The adjustment factors in Tables 11 and 12 are based on the historical total nursing facility costs by region and eligibility. The historical facility costs in the metropolitan counties were slightly higher than in Hennepin County. This cost relationship is a combination of admission frequency, length-of-stay and cost per day.

The historical cost experience showed that single eligibles had much lower costs than dual eligibles.

The resulting 2003 NF Add-on rates are contained in Table 13. The value of the 180-day benefit in the capitation payment includes the dollar value of the institutional spenddown amount.

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<b>Table 13</b> <b>Minnesota Disability Health Options</b> <b>PMPM NF Add-On Rates</b> <b>Calendar Year 2003</b> <b>Fee-for-Service Equivalent</b> <b>Based on Enrollment Projections</b>				
	NHC		Other	
Region	Sing	Dual	Single	Dual
Hennepin	\$60.70	\$84.96	\$4.10	\$5.74
Metro	\$61.55	\$86.16	\$4.16	\$5.82

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## VI. HOSPICE RATES POLICY

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MnDHO does not have unique rate cell categories for people who have elected hospice. Because only some rate cell categories change after hospice election, it is not necessary to designate unique hospice rate cells for people who elect hospice. Dually eligible enrollees in the CADI/HC-high rate cell category require a rate cell change after hospice election (RCC “G” to “F”, “D” to “C”, “M” to “L” and “P” to “O”). The health plan is required to notify the State when a person in this rate cell elects hospice to request a rate cell change, from the CADI/HC-high rate to the CADI/HC-medium rate for dual eligibles. There will be no change in the other rate cells (nursing facility, other community, HC-Vent., TBI or the CADI/HC-medium or low).

This reduction in the CADI/HC-high rate cell for dual eligibles only, reflects the increased obligation of CMS for home care services and concomitant reduction in obligation of the health plan under the hospice program. This policy is consistent with the current operation of the home and community-based waiver program, in which the waiver service package is reduced in accordance with the services which Medicare hospice is taking over. For Medicaid only enrollees, the rates are not reduced after hospice election, because the health plan’s obligations are not reduced after hospice election. The health plan will be covering Medicare-certified hospice services for the Medicaid-only group; so there is no justification for reducing the rates.

## VII. DISCOUNT AND RISK SHARING POOL

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Rates are discounted 4%, except for the value of the 180-day NF liability, which is included in the capitation rates at 100% of the value. However, adjustments to the rates for dental access, interpreter services and common carrier transportation, which account for 1.1% of the rates, must be deducted from the discount. Thus, the net discount to the rates is 2.9%.

Originally the State had intended to set aside 1.5% of the gross rate (before discount and adjustments) only for Medicaid-only enrollees to reinsure health plans against financial losses. However, this set-aside was not implemented. For this reason, MDHS is suggesting that this set-aside be cancelled for calendar year 2003 as well.

## VIII. MEDICARE

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Per Federal authority, Medicare capitation payments for MnDHO utilize rates from the Medicare+Choice (M+C) Ratebook for under 65 with the following two exceptions: (1) The MnDHO health plans receive the PACE risk adjustor for Nursing Home Certifiable enrollees and (2) the MnDHO health plans receive the M+C rates for enrollees 65 and over for those existing MnDHO enrollees who “age in” to the 65+ age category.

While the Medicaid fee-for-service data used to calculate the MnDHO Medicaid rates included the experience of a small number of recipients with only Part A or Part B of Medicare, it was subsequently decided that dually eligible enrollees must be eligible for both Parts A and B or Medicare. This decision was made at the request of the health plan because of administrative difficulties associated with enrolling this population and this is consistent with current M+C policy.

Medicare capitation payments for enrollees who elect hospice will cease after hospice election, when Medicare begins paying the hospice provider for Medicare covered hospice services. Appendix 4 contains the Year 2003 Medicare+Choice Ratebook values for disabled populations.

People with ESRD status may not enroll in MnDHO. However, existing MnDHO enrollees who acquire ESRD status may remain enrolled in MnDHO. MnDHO rate cell categories and the corresponding Medicaid payments do not change when a person is assigned ESRD status. The appropriate Medicare payment from the Medicare+Choice Ratebook will be made for these enrollees.

- \* PACE is the Program of All Inclusive Care for the Elderly, a federal program serving seniors at risk of nursing facility placement through integrated acute and long term care service networks. The PACE adjuster is used to adjust for higher costs for enrollees who are nursing home certifiable in the PACE projects and for MSHO.

