

**Arizona Long Term Care System (ALTCS),
Elderly and Physically Disabled (EPD) Updated Actuarial
Memorandum for CYE 2011**

I. Purpose

This memorandum presents a discussion of the revision to the capitation rates for the Arizona Long Term Care System (ALTCS) Elderly and Physically Disabled (EPD) program, for the period April 1, 2011 to September 30, 2011. This update to the rates is required as a result of changes to provider reimbursement via rate reductions effective April 1, 2011.

The purpose of this actuarial memorandum is to demonstrate that the updated capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

II. Overview of Changes

In response to significant fiscal challenges facing the State of Arizona, AHCCCS is reducing inpatient and outpatient hospital reimbursement and other provider type fee schedules effective April 1, 2011. The provider rates impacted, and their reductions, include:

Reduced 5%:

- Inpatient hospital rates
- Cost to Charge ratios used to qualify and pay inpatient outliers
- Outpatient hospital rates
- Dental rates
- Physician fee schedule rates
 - excluding the Physician Drug Schedule
- Dialysis center composite rates
- ADHS Transportation rates
- Non-ADHS Transportation rates
- Behavioral Health rates (including AHCCCS inpatient psychiatric tiered per diem rates and bed holds) with the exception of:
 - 1) All other Acute Care Hospital/Level 1 Hospitalization
 - 2) All Level 1 Sub Acute Facilities
 - 3) All Level 1 Residential Treatment Centers

Reduced 2.5%:

- In-Home service rates, including Adult Day Health

The overall impact to the EPD program of these changes is approximately \$6.5 million.

III. Proposed Revised Capitation Rates and Their Impact

Table I below summarizes the changes from the current approved CYE11 capitation rates and the estimated budget impact, effective for the period April 1, 2011 through September 30, 2011 on a statewide basis. The adjustments impact contractors ranging from -0.9% to -1.6%. Appendix I shows EPD rates by GSA and program contractor.

Table I: Proposed Statewide Capitation Rates and Budget Impact

Rate Cell	Projected Member Months April 1, 2011 - September 30, 2011	CYE11 Current Rate	CYE11 Updated Rate	Projected Member Months April 1, 2011 - September 30, 2011		Percentage Impact on CYE11 estimated current capitation	Dollar Impact on CYE11 estimated current capitation
				Estimated CYE11 Current Capitation	Estimated CYE11 Updated Capitation		
EPD	155,232	\$ 3,337.05	\$ 3,295.76	\$ 518,018,355	\$ 511,609,693	-1.2%	\$ (6,408,662)
PPC	5,204	\$ 1,009.15	\$ 996.65	\$ 5,251,298	\$ 5,186,252	-1.2%	\$ (65,046)
Acute Only	2,344	\$ 578.00	\$ 558.74	\$ 1,354,772	\$ 1,309,634	-3.3%	\$ (45,138)
Total				\$ 524,624,424	\$ 518,105,578	-1.2%	\$ (6,518,846)

IV. Actuarial Certification of the Capitation Rates:

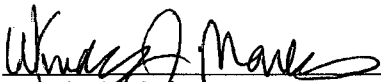
I, Windy J. Marks, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The rates were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The rates may not be appropriate for any other purpose. The documentation has been included with this certification. The actuarially sound capitation rates that are associated with this certification are effective for the six month period beginning April 1, 2011.

The actuarially sound capitation rates are a projection of future events. It may be expected that actual experience will vary from the values in the rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by the Program Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the Program Contractors auditors and other AHCCCS employees for the accuracy of the data.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.


Windy J. Marks

01/20/11
Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Pinal LTC</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 40 (Pinal and Gila)		
	Gross	MIX	Net
Nursing Facility	\$ 5,326.66	24.5%	\$ 1,307.43
Share of Cost (Cap)			\$ (212.17)
Net Nursing Facility			\$ 1,095.26
HCBS Home and Community	\$ 1,716.77	75.5%	\$ 1,295.39
Net HCBS			\$ 1,295.39
Acute			\$ 409.53
Case Management			\$ 133.85
Admin			\$ 245.56
Risk/Contingency			\$ 31.80
Net Capitation			\$ 3,211.39
Premium Tax (98% of Final Cap)			\$ 65.54
Net Cap w/ Premium Tax			\$ 3,276.93
Rates are the same for Dual and Nondual members			

APPENDIX I

**AHCCCS Capitation Calculation
For Rates - Pinal LTC CYE 11
Rates Effective April 1, 2011**

Rate Cells	GSA 40 (Pinal and Gila)
Acute Care Only	\$ 593.20
Prior Period Coverage	\$ 983.21

