	SOLICITATION AMENDMENT Solicitation No.: **RFP YH14-0001** Amendment No. 3 **(Three)** Solicitation Due Date: **January 28, 2013 3:00 PM (Arizona Time)**	**AHCCCS** Arizona Health Care Cost Containment System 701 East Jefferson, MD 5700 Phoenix, Arizona 85034 Meggan Harley Contracts and Purchasing Section E-mail: Meggan.Harley@azahcccs.gov

Receipt of solicitation amendments must be acknowledged by signing and returning the signature page of the amendment to the Solicitation Contact Person. A signed copy of this signature page shall be included with the proposal, which must be received by AHCCCS no later than the Solicitation due date and time.

This solicitation is amended as follows, and supersedes any information previously provided that is inconsistent:

1. The attached Answers to Questions are incorporated as part of this solicitation amendment.

Offeror hereby acknowledges receipt and understanding of this Solicitation Amendment.		This Solicitation Amendment is hereby executed this the **4th day of January, 2013,** in Phoenix, Arizona.
OFFEROR		**AHCCCS**
Signature	**Date**	**Signature** **SIGNED COPY ON FILE**
Typed Name		**Typed Name** Michael Veit
Title		**Title** Contracts and Purchasing Administrator
Name of Company		**Name of Company** AHCCCS

ACUTE/CRS QUESTIONS AND RESPONSES AMENDMENT No. 3 TO RFP YH14-00014

Question #	Section	Paragraph #	Page #	Question	Response
1.				For the final capitation rate to be paid to the MCOs, can the state specify whether both the admin and risk margin will be calculated as a percent of the medical rate or as a percent of the final capitation rate? Please confirm or correct the following capitation rate calculation: (Medical rate x (1 + admin% + 1% risk) + Reinsurance offset) / (1 - 2% premium tax) = Final capitation rate	The admin used will be the admin that is bid, except for the capitation rates that are not bid (i.e. PPC). The risk margin is a % of the medical rate. For rates that are bid: (Medical rate x (1+ 1% risk) + Admin Bid + RI Offset (set by AHCCCS)) / (1-2% premium tax) For rates that are not bid (RI does not apply to these rates thus there is no RI Offset in the formula): (Medical rate x (1+ 1% risk+ admin% (8%)) / (1-2% premium tax)
2.				What is the projected membership distribution for the 4 CRS coverage types?	Projected FFY14: 70.7% CRS Fully Integrated 0.7% CRS Partially-Integrated – Acute 24.7% CRS Partially-Integrated – BH 3.9% CRS Only
3.				Will TPL be factored into the final capitation rate development? If so, at what point in the calculation will it be incorporated?	AHCCCS uses the Data Book files as a basis to calculate the final capitation rates. The Data Book files are based on Contractor submitted encounters. If a Contractor's payment on a claim is reduced due to existence of a third party payer, the Contractor's payment should be net of the third party payment. Contractors are required to adjust previously adjudicated encounters when a post-payment recovery is made. Capitation rate ranges were developed based on the Data Book data.
4.				Can the state provide the trend factors, historical and prospective, used in the medical rate range development?	No additional information will be provided.

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5.				Can the state provide the medical codes and criteria used to identify the expenses for the Delivery Supplement categories of service?	Refer to the Acute Care/CRS Service Matrix and the Crosswalk Acute Care Service Matrix to Capitation Bid template in Section D of the Data Supplement for Offerors in the Bidders' Library.
6.				Will the Payment Reform Withhold be applied as a percentage of the medical rate only or as a percentage of the final capitation rate (medical rate + risk + admin + reinsurance + premium tax)?	AHCCCS anticipates that the payment reform withhold will be applied as a percentage of the final capitation rate. The draft Policy will be released 4/1/13 with more information.
7.				Can the state provide the true-up factors used to adjust the CRS data?	The BHS factors are 8.83% for CYE09, 4.40% for CYE10 and 2.63% for CYE11. For CRS Specialty Care, from the Bidders' Library, Data Supplement for Offerors'– Acute Care/CRS, Section C, Data Book Information, *Rate Setting Document*, "AHCCCS elected to use clinic fee expenditures from the financial statement data."
8.				Can the state provide the rationale for using equal weights on each contract year of databook data to build the prospective medical rate ranges?	AHCCCS reviewed multiple methods of weighting the adjusted base year data and for most risk groups/GSAs the results were very similar for all methods. Including the CYE12 data equally helps reduce uncertainty regarding the impact of the 25 day limit since CYE12 was the first year for that program change. Including the most recent data also reduces the number of months that would be included in a trend based on older data. And while CYE09 data is fairly old, it is complete. Overall the base would be lower if CYE09 were excluded.
9.	F – Acute Care Medical Component Ranges			Which rate ranges will be applicable to ACA Child Expansion enrollees shown in document H-3?	ACA Child Expansion enrollees would be included in the TANF rate ranges appropriate to their ages.
10.	F – Acute Care Medical Component Ranges			Do the rate ranges assume that under the RFP assumption that AHCCCS Care is restored for January 1, 2014, individuals who were transitioned to SSI categories as part of the freeze will transition back to AHCCCS Care?	No, AHCCCS Care rate ranges do not assume individuals who were transitioned to SSI Categories a part of the freeze will be transitioned back to AHCCCS Care since they are now in the appropriate category.

