



**CONTRACT YEAR ENDING 2018
ARIZONA LONG TERM CARE SYSTEM
DEPARTMENT OF ECONOMIC
SECURITY/DIVISION OF
DEVELOPMENTAL DISABILITIES
CAPITATION RATE CERTIFICATION**

**JULY 1, 2017 THROUGH JUNE 30,
2018**

April 5, 2017



Table of Contents

Introduction	1
Section I Medicaid Managed Care Rates	2
1. General Information	3
A. Rating Period	3
B. Rate Certification Documentation	3
C. Rate Certification Index	3
D. Rate Certification Items	3
i. Letter from Certifying Actuary	3
ii. Final and Certified Capitation Rates	3
iii. Final and Certified Capitation Rate Ranges	3
iv. Program Information	3
(a) Summary of Program	3
(b) Rating Period	4
(c) Covered Populations	4
(d) Eligibility and Enrollment Criteria	4
(e) Covered Services	5
2. Data	6
A. Data Used to Develop Capitation Rates	6
i. Description of the Data	6
(a) Types of Data	6
(b) Time Periods of Data	6
(c) Sources of Data	7
(d) Sub-capitated Data	7
ii. Quality and Availability of the Data	7
(a) Validation of Data	7
i. Completeness of Data	7
ii. Accuracy of Data	7
iii. Consistency of Data	7
(b) Actuary’s Assessment of the Data	8
(c) Actuary’s Concern with the Data	8
iii. Using Data Other Than Fee-for-Service or Encounters	8

Contract Year Ending 2018

Arizona Long Term Care System Department of Economic Security/Division of Developmental Disabilities
Capitation Rate Certification

iv.	Explanation of Using Data Other Than Fee-for-Service or Encounters	8
v.	Reliance or Use of a Data Book	8
B.	Data Adjustments	9
i.	Credibility	9
ii.	Completeness	9
iii.	Errors.....	9
iv.	Program and Reimbursement Changes	9
v.	Exclusions	9
3.	Projected Benefit Costs and Trends.....	10
A.	Compliance with 42 CFR 438.4(b)(6)	10
B.	Rate Development Standards and Federal Medical Assistance Percentage.....	10
C.	Development of Projected Benefit Costs.....	10
i.	Data, Assumptions, and Methodologies.....	10
ii.	Material changes	10
D.	Projected Benefit Cost Trends.....	10
i.	Descriptions.....	10
(a)	Data and Assumptions	10
(b)	Methodologies	11
(c)	Trend Comparisons.....	11
ii.	Projected Benefit Cost Trends by Component	11
(a)	Components of Trend	11
iv.	Changes in Price.....	11
v.	Changes in Utilization	12
(b)	Description and Justification of Other Methods	12
(c)	Other Trend Components	12
iii.	Variations in Trend	12
(a)	By Medicaid Population	12
(b)	By Rate Cell.....	12
(c)	By Category of Service	12
iv.	Any Other Material Adjustments	12
v.	Any Other Adjustments.....	12
(a)	Managed Care Impacts	12

(b) Changes Outside of Utilization and Unit Cost	12
E. Parity Standards of the Mental Health Parity and Addiction Equity Act	12
F. In-Lieu-Of Services	13
G. Institution for Mental Disease Payments.....	13
H. Retrospective Eligibility Periods	13
i. Managed Care Plan Responsibility	13
ii. Claims Data Included in Base Data	13
iii. Enrollment Data Included in Base Data	13
iv. Adjustments, Assumptions, and Methodology	13
I. Final Projected Benefit Costs	13
J. Impact of Projected Costs	13
i. Covered Benefit Changes.....	13
ii. Provider Payments.....	13
iii. Applicable Waiver Changes.....	14
iv. Applicable Litigation Impacts	14
K. Documentation of Material and Non-Material Changes	14
4. Pass-Through and Supplemental Payments.....	15
5. Projected Non-Benefit Costs	16
A. Rate Development Standards and Federal Medical Assistance Percentage.....	16
B. Description of the Projected Non-Benefit Costs	16
i. Data, Assumptions, and Methodology	16
ii. Material Changes.....	16
C. Projected Non-Benefit Costs Categories.....	16
i. Administrative Costs	16
ii. Care Coordination and Care Management	16
iii. Provision for Margin	17
iv. Taxes, Fees, and Assessments	17
v. Other Material Non-Benefit Costs	17
D. Non-Benefit Cost Development	17
E. Health Insurance Providers Fee.....	17
F. Moratorium on Health Insurance Provider Fee	17
6. Rate Range Development	18