# **Appendix 1**

## **MnDHO PMPM Cost Models**

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: TBI-NB**

**Acute and LTC**

<b>Eligibility Months</b>	<b>480</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$957.91
Nursing Facility	0.00
Subtotal: Inpatient Facility	\$957.91
Outpatient Facility	
Ambulatory Surgery	\$18.03
Outpatient Facility	16.22
Radiology Facility	21.38
Subtotal: Outpatient Facility	\$55.63
Professional	
Audiology	\$0.46
Chiropractic	0.00
Day Training	0.00
Laboratory	11.40
Physician	100.86
Podiatry	0.45
Preventive Care	0.00
Psych	1,348.38
PT/OT/ST	14.63
Vision Exams	1.56
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	0.19
Subtotal: Professional	\$1,493.74
Pharmacy	\$268.10
Home Health	
Home Health	\$23.01
Home Health (Personal Care)	225.77
Home Health (Hospice)	0.00
Home Health (PDN)	0.00
Subtotal: Home Health	\$248.78
Medicaid Programs	
Case Manager (Waiver)	\$203.00
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	4,553.19
Subtotal: Medicaid Programs	\$4,756.19
Other	
DME and Supplies	\$74.52
Hearing Aids	0.00
Vision Hardware	1.53
Medical Transportation	193.37
Unknown	0.95
Subtotal: Other	\$270.37
<b>Total</b>	<b>\$8,050.73</b>

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: TBI-NF**

**Acute and LTC**

<b>Eligibility Months</b>	<b>2,227</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$331.51
Nursing Facility	0.00
Subtotal: Inpatient Facility	\$331.51
Outpatient Facility	
Ambulatory Surgery	\$4.38
Outpatient Facility	4.52
Radiology Facility	11.10
Subtotal: Outpatient Facility	\$20.00
Professional	
Audiology	\$0.39
Chiropractic	0.38
Day Training	0.00
Laboratory	3.58
Physician	48.21
Podiatry	0.74
Preventive Care	0.00
Psych	274.51
PT/OT/ST	62.93
Vision Exams	0.78
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	0.12
Subtotal: Professional	\$407.46
Pharmacy	\$155.56
Home Health	
Home Health	\$64.30
Home Health (Personal Care)	374.18
Home Health (Hospice)	0.00
Home Health (PDN)	0.00
Subtotal: Home Health	\$438.48
Medicaid Programs	
Case Manager (Waiver)	\$179.86
Modifications and Adaptations	0.60
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	1,022.74
Subtotal: Medicaid Programs	\$1,203.20
Other	
DME and Supplies	\$25.43
Hearing Aids	1.00
Vision Hardware	1.03
Medical Transportation	196.73
Unknown	1.89
Subtotal: Other	\$226.08
<b>Total</b>	<b>\$2,782.31</b>

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: CADI HC - Low, Medium, High**

**Acute and LTC**

<b>Eligibility Months</b>	<b>34,884</b>
<b>Service Category Description</b>	<b>PMPM</b>
<hr/>	
Inpatient Facility	
Inpatient Facility	\$300.42
Nursing Facility	<u>0.00</u>
Subtotal: Inpatient Facility	\$300.42
Outpatient Facility	
Ambulatory Surgery	\$11.86
Outpatient Facility	12.78
Radiology Facility	<u>22.92</u>
Subtotal: Outpatient Facility	\$47.57
Professional	
Audiology	\$0.19
Chiropractic	0.63
Day Training	0.00
Laboratory	10.16
Physician	89.91
Podiatry	0.48
Preventive Care	0.00
Psych	20.62
PT/OT/ST	18.47
Vision Exams	1.05
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	<u>0.19</u>
Subtotal: Professional	\$157.50
Pharmacy	\$190.42
Home Health	
Home Health	\$109.11
Home Health (Personal Care)	1,052.56
Home Health (Hospice)	2.73
Home Health (PDN)	<u>15.43</u>
Subtotal: Home Health	\$1,179.84
Medicaid Programs	
Case Manager (Waiver)	\$69.83
Modifications and Adaptations	1.19
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	<u>167.67</u>
Subtotal: Medicaid Programs	\$238.69
Other	
DME and Supplies	\$103.06
Hearing Aids	0.47
Vision Hardware	1.27
Medical Transportation	84.06
Unknown	<u>2.34</u>
Subtotal: Other	\$191.20
Total	\$2,305.63

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: CADI HC - Low, Medium, High**

**Acute Care Only**

<b>Eligibility Months</b>	<b>34,884</b>
<b>Service Category Description</b>	<b>PMPM</b>
<hr/>	
Inpatient Facility	
Inpatient Facility	\$300.42
Nursing Facility	<u>0.00</u>
Subtotal: Inpatient Facility	\$300.42
Outpatient Facility	
Ambulatory Surgery	\$11.86
Outpatient Facility	12.78
Radiology Facility	<u>22.92</u>
Subtotal: Outpatient Facility	\$47.57
Professional	
Audiology	\$0.19
Chiropractic	0.63
Day Training	0.00
Laboratory	10.16
Physician	89.91
Podiatry	0.48
Preventive Care	0.00
Psych	20.17
PT/OT/ST	18.47
Vision Exams	1.05
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	<u>0.19</u>
Subtotal: Professional	\$157.06
Pharmacy	\$190.42
Home Health	
Home Health	\$0.00
Home Health (Personal Care)	0.00
Home Health (Hospice)	2.73
Home Health (PDN)	<u>0.00</u>
Subtotal: Home Health	\$2.73
Medicaid Programs	
Case Manager (Waiver)	\$0.00
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	<u>0.00</u>
Subtotal: Medicaid Programs	\$0.00
Other	
DME and Supplies	\$103.06
Hearing Aids	0.47
Vision Hardware	1.27
Medical Transportation	84.06
Unknown	<u>2.34</u>
Subtotal: Other	\$191.20
Total	\$889.40

