



September 17, 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 contract period of October 1, 2003 through December 31, 2004 for the Minnesota Senior Health Options (MSHO) program. This certification does not cover the capitation rates for the Prepaid Medical Assistance Program (PMAP) or the Medicare + Choice capitation rates from CMS, which are components of the overall capitation rate paid through the MSHO program. The PMAP capitation rates are addressed in a separate certification. The health plans participating in MSHO may consider all three sources of capitation when evaluating the program.

I have reviewed the actuarial assumptions and actuarial methods used to develop payment rates for the contract period of October 1, 2003 through December 31, 2004 for MSHO. 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 with data provided in prior years. 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, MSHO, 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.


Larry J. Pfannerstill
Member, American Academy of Actuaries

Date: September 17, 2003_____



Minnesota Department of **Human Services**

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 Senior Health Option Capitation Rates for the Contract Period October 1, 2003 through December 31, 2004

Dear Larry:

I, Pam Parker, Minnesota Senior Health Options (MSHO) 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:

Nursing Facility Add-on

1. Fee-for-service nursing facility experience (number of admissions, length of stay, and average charge per day) data from calendar years 1998, 1999, and 2000.
2. Nursing facility trends provided by the Minnesota Department of Human Services' (DHS) Reports and Forecast Division through fiscal year 2005.
3. The expected amount of medical spendown for community-based recipients with medical spendowns enrolling in MSHO.

Elderly Waiver Add-on

4. Fee-for-service elderly waiver experience (number of days and total dollars) data from calendar years 2000 and 2001.

Enrollment

5. Actual monthly MSHO enrollment by health plan, enrollment category, age, and gender through July 2003 and projected MSHO enrollment by health plan and enrollment

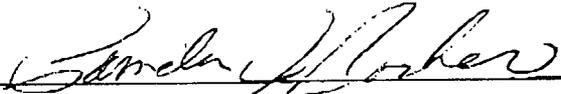
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category through December 2004.

Program Changes

6. Description on program changes including implementation of a premium tax of 1% beginning January 1, 2004.

I further 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

9/15/03
Date