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11.	Rate Ranges			Did AHCCCS make any adjustments to account for risk changes associated with ACA related membership growth?	No, AHCCCS did not make any adjustments to account for risk changes associated with ACA related membership growth. If AHCCCS determines such adjustments are necessary, the awarded capitation rates will be adjusted appropriately.
12.	Rate Ranges			Please provide the program change adjustments applied (by CYE, risk group and data book service category).	Refer to the Bidders' Library, Section B, Program and Fee Schedule Changes. No additional information will be provided.
13.	Rate Ranges			For some rate ranges (e.g. SSI W), the program changes (e.g. OON QMB Duals adjustment combined with other smaller program changes) significantly add costs. In order to get within the rate ranges provided (after program changes and completion are applied), significantly negative trends would be need to be assumed. Any insights you can provide to help us understand if other factors are being applied or if there is a justification for large negative trends would be appreciated.	AHCCCS did not apply significant negative trends. The average statewide total trend for the SSIW population is 1.70% varying by GSA from -0.11% to 2.85%.
14.	Rate Ranges			Were the rate ranges adjusted for additional COB/TPL recoveries (outside of those reported in the data book) or supplemental payments? If so, please provide said adjustments.	No, the rates were not adjusted for additional COB/TPL recoveries or supplemental payments outside of the Data Books.
15.	Section B Program and Fee Schedule Changes	general		In order to make sure we are applying the program changes to the rates appropriately and consistently with what is done with the rate ranges, can you clarify if savings estimates provided are based on the full contract year or just the portion of the contract year if a mid contract year adjustment. For example, if a program change was implemented 4/1 with savings of $1 million from 4/1 through 9/30, are the savings shown as $1 million for the entire contract year or will the savings stated be roughly $2 million?	Section B numbers are stated as a full year of savings although most of the numbers in Section B are on a PMPM basis and not a total dollar basis. In the example provided, if the total dollar savings were provided rather than a PMPM, the document would show a savings of $2 million.

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16.	Section C – Rate Setting Document	Historical Program and Fee Schedule Changes	4	This section indicates that "the base data was adjusted for historical program and fee schedule changes". Does this mean that adjustments were made to reflected current AHCCCS fee schedule levels, or only to reflect the changes in levels over time?	The base data, which is historical encounter data (i.e. data books), was adjusted for historical AHCCCS fee schedule changes to get the data to the current AHCCCS fee schedule levels.
17.	Section C – Rate Setting Document	Capitation Rates and Components Set by AHCCCS	5	Will AHCCCS adjust the final 10/1/2013 capitation rates to reflect the change in the third party recovery period?	Prior to 10/1/2013 AHCCCS will review and determine if the awarded rates need to be adjusted for any material changes including the third party recovery period.
18.	Section C – Rate setting document	1	2	In the absence of lag triangles, please describe the methodology used to develop completion factors in the development of the rate ranges and provide lag triangles for the periods under consideration by form type and GSA.	No additional information will be provided.
19.	Section C – Rate setting document	4	1	Please provide justification for weighting the partial CYE2012 experience equally with full contract year data from earlier contract periods.	AHCCCS reviewed multiple methods of weighting the adjusted base year data and for most risk groups/GSAs the results were very similar for all methods. Including the CYE12 data equally helps reduce uncertainty regarding the impact of the 25 day limit since CYE12 was the first year for that program change. Including the most recent data also reduces the number of months that would be included in a trend based on older data. And while CYE09 data is fairly old, it is complete. Overall the base would be lower if CYE09 were excluded.

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20.	Section C – Rate setting document	4	1	Please provide justification for weighting older historical periods (CYE2009 and CYE2010) equally with the most recent full contract period data (CYE2011).	AHCCCS reviewed multiple methods of weighting the adjusted base year data and for most risk groups/GSAs the results were very similar for all methods. Including the CYE12 data equally helps reduce uncertainty regarding the impact of the 25 day limit since CYE12 was the first year for that program change. Including the most recent data also reduces the number of months that would be included in a trend based on older data. And while CYE09 data is fairly old, it is complete. Overall the base would be lower if CYE09 were excluded.
21.	Section C – Rate setting document	4	4	Did AHCCCS adjust historical data for program and fee schedule changes in the delivery supplement category of the bid?	Yes, AHCCCS adjusted historical data for program and fee schedule changes for all risk groups including delivery supplement. For simplicity sake, AHCCCS assumed the same program changes that impacted the TANF 14-44 F risk group would also impact the Delivery Supplement rates for the following categories of service (COS): Hospital Inpatient, Physician, Other Professional and Transportation.
22.	Section C – Rate setting document	4	4	If historical data was adjusted for program and fee schedule changes, please provide the adjustment amounts on a per-delivery basis	For simplicity sake, the TANF 14-44 F risk group PMPM program change impacts were applied to the delivery supplement per delivery per month rates. The fee schedule changes were left as percentage adjustments impacting the unit cost similar to all other risk groups. No additional information will be provided.
23.	Section C – Rate setting document	4	4	Were any of the PMPM adjustments provided in Section B of the Data Supplement recalculated based on actual historical experience in development of the rate ranges?	No, none of the PMPM adjustments provided in Section B of the Data Supplement were recalculated based on actual historical experience.