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: CADI HC - Low**

**LTC Only**

<b>Eligibility Months</b>	<b>25,096</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$0.00
Nursing Facility	0.00
Subtotal: Inpatient Facility	\$0.00
Outpatient Facility	
Ambulatory Surgery	\$0.00
Outpatient Facility	0.00
Radiology Facility	0.00
Subtotal: Outpatient Facility	\$0.00
Professional	
Audiology	\$0.00
Chiropractic	0.00
Day Training	0.00
Laboratory	0.00
Physician	0.00
Podiatry	0.00
Preventive Care	0.00
Psych	0.62
PT/OT/ST	0.00
Vision Exams	0.00
Dental	0.00
Dental Access	0.00
Other	0.00
Other Providers	0.00
Subtotal: Professional	\$0.62
Pharmacy	\$0.00
Home Health	
Home Health	\$123.83
Home Health (Personal Care)	366.37
Home Health (Hospice)	0.00
Home Health (PDN)	2.27
Subtotal: Home Health	\$492.48
Medicaid Programs	
Case Manager (Waiver)	\$87.43
Modifications and Adaptations	1.57
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	187.57
Subtotal: Medicaid Programs	\$276.57
Other	
DME and Supplies	\$0.00
Hearing Aids	0.00
Vision Hardware	0.00
Medical Transportation	0.00
Unknown	0.00
Subtotal: Other	\$0.00
<b>Total</b>	<b>\$769.67</b>

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**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: CADI HC - Medium**

**LTC Only**

<b>Eligibility Months</b>	<b>6,552</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$0.00
Nursing Facility	<u>0.00</u>
Subtotal: Inpatient Facility	\$0.00
Outpatient Facility	
Ambulatory Surgery	\$0.00
Outpatient Facility	0.00
Radiology Facility	<u>0.00</u>
Subtotal: Outpatient Facility	\$0.00
Professional	
Audiology	\$0.00
Chiropractic	0.00
Day Training	0.00
Laboratory	0.00
Physician	0.00
Podiatry	0.00
Preventive Care	0.00
Psych	0.00
PT/OT/ST	0.00
Vision Exams	0.00
Dental	0.00
Dental Access	0.00
Other	0.00
Other Providers	<u>0.00</u>
Subtotal: Professional	\$0.00
Pharmacy	\$0.00
Home Health	
Home Health	\$66.14
Home Health (Personal Care)	2,353.14
Home Health (Hospice)	0.00
Home Health (PDN)	<u>27.89</u>
Subtotal: Home Health	\$2,447.17
Medicaid Programs	
Case Manager (Waiver)	\$35.89
Modifications and Adaptations	0.32
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	<u>167.98</u>
Subtotal: Medicaid Programs	\$204.19
Other	
DME and Supplies	\$0.00
Hearing Aids	0.00
Vision Hardware	0.00
Medical Transportation	0.00
Unknown	<u>0.00</u>
Subtotal: Other	\$0.00
<b>Total</b>	<b>\$2,651.36</b>

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: CADI HC - High**

**LTC Only**

<b>Eligibility Months</b>	<b>3,236</b>
<b>Service Category Description</b>	<b>PMPM</b>
<hr/>	
Inpatient Facility	
Inpatient Facility	\$0.00
Nursing Facility	<u>0.00</u>
Subtotal: Inpatient Facility	\$0.00
Outpatient Facility	
Ambulatory Surgery	\$0.00
Outpatient Facility	0.00
Radiology Facility	<u>0.00</u>
Subtotal: Outpatient Facility	\$0.00
Professional	
Audiology	\$0.00
Chiropractic	0.00
Day Training	0.00
Laboratory	0.00
Physician	0.00
Podiatry	0.00
Preventive Care	0.00
Psych	0.00
PT/OT/ST	0.00
Vision Exams	0.00
Dental	0.00
Dental Access	0.00
Other	0.00
Other Providers	<u>0.00</u>
Subtotal: Professional	\$0.00
Pharmacy	\$0.00
Home Health	
Home Health	\$81.94
Home Health (Personal Care)	3,740.78
Home Health (Hospice)	0.00
Home Health (PDN)	<u>92.24</u>
Subtotal: Home Health	\$3,914.95
Medicaid Programs	
Case Manager (Waiver)	\$2.05
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	<u>12.69</u>
Subtotal: Medicaid Programs	\$14.74
Other	
DME and Supplies	\$0.00
Hearing Aids	0.00
Vision Hardware	0.00
Medical Transportation	0.00
Unknown	<u>0.00</u>
Subtotal: Other	\$0.00
<b>Total</b>	<b>\$3,929.70</b>

