



A MILLIMAN GLOBAL FIRM

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September 18, 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 the rating period of October 1, 2003 through December 31, 2003 for the Minnesota Disability Health Options (MnDHO) program.

I have reviewed the actuarial assumptions and actuarial methods used to develop payment rates for the October through December 2003 rating period for MnDHO. The payment rates, methodology, data, and assumptions used to update the rates are documented in our letter to DHS of September 15, 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).

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. Pfanterstill

Member, American Academy of Actuaries

September 18, 2003

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Date



Minnesota Department of **Human Services**

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September 15, 2003

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

**Re: Data Reliance for Minnesota Disability Health Options Capitation Rates for October 1, 2003 through December 31, 2003.**

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.
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.

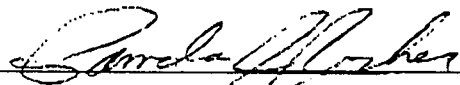
Mr. Larry Pfannerstill

September 15, 2003

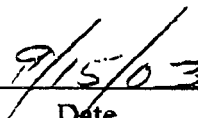
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5. Nursing facility admissions from calendar year 1996 only were provided for the calculation of the Nursing Facility Transfer Charge. Admission rates from 1997 were not credible and therefore were not provided.

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