Contract Year Ending 2018

Arizona Long Term Care System Department of Economic Security/Division of Developmental Disabilities

Capitation Rate Certification

7.	Risk Mitigation, Incentives and Related Contractual Provisions	19
A.	Descriptions.....	19
B.	Risk Adjustment Model and Methodology	19
C.	Acuity Adjustment	19
D.	Other Risk-Sharing Arrangements	19
E.	Medical Loss Ratio Requirements	19
i.	Methodology to Calculate Medical Loss Ratio	20
ii.	Medical Loss Ratio Consequences	20
F.	Reinsurance Requirements	20
G.	Incentive Arrangements.....	20
H.	Withhold Arrangements	20
8.	Other Rate Development Considerations	21
A.	Differences in Federal Medical Assistance Percentage	21
B.	Rate Development Standards and Federal Medical Assistance Percentage.....	21
C.	Effective Dates of Changes.....	21
D.	Generally Accepted Actuarial Principles and Practices.....	21
i.	Reasonable, Appropriate, and Attainable Costs.....	21
ii.	Rate Setting Process	21
iii.	Contracted Rates	21
9.	Procedures for Rate Certifications for Rate and Contract Amendments	22
A.	CMS Rate Certification Requirement for Rate Change	22
B.	CMS Rate Certification Requirement for No Rate Change.....	22
C.	CMS Rate Certification Circumstances.....	22
D.	CMS Contract Amendment Requirement	22
	Section II Medicaid Managed Care Rates with Long-Term Services and Supports	23
1.	Managed Long-term Services and Supports	23
A.	Applicability of Section I.....	23
B.	MLTSS Documentation.....	23
(a)	Capitation Rate Structure.....	23
i.	Blended Capitation Rate	23
ii.	Non-Blended Capitation Rate.....	23
(b)	Data, Assumptions, Methodology to Develop Rates	23

C. Expected effect of MLTSS on Utilization and Unit Cost	23
D. Projected Non-Benefit Costs	23
E. Additional Information Considered	23
Section III New Adult Group Capitation Rates	24
Limitations	25
Appendix 1: Actuarial Certification	26
Appendix 2: Certified Capitation Rates	28
Appendix 3: Fiscal Impact Summary.....	29
Appendix 4: Unadjusted and Adjusted Data and Projected Benefit Costs	30
Appendix 5: Projected Benefit and Non-Benefit Costs.....	31

Introduction

This rate certification provides documentation on the development of the July 1, 2017 through June 30, 2018 (Contract Year Ending 2018 or CYE 18) capitation rates for the Arizona Long Term Care System (ALTCS) Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Program for compliance with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 (published May 6, 2016 and effective July 5, 2016). The structure of the rate certification follows the outline of the 2017 Medicaid Managed Care Rate Development Guide (2017 Guide) for rating periods starting between January 1, 2017 and June 30, 2017, released by Centers for Medicare & Medicaid Services (CMS). The Medicaid Managed Care Rate Development Guide for rating periods that begin on or after July 1, 2017 was not available at the time this rate certification was submitted to CMS. The structure of the rate certification follows the outline of the 2017 Guide in order to facilitate the CMS review of the rate development process.

Section I Medicaid Managed Care Rates

Section I of the 2017 Medicaid Managed Care Rate Development Guide is applicable to the ALTCS DES/DDD Program because the CYE 18 capitation rates for DES/DDD are subject to the applicable “actuarial soundness” provisions from 42 CFR § 438.4 of 81 FR 27497.