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: HC - Vent**

**Acute and LTC**

<b>Eligibility Months</b>	<b>870</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$5,202.14
Nursing Facility	0.00
Subtotal: Inpatient Facility	\$5,202.14
Outpatient Facility	
Ambulatory Surgery	\$62.57
Outpatient Facility	44.30
Radiology Facility	123.38
Subtotal: Outpatient Facility	\$230.26
Professional	
Audiology	\$0.60
Chiropractic	0.31
Day Training	0.00
Laboratory	57.96
Physician	593.79
Podiatry	0.39
Preventive Care	0.00
Psych	3.50
PT/OT/ST	11.43
Vision Exams	1.21
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	1.86
Subtotal: Professional	\$686.85
Pharmacy	\$1,054.05
Home Health	
Home Health	\$546.68
Home Health (Personal Care)	2,388.62
Home Health (Hospice)	13.39
Home Health (PDN)	2,816.53
Subtotal: Home Health	\$5,765.21
Medicaid Programs	
Case Manager (Waiver)	\$2.62
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	0.00
Subtotal: Medicaid Programs	\$2.62
Other	
DME and Supplies	\$1,179.32
Hearing Aids	0.84
Vision Hardware	1.43
Medical Transportation	106.63
Unknown	0.11
Subtotal: Other	\$1,288.33
Total	\$14,229.46

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: NF - Low**

**Acute Care Only**

<b>Eligibility Months</b>	<b>11,667</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$31.34
Nursing Facility	0.00
	\$31.34
Subtotal: Inpatient Facility	\$31.34
Outpatient Facility	
Ambulatory Surgery	\$3.97
Outpatient Facility	3.21
Radiology Facility	7.65
	\$14.82
Subtotal: Outpatient Facility	\$14.82
Professional	
Audiology	\$0.50
Chiropractic	0.03
Day Training	0.00
Laboratory	4.05
Physician	30.02
Podiatry	0.46
Preventive Care	0.00
Psych	5.56
PT/OT/ST	56.58
Vision Exams	1.29
Dental	25.27
Dental Access	10.11
Other	0.00
Other Providers	0.95
	\$134.81
Subtotal: Professional	\$134.81
Pharmacy	\$231.95 *
Home Health	
Home Health	\$0.00
Home Health (Personal Care)	0.00
Home Health (Hospice)	6.72
Home Health (PDN)	0.00
	\$6.72
Subtotal: Home Health	\$6.72
Medicaid Programs	
Case Manager (Waiver)	\$0.00
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	0.00
	\$0.00
Subtotal: Medicaid Programs	\$0.00
Other	
DME and Supplies	\$50.15
Hearing Aids	0.47
Vision Hardware	1.11
Medical Transportation	31.71
Unknown	0.42
	\$83.86
Subtotal: Other	\$83.86
Total	\$503.51

\* Composite NF-Low and NF-High PMPM

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**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: NF - High**

**Acute Care Only**

<b>Eligibility Months</b>	<b>3,159</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$3,079.67
Nursing Facility	0.00
	\$3,079.67
Subtotal: Inpatient Facility	\$3,079.67
Outpatient Facility	
Ambulatory Surgery	\$58.86
Outpatient Facility	33.53
Radiology Facility	93.54
	\$185.93
Subtotal: Outpatient Facility	\$185.93
Professional	
Audiology	\$0.54
Chiropractic	0.17
Day Training	0.00
Laboratory	38.77
Physician	449.83
Podiatry	1.61
Preventive Care	0.00
Psych	17.36
PT/OT/ST	249.78
Vision Exams	1.86
Dental	25.27
Dental Access	10.11
Other	0.00
Other Providers	4.26
	\$799.57
Subtotal: Professional	\$799.57
Pharmacy	\$231.95 *
Home Health	
Home Health	\$0.00
Home Health (Personal Care)	0.00
Home Health (Hospice)	83.15
Home Health (PDN)	0.00
	\$83.15
Subtotal: Home Health	\$83.15
Medicaid Programs	
Case Manager (Waiver)	\$0.00
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	0.00
	\$0.00
Subtotal: Medicaid Programs	\$0.00
Other	
DME and Supplies	\$187.52
Hearing Aids	0.67
Vision Hardware	1.78
Medical Transportation	130.96
Unknown	2.17
	\$323.10
Subtotal: Other	\$323.10
Total	\$4,703.36

\* Composite NF-Low and NF-High PMPM

This material assumes that the reader is familiar with Minnesota's Medicaid long term care and acute care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Minnesota Department of Human Services in setting rates for the MnDHO program. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

**Appendix 1**  
**Minnesota Disability Health Options**  
**Aggregate Per Member Per Month Cost**  
**1996/1997 Fee-For-Service Cost**  
**Population: OTHER**