Rates include premium tax
Rates are the same for Dual and Nondual members

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Bridgeway</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 42 (LaPaz and Yuma)		
	Gross	MIX	Net
Nursing Facility	\$ 5,078.68	40.7%	\$ 2,064.48
Share of Cost (Cap)			\$ (290.22)
Net Nursing Facility			\$ 1,774.26
HCBS Home and Community	\$ 1,191.44	59.4%	\$ 707.12
Net HCBS			\$ 707.12
Acute			\$ 286.59
Case Management			\$ 121.78
Admin			\$ 225.18
Risk/Contingency			\$ 31.15
Net Capitation			\$ 3,146.08
Premium Tax (98% of Final Cap)			\$ 64.21
Net Cap w/ Premium Tax			\$ 3,210.29
Rates are the same for Dual and Nondual members			

APPENIDX I

**AHCCCS Capitation
Calculation For Rates -
Bridgeway CYE 11 Rates
Effective April 1, 2011**

Rate Cells	GSA 42 (LaPaz and Yuma)
Acute Care Only	\$ 452.65
Prior Period Coverage	\$ 983.21

Rates include premium tax
Rates are the same for Dual and Nondual members

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AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Evercare</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 44 (Apache, Coconino, Mohave and Navajo)		
	Gross	MIX	Net
Nursing Facility	\$ 5,183.67	33.3%	\$ 1,726.16
Share of Cost (Cap)			\$ (304.75)
Net Nursing Facility			\$ 1,421.41
HCBS Home and Community	\$ 1,039.67	66.7%	\$ 693.46
Net HCBS			\$ 693.46
Acute			\$ 397.69
Case Management			\$ 134.10
Admin			\$ 198.20
Risk/Contingency			\$ 28.45
Net Capitation			\$ 2,873.31
Premium Tax (98% of Final Cap)			\$ 58.64
Net Cap w/ Premium Tax			\$ 2,931.95
Rates are the same for Dual and Nondual members			

APPENDIX I

AHCCCS Capitation Calculation For Rates - <u>Evercare</u> CYE 11 Rates Effective April 1, 2011	
GSA 44	GSA 44 (Apache, Coconino, Mohave and Navajo)
Acute Care Only	\$ 589.96
Prior Period Coverage	\$ 983.21
Rates include premium tax Rates are the same for Dual and Nondual members	

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Cochise LTC</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 46 (Cochise, Graham and Greenlee)		
	Gross	MIX	Net
Nursing Facility	\$ 4,643.66	39.3%	\$ 1,824.96
Share of Cost (Cap)			\$ (343.32)
Net Nursing Facility			\$ 1,481.64
HCBS Home and Community	\$ 1,290.14	60.7%	\$ 783.11
Net HCBS			\$ 783.11
Acute			\$ 360.88
Case Management			\$ 110.20
Admin			\$ 203.74
Risk/Contingency			\$ 29.40
Net Capitation			\$ 2,968.97
Premium Tax (98% of Final Cap)			\$ 60.59
Net Cap w/ Premium Tax			\$ 3,029.56

Rates are the same for Dual and Nondual members

APPENDIX I

**AHCCCS Capitation Calculation
For Rates -
Cochise LTC CYE 11 Rates
Effective April 1, 2011**

Rate Cells	GSA 46 (Cochise, Graham and Greenlee)
Acute Care Only	\$ 517.87
Prior Period Coverage	\$ 983.21
Rates include premium tax Rates are the same for Dual and Nondual members	

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AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Yavapai LTC</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 48 (Yavapai)		
	Gross	MIX	Net
Nursing Facility	\$ 5,189.54	40.1%	\$ 2,082.30
Share of Cost (Cap)			\$ (379.10)
Net Nursing Facility			\$ 1,703.20
HCBS Home and Community	\$ 1,695.47	59.9%	\$ 1,015.16
Net HCBS			\$ 1,015.16
Acute			\$ 350.80
Case Management			\$ 97.45
Admin			\$ 247.14
Risk/Contingency			\$ 34.14
Net Capitation			\$ 3,447.89
Premium Tax (98% of Final Cap)			\$ 70.37
Net Cap w/ Premium Tax			\$ 3,518.26
Rates are the same for Dual and Nondual members			

APPENDIX I

**AHCSS Capitation
Calculation For Rates - Yavapai
LTC CYE 11 Rates Effective
April 1, 2011**

Rate Cells	GSA 48 (Yavapai)
Acute Care Only	\$ 594.55
Prior Period Coverage	\$ 983.21

Rates include premium tax
Rates are the same for Dual and Nondual members

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Pima LTC</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 50 (Pima and Santa Cruz)		
	Gross	MIX	Net
Nursing Facility	\$ 5,510.43	33.4%	\$ 1,840.48
Share of Cost (Cap)			\$ (265.64)
Net Nursing Facility			\$ 1,574.84
HCBS Home and Community	\$ 1,834.84	66.6%	\$ 1,222.00
Net HCBS			\$ 1,222.00
Acute			\$ 382.71
Case Management			\$ 119.49
Admin			\$ 214.55
Risk/Contingency			\$ 35.14
Net Capitation			\$ 3,548.73
Premium Tax (98% of Final Cap)			\$ 72.42
Net Cap w/ Premium Tax			\$ 3,621.15
Rates are the same for Dual and Nondual members			