The capitation rates included with this rate certification are considered “actuarially sound” according to the following criteria from 42 CFR § 438.4 of 81 FR 27497:

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
 - § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
 - § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
 - § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
 - § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
 - § 438.4(7) Meet any applicable special contract provisions as specified in § 438.6.
 - § 438.4(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term “actuarially sound” is defined in ASOP 49 as:

“Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

1. General Information

This section provides documentation for the General Information section of the 2017 Guide.

A. Rating Period

The CYE 18 capitation rates for DES/DDD are effective for the twelve month time period from July 1, 2017 through June 30, 2018.

B. Rate Certification Documentation

This rate certification documents the data, assumptions, and methodologies used to develop the CYE 18 capitation rates for DES/DDD.

C. Rate Certification Index

The table of contents that follows the cover page within this rate certification serves as the index. The table of contents includes the relevant section numbers from the 2017 Guide. Sections from the 2017 Guide that are not applicable to the CYE 18 capitation rates DES/DDD have still been included in this rate certification. This was done to demonstrate completeness with the 2017 Guide.

D. Rate Certification Items

i. Letter from Certifying Actuary

The actuarial certification letter for the CYE 18 capitation rates for the ALTCS DES/DDD Program, signed by Matthew C. Varitek, FSA, MAAA, is in Appendix 1. Mr. Varitek meets the requirements for the definition of an Actuary described at 42 CFR § 438.2 of 81 FR 27497 and is provided below for reference.

42 CFR § 438.2 of 81 FR 27497: *Actuary* means an individual who meets the qualification standards established by the American Academy of Actuaries for an actuary and follows the practice standards established by the Actuarial Standards Board. In this part, Actuary refers to an individual who is acting on behalf of the State when used in reference to the development and certification of capitation rates.

Mr. Varitek certifies that the CYE 18 capitation rates for the ALTCS DES/DDD Program contained in this rate certification are “actuarially sound” and meet the standards within the applicable provisions of 42 CFR § 438.4 of 81 FR 27497.

ii. Final and Certified Capitation Rates

The certified capitation rates by rate cell are located in Appendix 2.

iii. Final and Certified Capitation Rate Ranges

This is not applicable because rate ranges were not developed for the CYE 18 capitation rates for DES/DDD.

iv. Program Information

(a) Summary of Program

DES/DDD has been the health plan for individuals with developmental disabilities (DD) since the late 1980s. The Arizona Long-Term Care System (ALTCS) for consumers with

Developmental Disabilities serves Arizonans who meet both the financial eligibility requirements and have one of the following developmental disabilities: cerebral palsy, epilepsy, autism, or a cognitive disability.

DES/DDD operates on a statewide basis with two rate cells. The ALTCS DES/DDD contract uses the term risk group instead of rate cell. This rate certification will use the term rate cell to be consistent with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 and the 2017 Guide.

The first rate cell (regular DDD capitation rate) includes the costs of providing long-term care and physical health (i.e. Acute) covered services for DD members. The Acute rate component (including the Acute reinsurance offset and administrative expenses for the Acute sub-contractors) of the regular DDD capitation rate will not be rebased or updated for this certification. These rates will be reviewed for an October 1, 2017 effective date and updated as appropriate.

The second rate cell (Targeted Case Management (TCM)) includes the costs of providing case management services for members who have a DD diagnosis and meet the financial eligibility of Title XIX or Title XXI programs, but do not meet the functional requirements of Arizona Long Term Care Services.

(b) Rating Period

The CYE 18 capitation rates for DES/DDD are effective for the twelve month time period from July 1, 2017 through June 30, 2018.

(c) Covered Populations

The populations covered under DES/DDD are individuals with a qualifying developmental disability.

Additional information regarding covered populations can be found in the Enrollment and Disenrollment section of the ALTCS DES/DDD contract.