**Acute and LTC**

<b>Eligibility Months</b>	<b>293,305</b>
<b>Service Category Description</b>	<b>PMPM</b>
Inpatient Facility	
Inpatient Facility	\$165.52
Nursing Facility	0.00
Subtotal: Inpatient Facility	\$165.52
Outpatient Facility	
Ambulatory Surgery	\$7.41
Outpatient Facility	10.82
Radiology Facility	14.31
Subtotal: Outpatient Facility	\$32.54
Professional	
Audiology	\$0.14
Chiropractic	0.40
Day Training	0.00
Laboratory	7.28
Physician	49.27
Podiatry	0.24
Preventive Care	0.00
Psych	7.07
PT/OT/ST	1.98
Vision Exams	0.90
Dental	11.29
Dental Access	4.52
Other	0.00
Other Providers	0.35
Subtotal: Professional	\$83.44
Pharmacy	\$73.65
Home Health	
Home Health	\$1.52
Home Health (Personal Care)	0.08
Home Health (Hospice)	2.19
Home Health (PDN)	0.57
Subtotal: Home Health	\$4.36
Medicaid Programs	
Case Manager (Waiver)	\$0.00
Modifications and Adaptations	0.00
RTC (Disability)	0.00
RTC (Mental Health)	0.00
Utilization Review	0.00
Waiver Services	0.00
Subtotal: Medicaid Programs	\$0.00
Other	
DME and Supplies	\$10.26
Hearing Aids	0.37
Vision Hardware	1.33
Medical Transportation	10.31
Unknown	0.83
Subtotal: Other	\$23.10
<b>Total</b>	<b>\$382.62</b>

This material assumes that the reader is familiar with Minnesota's Medicaid long term care and acute care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Minnesota Department of Human Services in setting rates for the MnDHO program. It may not be appropriate for other purposes. Milliman does not intend of benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

## **Appendix 2**

# **MnDHO PMPM Premium Rate Tables**

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This material assumes that the reader is familiar with Minnesota Medicaid long term care programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the State of Minnesota in setting rates for capitated long term care programs. 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.

<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Metro Counties / Single Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$1,973	\$2,577	\$62	\$153	\$4,459
TBI - NB		3,732	8,826	62	3,397	9,223
CADI / HC	Low	1,743	1,077	62	153	2,729
	Medium	1,743	3,711	62	153	5,363
	High	1,743	5,501	62	153	7,153
HC Vent		18,489	7,698	62	3,397	22,852
NF	Low	678	N/A	N/A	153	525
	High	11,141	N/A	N/A	3,397	7,744
OTH		535	N/A	4	28	511

<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Metro Counties / Dual Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$719	\$2,992	\$86	N/A	\$3,797
TBI - NB		1,359	10,245	86	N/A	11,690
CADI / HC	Low	636	1,251	86	N/A	1,973
	Medium	636	4,308	86	N/A	5,030
	High	636	6,385	86	N/A	7,107
HC Vent		6,726	8,936	86	N/A	15,748
NF	Low	248	N/A	N/A	N/A	248
	High	4,053	N/A	N/A	N/A	4,053
OTH		280	N/A	6	N/A	286

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<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Hennepin County / Single Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$1,989	\$2,447	\$61	\$153	\$4,344
TBI - NB		3,762	8,380	61	3,397	8,806
CADI / HC	Low	1,757	1,023	61	153	2,688
	Medium	1,757	3,524	61	153	5,189
	High	1,757	5,223	61	153	6,888
HC Vent		18,638	7,310	61	3,397	22,612
NF	Low	684	N/A	N/A	153	531
	High	11,230	N/A	N/A	3,397	7,833
OTH		594	N/A	4	28	570

<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Hennepin County / Dual Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$725	\$2,841	\$85	N/A	\$3,651
TBI - NB		1,370	9,728	85	N/A	11,183
CADI / HC	Low	641	1,188	85	N/A	1,914
	Medium	641	4,091	85	N/A	4,817
	High	641	6,063	85	N/A	6,789
HC Vent		6,780	8,485	85	N/A	15,350
NF	Low	250	N/A	N/A	N/A	250
	High	4,086	N/A	N/A	N/A	4,086
OTH		311	N/A	6	N/A	317

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<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Metro Counties / Single Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,466	\$3,221	N/A	\$153	\$5,534
TBI - NB		3,732	8,826	N/A	3,397	9,161
CADI / HC	Low	2,179	1,347	N/A	153	3,373
	Medium	2,179	4,639	N/A	153	6,665
	High	2,179	6,876	N/A	153	8,902
HC Vent		18,489	7,698	N/A	3,397	22,790
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Metro Counties / Dual Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$899	\$3,739	N/A	N/A	\$4,638
TBI - NB		1,359	10,245	N/A	N/A	11,604
CADI / HC	Low	794	1,563	N/A	N/A	2,357
	Medium	794	5,385	N/A	N/A	6,179
	High	794	7,982	N/A	N/A	8,776
HC Vent		6,726	8,936	N/A	N/A	15,662
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

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<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Hennepin County / Single Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,486	\$3,059	N/A	\$153	\$5,392
TBI - NB		3,762	8,380	N/A	3,397	8,745
CADI / HC	Low	2,197	1,279	N/A	153	3,323
	Medium	2,197	4,405	N/A	153	6,449
	High	2,197	6,529	N/A	153	8,573
HC Vent		18,638	7,310	N/A	3,397	22,551
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

