

# Children's Rehabilitative Services (CRS) Updated Actuarial Memorandum

## I. Purpose:

This memorandum presents a discussion of a revision to the rates originally developed by Mercer as described in the CRS Rate Certification Memorandum for Title XIX, XXI and Prop 204 Capitation Rates for Contract Year 2011 (dated 8/31/10) and certified by Mercer for the period of October 1, 2010 through September 30, 2011. The revised rates are effective from January 1, 2011 through September 30, 2011. Arizona Health Care Cost Containment System (AHCCCS) has computed a capitation rate change due to AHCCCS assuming direct oversight of the CRS program. These responsibilities previously belonged to the Arizona Department of Health Services (ADHS), Office for Children with Special Health Care Needs (OCSHCN). The change is to remove the ADHS administrative component of the capitation rates.

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.

AHCCCS is anticipating implementation of significant reductions to inpatient and outpatient hospital reimbursement via rate reductions and adult benefit limitations on April 1, 2011. Other provider types will also be impacted by sizeable rate reductions. AHCCCS expects that the capitation rates for all affected populations will be adjusted via a contract amendment to account for the savings resulting from these reductions to hospital reimbursement and other possible services. A contract amendment including revised rates is anticipated to be submitted to CMS for approval at a later date.

## II. Proposed Capitation Rates and Their Impact

The revised capitation rates are equivalent to the CYE11 submitted capitation rates excluding the ADHS/CRS administration component (which includes premium tax). A recalculated premium tax is then added back to the adjusted capitation rate to arrive at the revised capitation rate. Table I illustrates the current CYE11 and revised CYE11 capitation rates and the budget impact from January 1, 2011 through September 30, 2011.

**Table I: Proposed Updated Capitation Rates and Their Impact**

Rate Cell	Based on Projected Member Months January 1, 2011 - September 30, 2011			Based on Projected Member Months January 1, 2011 - September 30, 2011	
		CYE11 Current	CYE11 Updated	Estimated CYE11 Current Capitation	Estimated CYE11 Updated Capitation
High	11,348	\$ 817.65	\$ 791.63	\$ 9,278,283	\$ 8,983,021
Medium	108,042	\$ 536.33	\$ 523.65	\$ 57,946,166	\$ 56,576,193
Low	84,075	\$ 264.53	\$ 258.39	\$ 22,240,360	\$ 21,724,139
<b>Total</b>				<b>\$ 89,464,809</b>	<b>\$ 87,283,354</b>
Total impact on CY estimated updated capitation					\$ (2,181,455)
Percentage impact on CY estimated updated capitation					-2.44%

**III. Actuarial Certification of the Capitation Rates:**

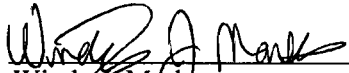
I, Windy J. Marks, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards 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 nine-month period beginning January 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 actuarial sound capitation rates certified by Mercer. I have accepted the data without audit and have relied upon Mercer and ADHS employees for the accuracy of the data and the base capitation rates.

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

12-10-10  
Date

Fellow of the Society of Actuaries  
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