(d) Eligibility and Enrollment Criteria

DES/DDD determines eligibility for ALTCS/DD services through four diagnoses: cerebral palsy, epilepsy, autism, or a cognitive disability.

There are 3 types of DDD eligibility.

Members who are DDD State Only receive Support Coordination and direct services based on assessed need and availability of state funds. Members in this category have the right to choose the type of contact, as applicable. These members are not eligible for Targeted Case Management or ALTCS, and are not considered in this rate certification.

Members who are Targeted Case Management are eligible for Title XIX or Title XXI acute care services including Early Periodic Screening Diagnosis and Treatment (EPSDT), but do not meet the functional requirements of ALTCS. Members in this category receive Support Coordination.

Members who are ALTCS eligible receive Support Coordination and direct services based on assessed need including medical necessity and cost effectiveness, and acute services

including EPSDT. Members eligible for ALTCS have choice with regards to which DES/DDD sub-contracted Acute health plan they wish to enroll in.

(e) Covered Services

The following is a general description of services covered under the ALTCS DES/DDD Program. Additional information regarding covered services can be found in the Scope of Services section of the ALTCS DES/DDD contract.

Services covered by DES/DDD include long-term care services, physical health services (excluding specialty care for children who have a CRS-qualifying condition as those services are provided by the Children’s Rehabilitative Services (CRS) Contractor); limited behavioral health services (i.e. treatment for ADHD, anxiety and depression when provided by the member’s primary care physician); and TCM for those members who do not meet the functional requirements for ALTCS services.

ALTCS DES/DDD members receive behavioral health services through a Regional Behavioral Health Authority (RBHA), or for American Indians, through a Tribal Regional Behavioral Health Authority (TRBHA) or an Indian Health Services (IHS) provider, or a 638 Tribal Facility. Expenses for behavioral health services are included in the capitation rates for the RBHA Program or CRS Program and paid fee-for-service for TRBHAs, IHS providers, and 638 Tribal Facilities. Therefore, most behavioral health services are excluded from DDD. Additional information regarding the excluded behavioral health services, along with the coordination of behavioral health services for ALTCS DES/DDD enrolled members, can be found in the Behavioral Health Services section of the ALTCS DES/DDD contract.

2. Data

This section provides documentation for the Data section of the 2017 Guide.

A. Data Used to Develop Capitation Rates

i. Description of the Data

(a) Types of Data

The types of data that AHCCCS relied upon for developing the CYE 18 capitation rates for the DES/DDD program were:

- Adjudicated and approved encounter data submitted by DES/DDD;
- Historical and projected enrollment data for DES/DDD members and TCM members;
- Supplemental nursing facility (NF) and home and community based services (HCBS) expenses provided by the DES/DDD program;
- Quarterly and annual financial statements submitted by DES/DDD;
- Actual share of cost (SOC) payment data for DES/DDD members from the PMMIS Mainframe;
- Historical targeted case management expenses provided by DES/DDD; and
- Historical and projected administrative and case management expenses from DES/DDD.

(b) Time Periods of Data

The encounter data serving as the base experience in the capitation rate development process was incurred during state fiscal year 2016 (July 1, 2015 to June 30, 2016) (SFY 16) and paid through January 2017. For the purposes of trend development and analyzing historical experience, AHCCCS also reviewed encounter data from SFY 14 (July 1, 2013 through June 30, 2014, paid through January 2017) and SFY 15 (July 1, 2014 through June 30, 2015, paid through January 2017).

The historical enrollment data for DES/DDD and TCM members aligned with the encounter data time periods of SFY 14, SFY 15, and SFY 16. The projected enrollment data for CYE 18 was provided by the AHCCCS Division of Business and Finance (DBF).

The supplemental NF and HCBS expense data provided were for actual expenses from July 1, 2014 through December 31, 2016. Prior year data is available and has also been provided. The data serving as the base experience in the capitation rate development was for SFY 16. SFY 14 and SFY 15 were used for trend development.