<b>Appendix 2A</b> Minnesota Disability Health Options PMPM Rates for Contract Period January 1, 2003 - September 30, 2003 Excluding Prescription Drugs Hennepin County / Dual Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$906	\$3,551	N/A	N/A	\$4,457
TBI - NB		1,370	9,728	N/A	N/A	11,098
CADI / HC	Low	801	1,484	N/A	N/A	2,285
	Medium	801	5,114	N/A	N/A	5,915
	High	801	7,579	N/A	N/A	8,380
HC Vent		6,780	8,485	N/A	N/A	15,265
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

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<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Metro Counties / Single Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,029	\$2,577	\$62	\$153	\$4,515
TBI - NB		3,837	8,826	62	3,397	9,328
CADI / HC	Low	1,793	1,077	62	153	2,779
	Medium	1,793	3,711	62	153	5,413
	High	1,793	5,501	62	153	7,203
HC Vent		19,014	7,698	62	3,397	23,377
NF	Low	697	N/A	N/A	153	544
	High	11,457	N/A	N/A	3,397	8,060
OTH		550	N/A	4	28	526

<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Metro Counties / Dual Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$739	\$2,992	\$86	N/A	\$3,817
TBI - NB		1,397	10,245	86	N/A	11,728
CADI / HC	Low	654	1,251	86	N/A	1,991
	Medium	654	4,308	86	N/A	5,048
	High	654	6,385	86	N/A	7,125
HC Vent		6,917	8,936	86	N/A	15,939
NF	Low	255	N/A	N/A	N/A	255
	High	4,168	N/A	N/A	N/A	4,168
OTH		288	N/A	6	N/A	294

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<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Hennepin County / Single Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,045	\$2,447	\$61	\$153	\$4,400
TBI - NB		3,868	8,380	61	3,397	8,912
CADI / HC	Low	1,807	1,023	61	153	2,738
	Medium	1,807	3,524	61	153	5,239
	High	1,807	5,223	61	153	6,938
HC Vent		19,167	7,310	61	3,397	23,141
NF	Low	703	N/A	N/A	153	550
	High	11,549	N/A	N/A	3,397	8,152
OTH		611	N/A	4	28	587

<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Hennepin County / Dual Eligible / Diversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$745	\$2,841	\$85	N/A	\$3,671
TBI - NB		1,408	9,728	85	N/A	11,221
CADI / HC	Low	659	1,188	85	N/A	1,932
	Medium	659	4,091	85	N/A	4,835
	High	659	6,063	85	N/A	6,807
HC Vent		6,972	8,485	85	N/A	15,542
NF	Low	257	N/A	N/A	N/A	257
	High	4,202	N/A	N/A	N/A	4,202
OTH		320	N/A	6	N/A	326

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<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Metro Counties / Single Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,536	\$3,221	N/A	\$153	\$5,604
TBI - NB		3,837	8,826	N/A	3,397	9,266
CADI / HC	Low	2,241	1,347	N/A	153	3,435
	Medium	2,241	4,639	N/A	153	6,727
	High	2,241	6,876	N/A	153	8,964
HC Vent		19,014	7,698	N/A	3,397	23,315
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Metro Counties / Dual Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$924	\$3,739	N/A	N/A	\$4,663
TBI - NB		1,397	10,245	N/A	N/A	11,642
CADI / HC	Low	817	1,563	N/A	N/A	2,380
	Medium	817	5,385	N/A	N/A	6,202
	High	817	7,982	N/A	N/A	8,799
HC Vent		6,917	8,936	N/A	N/A	15,853
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

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<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Hennepin County / Single Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$2,557	\$3,059	N/A	\$153	\$5,463
TBI - NB		3,868	8,380	N/A	3,397	8,851
CADI / HC	Low	2,259	1,279	N/A	153	3,385
	Medium	2,259	4,405	N/A	153	6,511
	High	2,259	6,529	N/A	153	8,635
HC Vent		19,167	7,310	N/A	3,397	23,080
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

<b>Appendix 2B</b> Minnesota Disability Health Options PMPM Rates for Contract Period October 1, 2003 - December 31, 2003 Excluding Prescription Drugs Hennepin County / Dual Eligible / Conversions						
Population		Acute	LTC Bundled	NF Add-On	Stop-Loss	Total
TBI - NF		\$932	\$3,551	N/A	N/A	\$4,483
TBI - NB		1,408	9,728	N/A	N/A	11,136
CADI / HC	Low	823	1,484	N/A	N/A	2,307
	Medium	823	5,114	N/A	N/A	5,937
	High	823	7,579	N/A	N/A	8,402
HC Vent		6,972	8,485	N/A	N/A	15,457
NF	Low	N/A	N/A	N/A	N/A	N/A
	High	N/A	N/A	N/A	N/A	N/A
OTH		N/A	N/A	N/A	N/A	N/A