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AHCCCS Capitation Calculation For Rates - <u>Pima LTC</u> CYE 11 Rates Effective April 1, 2011	
Rate Cells	GSA 50 (Pima and Santa Cruz)
Acute Care Only	\$ 545.62
Prior Period Coverage	\$ 962.03
Rates include premium tax Rates are the same for Dual and Nondual members	

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AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Bridgeway</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 52 (Maricopa)		
	Gross	MIX	Net
Nursing Facility	\$ 5,510.12	27.2%	\$ 1,498.75
Share of Cost (Cap)			\$ (232.39)
Net Nursing Facility			\$ 1,266.36
HCBS Home and Community	\$ 1,591.94	72.8%	\$ 1,158.93
Net HCBS			\$ 1,158.93
Acute			\$ 375.39
Case Management			\$ 116.59
Admin			\$ 240.24
Risk/Contingency			\$ 31.58
Net Capitation			\$ 3,189.09
Premium Tax (98% of Final Cap)			\$ 65.08
Net Cap w/ Premium Tax			\$ 3,254.17
Rates are the same for Dual and Nondual members			

APPENIDX I

**AHCCCS Capitation
Calculation For Rates -
Bridgeway CYE 11 Rates
Effective April 1, 2011**

Rate Cells	GSA 52 (Maricopa)
Acute Care Only	\$ 539.31
Prior Period Coverage	\$ 1,008.65

Rates include premium tax
Rates are the same for Dual and Nondual members

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Evercare</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 52 (Maricopa)		
	Maricopa		
	Gross	MIX	Net
Nursing Facility	\$ 5,477.12	38.2%	\$ 2,091.99
Share of Cost (Cap)			\$ (328.84)
Net Nursing Facility			\$ 1,763.15
HCBS Home and Community	\$ 1,676.80	61.8%	\$ 1,036.35
Net HCBS			\$ 1,036.35
Acute			\$ 221.32
Case Management			\$ 134.80
Admin			\$ 238.65
Risk/Contingency			\$ 33.94
Net Capitation			\$ 3,428.21
Premium Tax (98% of Final Cap)			\$ 69.96
Net Cap w/ Premium Tax			\$ 3,498.17
Rates are the same for Dual and Nondual members			

APPENDIX I

**AHCCCS Capitation
Calculation For Rates -
Evercare CYE 11 Rates
Effective April 1, 2011**

Rate Cells	GSA 52 (Maricopa)
Acute Care Only	\$ 393.96
Prior Period Coverage	\$ 1,008.65

Rates include premium tax
Rates are the same for Dual and Nondual members

APPENDIX I

AHCCCS Capitation Calculation For Rates - Combine Member Rates - <u>Mercy Care</u> CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 52 (Maricopa)		
	Maricopa		
	Gross	MIX	Net
Nursing Facility	\$ 5,541.96	25.6%	\$ 1,417.63
Share of Cost (Cap)			\$ (203.32)
Net Nursing Facility			\$ 1,214.31
HCBS Home and Community	\$ 1,614.15	74.4%	\$ 1,201.25
Net HCBS			\$ 1,201.25
Acute			\$ 439.86
Case Management			\$ 96.02
Admin			\$ 147.31
Risk/Contingency			\$ 30.99
Net Capitation			\$ 3,129.74
Premium Tax (98% of Final Cap)			\$ 63.87
Net Cap w/ Premium Tax			\$ 3,193.61
Rates are the same for Dual and Nondual members			

APPENDIX I

**Capitation Calculation For
Rates - Mercy Care CYE 11
Rates Effective April 1, 2011**

Rate Cells	GSA 52 (Maricopa)
Acute Care Only	\$ 574.38
Prior Period Coverage	\$ 1,008.65
Rates include premium tax Rates are the same for Dual and Nondual members	

APPENDIX I

AHCCCS Capitation Calculation For Rates - SCAN CYE 11 Rates Effective April 1, 2011			
Service Category	GSA 52 (Maricopa)		
	Maricopa		
	Gross	MIX	Net
Nursing Facility	\$ 5,617.47	24.7%	\$ 1,387.52
Share of Cost (Cap)			\$ (226.31)
Net Nursing Facility			\$ 1,161.21
HCBS Home and Community	\$ 1,633.39	75.3%	\$ 1,229.94
Net HCBS			\$ 1,229.94
Acute			\$ 418.66
Case Management			\$ 132.43
Admin			\$ 242.51
Risk/Contingency			\$ 31.85
Net Capitation			\$ 3,216.60
Premium Tax (98% of Final Cap)			\$ 65.64
Net Cap w/ Premium Tax			\$ 3,282.24
Rates are the same for Dual and Nondual members			

APPENDIX I

**AHCCCS Capitation Calculation
For Rates - SCAN CYE 11 Rates
Effective April 1, 2011**

Rate Cells	GSA 52 (Maricopa)
Acute Care Only	\$ 611.31
Prior Period Coverage	\$ 1,008.65

Rates include premium tax
Rates are the same for Dual and Nondual members