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24.	Section C – Rate setting document	4	4	If any of the PMPM adjustments in Section B of the Data Supplement were recalculated based on actual historical experience, please provide the revised assumptions.	Not applicable.
25.	Section C – Rate setting document	4	4	On what summary level were base trends and projection trends applied in development of the rate ranges. For example, was each combination of GSA and category of aid given a trend assumption, were regional trends applied separately from trends for each Category of Aid, was there a single trend applied across all GSAs and all categories of aid, etc.?	In general, trends were developed and applied based on COS, by GSA and by risk group. All trends had thresholds applied to exclude abnormally high positive or negative trends. The thresholds for the negative trends were set fairly low to allow only small negative trends to continue. If a risk group within a GSA did not have enough credibility, the trends were blended with statewide trends.
26.	Section C – Rate setting document	5	5	As a point of clarification, the rate setting document states that the offeror should not consider risk contingency or premium tax in the bid; does this mean that risk contingency and premium taxes are not considered in the actuarial sound rate ranges?	Correct. The rate ranges are only for the medical component and do not contain risk contingency or premium tax components.
27.	Section C – Rate setting document	5	5	Are there any other items (similar to premium task or risk contingency), which would commonly be included in capitation rate calculations, that should not be included in the calculation of the offeror's bid rates?	As stated in the RFP, Section H, Instructions to Offerors, "Offerors will submit a gross medical component PMPM bid for each risk group by GSA. Neither reinsurance offsets nor capitation withheld for payment reform initiatives should be considered in the medical component bid."
28.	Section C – Rate setting document	6	4	Please provide the thresholds used for abnormally high or low utilization or cost trends in the rate development process.	No additional information will be provided.

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29.	Section C Data Book Information Rate Setting Doc	Paragraph 4	1	Please provide support for giving equal weight to all four years of data. In your response, please address the following concerns: • Using CYE09 introduces uncertainty due to the number of program adjustment estimates required for normalization and 5 years of trend. • Given the relatively large completion factors, using CYE12 also introduces uncertainty.	AHCCCS reviewed multiple methods of weighting the adjusted base year data and for most risk groups/GSAs the results were very similar for all methods. Including the CYE12 data equally helps reduce uncertainty regarding the impact of the 25 day limit since CYE12 was the first year for that program change. Including the most recent data also reduces the number of months that would be included in a trend based on older data. And while CYE09 data is fairly old, it is complete. Overall the base would be lower if CYE09 were excluded.
30.	Section C Data Book Information Rate Setting Doc	Paragraph 5	4	The Rate Setting Doc states: "Please note that the SSIW category was not adjusted for most fee schedule changes…" Please list the fee schedule changes that were applied to the SSIW category.	Categories for SSIW that had AHCCCS fee schedule adjustments applied were: Dental, Transportation and Nursing Facility and Home Health.
31.	Section C Data Book Information Rate Setting Doc	Paragraph 5	4	Which program changes did AHCCCS apply to the delivery supplement payment ranges?	For simplicity sake, AHCCCS assumed the same program changes that impacted the TANF 14-44 F risk group would also impact the Delivery Supplement rates for the following categories of service (COS): Hospital Inpatient, Physician, Other Professional and Transportation.
32.	Section C Data Book Information Rate Setting Doc	Paragraph 6	4	We recognize that you will not be providing the trend factors applied but can you state whether the trend factors vary by the CYE to which they are applied or is one set of factors used and applied to all CYEs?	One set of trend factors are applied to the adjusted base data. The adjusted base data is a blend of all contract years.
33.	Section C Data Book Information Rate Setting Doc	Paragraph 6	4	Similarly can you state if negative trends are applied?	Negative trends were allowed, but they were capped at a lower limit (thus not allowing large negative trends) than the cap on positive trends.

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34.	Section C Data Book Information Rate Setting Doc	Paragraph 6	4	If negative trend factors were used in the development of the rate ranges, please provide justification as to why AHCCCS believes negative trends are reasonable and sustainable.	AHCCCS did not allow large unsustainable negative trends to continue, but did feel it was reasonable to allow for some small negative trends to continue. After factoring in historical reimbursement (AHCCCS fee schedule changes) and program changes, negative trends by COS are reasonable in the short term due to changes in enrollment or service mix (e.g. reduced readmission rates, improved ER steerage).