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## **Appendix 3**

# **MnDHO NF Add-On Rate Development**

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**Appendix 3**

**Minnesota Disability Health Options  
180 Day Nursing Facility Add-On Rate Calculation  
Nursing Home Certifiable Population  
Contract Period 1/1/03 - 12/31/03**

	9/2001 - 12/2002	CY 2003
NF Add-On	\$63.33	\$79.06
Per Diem	\$115.33	\$119.61
Monthly Freq	0.609%	0.609%

Year	Month	(1) Monthly Enrollment	(2) Total NF Add-On Paid to Health Plans	(3) Admissions	NF Days for Admissions in Month by Contract Period	Health Plan Payments to NF for Admissions in Month by Contract Period	NF Days for Admissions in Month by Contract Period	Health Plan Payments to NF for Admissions in Month by Contract Period
					9/2001 - 12/2002	9/2001 - 12/2002	CY 2003	CY 2003
2002	January	33	2,090	0.2010	122.6	2,842	0.0	0
	February	34	2,153	0.2071	122.6	2,928	0.0	0
	March	42	2,660	0.2559	122.6	3,617	0.0	0
	April	48	3,040	0.2924	122.6	4,133	0.0	0
	May	53	3,356	0.3229	122.6	4,564	0.0	0
	June	63	3,990	0.3838	122.6	5,425	0.0	0
	July	67	4,243	0.4081	115.0	5,411	7.6	358
	August	75	4,750	0.4569	98.7	5,203	23.8	1,256
	September	80	5,066	0.4873	81.1	4,558	41.5	2,331
	October	89	5,636	0.5422	61.8	3,866	60.7	3,798
	November	94	5,953	0.5726	39.9	2,636	82.7	5,458
	December	99	6,270	0.6031	14.5	1,008	108.1	7,517
<b>Grand Total</b>		<b>777</b>	<b>49,207</b>		<b>84.6</b>	<b>\$46,191</b>	<b>38.0</b>	<b>\$20,719</b>
2003	January	105	6,650	0.6396			122.6	9,377
	February	110	6,966	0.6701			122.6	9,824
	March	116	7,346	0.7066			122.6	10,360
	April	121	7,663	0.7371			122.6	10,806
	May	126	7,980	0.7676			122.6	11,253
	June	132	8,360	0.8041			122.6	11,789
	July	137	8,676	0.8346			115.0	11,475
	August	143	9,056	0.8711			98.7	10,288
	September	149	9,436	0.9077			81.1	8,804
	October	155	9,816	0.9442			61.8	6,983
	November	160	10,133	0.9747			39.9	4,654
	December	166	10,513	1.0112			14.5	1,754
<b>Sub Total</b>		<b>1,620</b>	<b>102,595</b>				<b>91.0</b>	<b>\$107,366</b>

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**Appendix 3**

**Minnesota Disability Health Options  
180 Day Nursing Facility Add-On Rate Calculation  
Other Population  
Contract Period 1/1/03 - 12/31/03**

	9/2001 - 12/2002	CY 2003
NF Add-On	\$4.22	\$5.34
Per Diem	\$115.33	\$119.61
Monthly Freq	0.041%	0.041%

Year	Month	(1) Monthly Enrollment	(2) Total NF Add-On Paid to Health Plans	(3) Admissions	NF Days for Admissions in Month by Contract Period	Health Plan Payments to NF for Admissions in Month by Contract Period	NF Days for Admissions in Month by Contract Period	Health Plan Payments to NF for Admissions in Month by Contract Period
					9/2001 - 12/2002	9/2001 - 12/2002	CY 2003	CY 2003
2002	January	0	0	0.0000	122.6	0	0.0	0
	February	0	0	0.0000	122.6	0	0.0	0
	March	2	8	0.0008	122.6	12	0.0	0
	April	4	17	0.0016	122.6	23	0.0	0
	May	7	30	0.0029	122.6	40	0.0	0
	June	8	34	0.0033	122.6	46	0.0	0
	July	10	42	0.0041	115.0	54	7.6	4
	August	11	46	0.0045	98.7	51	23.8	12
	September	11	46	0.0045	81.1	42	41.5	21
	October	12	51	0.0049	61.8	35	60.7	34
	November	13	55	0.0053	39.9	24	82.7	51
	December	14	59	0.0057	14.5	10	108.1	71
<b>Sub Total</b>		<b>92</b>	<b>388</b>		<b>77.9</b>	<b>\$337</b>	<b>44.7</b>	<b>\$194</b>
2003	January	15	63	0.0061			122.6	90
	February	16	68	0.0065			122.6	96
	March	16	68	0.0065			122.6	96
	April	17	72	0.0069			122.6	102
	May	18	76	0.0074			122.6	108
	June	19	80	0.0078			122.6	114
	July	19	80	0.0078			115.0	107
	August	20	84	0.0082			98.7	96
	September	20	84	0.0082			81.1	79
	October	21	89	0.0086			61.8	63
	November	22	93	0.0090			39.9	43
	December	22	93	0.0090			14.5	16
<b>Sub Total</b>		<b>225</b>	<b>950</b>				<b>91.8</b>	<b>\$1,009</b>

