

### **General Trend and Rate Setting Assumptions**

AHCCCS used the historical encounter data (ie databook) provided in Section C of the Bidder's Library as the base data for the rebase of the CYE09 capitation rates. Completion factors were then applied to this data. No other significant adjustments were made to this data. AHCCCS then applied appropriate projected future trends to this base data. The trends were developed based on projected changes to the AHCCCS fee schedules and tier rates as well as looking at trends in the marketplace, including National Health Expenditures. Historical trends from the databook were used as guidelines for utilization trends, while unit cost trends were generally based on AHCCCS fee schedule changes for the major categories.

The assumptions in this section apply for most risk groups and GSAs. Certain risk groups may have slightly lower or higher limits than what is stated below, dependent on the unique circumstances/data of those risk groups. For all of the services below, when applicable, utilization trends were limited to exclude abnormally high or low utilization trends as AHCCCS does not anticipate these trends will hold in the future.

Upon further detail review of seasonality at the risk group level, AHCCCS is finding some seasonality for certain risk groups. AHCCCS will factor this into rate setting. Specifically, those risk groups that are showing higher costs in the first six months of the contract year are TANF < 1 and MED. Those that are showing lower costs in the first six months of the contract year are TANF 14-44 Male, TANF 45+, SSIWithout, and NONMED.

#### Hospital Inpatient

AHCCCS does not expect Hospital Inpatient unit cost trends to exceed 6%. This amount is based on AHCCCS historical increases for hospital inpatient tier rates which average approximately 3.7%. The projection for the CYE09 increase for tier rates will be similar to historical, however AHCCCS allowed a unit cost trend higher than 3.7% due to impact of outliers. AHCCCS adjusted the hospital inpatient line for the outlier program change that started on 10/01/07.

#### Outpatient Facility and Emergency Facility

AHCCCS does not expect Outpatient Facility unit cost trends to exceed 5% and Emergency Facility unit costs trends to exceed 6%. These amounts are based on AHCCCS hospital outpatient and emergency room reimbursement methodology which started on July 1, 2005. This change in reimbursement methodology helps contain costs and allows for better prediction of trends. Historical increases for outpatient and emergency facility rates average approximately 3.6%. The projection for the CYE09 increase for tier rates will be similar to historical, however AHCCCS allowed a unit cost trend higher than 3.6% due to changes in services provided, especially for emergency facility.

#### Physician Services

AHCCCS is freezing the physician fee schedule for the second year in a row, thus AHCCCS expects physician unit cost trends to hold at 0%.

#### Transportation

Historical reimbursements have increased at an average of approximately 3.5%. AHCCCS expects a similar increase for CYE09.

#### Dental

AHCCCS is freezing the dental fee schedule for CYE09. Recent historical dental fee schedule increases have averaged approximately 6% and AHCCCS expects dental unit cost trends not to exceed 3%.

## Section C – General Trend and Rate Setting Assumptions

### Pharmacy

For those risk groups not impacted by Medicare Part D, AHCCCS is using historical encounter data limited to exclude abnormally high or low trends as AHCCCS does not anticipate these trends will hold in the future. For those risk groups that are impacted by Medicare Part D, AHCCCS is using trends based on NHEs and other trends seen in the marketplace.

### Other Categories

AHCCCS is using historical encounter data in conjunction with trends from NHEs and other trends in the marketplace with limits on historical trends to exclude abnormally high or low trends.