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**Appendix 3**  
**Minnesota Disability Health Options**  
**180 Day Nursing Facility Add-On Rate Calculation**  
**Calendar Year 2003**  
**NHC Population**

Rate Component	2003	2001 - 2002
<b>Section A</b>		
Monthly Claim Frequency	0.609%	0.609%
(x) Truncated Medicaid Length of Stay	91.0	90.1
(x) Charge per Day	<u>\$119.61</u>	<u>\$115.33</u>
= Initial Rate (1)	\$66.28	\$63.33
<b>Section B</b>		
2003 NF \$ for 2002 Admits	\$20,719	N / A
(/) 2003 Eligible Months	<u>1,620</u>	<u>N / A</u>
= Tail Rate (2)	\$12.79	N / A
<b>Section C</b>		
2002 NF Rates to Health Plans	(\$49,207)	N / A
(+) 2002 NF \$ for 2002 Admits	\$46,191	N / A
= 2002 Enrollment Adjustment	(\$3,017)	N / A
(/) 2003 Eligible Months	<u>1,620</u>	<u>N / A</u>
= 2002 Enrollment Adjustment Rate (3)	(\$1.86)	N / A
<b>Section D</b>		
Base Rate = (1)+(2)+(3)	\$77.21	\$63.33
% Change From 9/01 - 12/02 Rate	21.9%	N / A

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**Appendix 3**  
**Minnesota Disability Health Options**  
**180 Day Nursing Facility Add-On Rate Calculation**  
**Calendar Year 2003**  
**Other Population**

Rate Component	2003	2001 - 2002
<b>Section A</b>		
Monthly Claim Frequency	0.041%	0.041%
(x) Truncated Medicaid Length of Stay	91.8	89.7
(x) Charge per Day	<u>\$119.61</u>	<u>\$115.33</u>
= Initial Rate (1)	\$4.48	\$4.22
<b>Section B</b>		
2003 NF \$ for 2002 Admits	\$194	N / A
(/) 2003 Eligible Months	<u>225</u>	<u>N / A</u>
= Tail Rate (2)	\$0.86	N / A
<b>Section C</b>		
2002 NF Rates to Health Plans	(\$388)	N / A
(+) 2002 NF \$ for 2002 Admits	\$337	N / A
= 2002 Enrollment Adjustment	(\$51)	N / A
(/) 2003 Eligible Months	<u>225</u>	<u>N / A</u>
= 2002 Enrollment Adjustment Rate (3)	(\$0.23)	N / A
<b>Section D</b>		
Base Rate = (1)+(2)+(3)	\$5.11	\$4.22
% Change From 9/01 - 12/02 Rate	21.1%	N / A

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## **Appendix 4**

# **2002 Medicare+ Choice Ratebook Disabled and ESRD Populations**

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**Appendix 4**  
**Minnesota Disability Health Options**  
**2003 Minnesota Medicare AAPCCs**  
**Disabled and ESRD Populations**

County	Disabled		ESRD	
	Part A	Part B	Part A	Part B
Anoka	\$296.64	\$267.22	\$1,806.47	\$2,084.90
Carver	296.64	267.22	1,806.47	2,084.90
Dakota	296.64	267.22	1,806.47	2,084.90
Hennepin	296.64	267.22	1,806.47	2,084.90
Ramsey	296.64	267.22	1,806.47	2,084.90
Scott	296.64	267.22	1,806.47	2,084.90
Washington	296.64	267.22	1,806.47	2,084.90

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## **Appendix 5**

# **MnDHO Rate Cell Assignment Process**

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**Appendix 5**  
**Minnesota Disability Health Options**  
**MnDHO Rating Scheme**

	Nursing facility resident		Nursing home certifiable-Conversions									Nursing home certifiable-Community (diversions)									Other Community
Medicare	Institutional Medicare+Choice Ratebook		2.39 X Medicare+Choice Ratebook (PACE adjuster)									2.39 X Medicare+Choice Ratebook (PACE adjuster)									Non-institutional Medicare+Choice Ratebook
Medicaid Acute	High	Low	TBI NF	TBI NB	HC Hi-vent	HC Average acute across CADI/HC			CADI Average acute across CADI/HC			TBI NF	TBI NB	HC Hi-vent	HC Average acute across CADI/HC			CADI Average acute across CADI/HC			Average Rate
Medicaid Bundled LTC	N/A		=J x 1.25	=I	=H	High = G x 1.25	Medium = F x 1.25	Low = E x 1.25	High = D x 1.25	Medium = C x 1.25	Low = B x 1.25				High	Medium	Low	High	Medium	Low	N/A
Medicaid NF Institutional Costs, Days 1 - 180	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	***** NHC NF Add-On Capitation Rate *****									Other NF Add-On Capitation Rate
DHS Rate Cell Category	V	U	S	R	Q	P	O	N	M	L	K	J	I	H	G	F	E	D	C	B	A

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