The financial statement data reviewed as part of the rate development process included financial statements for the SFY 14, SFY 15, and SFY 16 time periods.

The base period for SOC component was SFY 16 SOC member and payment data.

The historical TCM expenses were from July 1, 2014 through December 31, 2016.

The historical administration and case management expense data were from SFY 15 and SFY 16 and the projected expenses for administration and case management were for SFY 17 and SFY 18.

(c) Sources of Data

The enrollment and encounter data were provided from the AHCCCS PMMIS mainframe. The financial statement data were provided by the AHCCCS finance team. The supplemental NF and HCBS expense data, TCM data, administration and case management data was provided by DES/DDD.

(d) Sub-capitated Data

For the LTC services (NF/HCBS), DES/DDD does not use sub-capitated arrangements. The program utilizes staff models for the Arizona Training Program Coolidge (ATPC), Institutional Care Facility/Individuals with Intellectual Disabilities (ICF/IID), and State Operated Group Homes (SOGH) which account for approximately 3% of the LTC services and those services are reflected in the supplemental expense information from DES/DDD. DES/DDD Acute sub-contractors do have sub-capitated/block purchasing arrangements. The acute component of the DDD capitation rate is set on a 10/1 basis to correspond with the DES/DDD contract with their sub-contractors and is not being updated for this certification.

ii. Quality and Availability of the Data

(a) Validation of Data

Guidelines and formats for submitting individual encounters generally follow health insurance industry standards used by commercial insurance companies and Medicare; however some requirements are specific to the AHCCCS program. All encounter submissions are subject to translation and validation using standards and custom business rules (guidelines). Once translation has occurred and the encounters pass validation, they are passed to the PMMIS mainframe and are subject to approximately 500 claims type edits resulting in the approval, denial or pend of each encounter.

i. Completeness of Data

AHCCCS performs encounter data validation studies, as required to meet the Special Terms and Conditions of AHCCCS' 1115 Waiver from CMS, to evaluate the completeness, accuracy, and timeliness of the collected encounter data on at least an annual basis.

ii. Accuracy of Data

AHCCCS has an additional encounter process which ensures that each adjudicated and approved encounter contains a valid AHCCCS member ID for an individual who was enrolled on the date that the service was provided. The process also checks to ensure that each adjudicated and approved encounter is for a covered service under the state plan and contains the codes necessary to map it into one of the categories of service used in the rate development process.

iii. Consistency of Data

AHCCCS compared the encounter data for each SFY against the financial statement reports submitted by DES/DDD as shown in Table 1 below. AHCCCS did not adjust the

encounter data based on the review of the encounter data against the financial statement reports. No adjustments were made to the encounter or supplemental expense data based off of this comparison.

Table 1: Comparison of Encounter and Financial Data

	Institutional and HCBS Encounter and Supplemental Expense Data	Institutional and HCBS Financial Expenses	% Difference
SFY 16	\$ 869,643,469	\$ 873,954,451	-0.49%
SFY 15	\$ 814,584,419	\$ 815,964,004	-0.17%
SFY 14	\$ 772,978,817	\$ 769,631,107	0.43%

(b) Actuary’s Assessment of the Data

As required by ASOP No. 23, AHCCCS discloses that the rate development process has relied upon certain data and information provided by DES/DDD. The values presented in this letter are dependent upon this reliance.

AHCCCS has determined the SFY 16 encounter data, along with the NF and HCBS supplemental encounter data file, to be appropriate for the purposes of developing the CYE 18 capitation rates for the DES/DDD program.

(c) Actuary’s Concern with the Data

There were no concerns with the quality or accuracy of the data. Outside of the DES/DDD supplemental NF and HCBS data file, which is used to supplement encounters for staff model locations (ATPC, ICF/IID, and SOGHs) where the encounters are submitted with a paid amount equal to zero, it was determined that there are no outstanding encounter submission and processing issues.

iii. Using Data Other Than Fee-for-Service or Encounters

Encounter data was used to develop the CYE 18 capitation rates for the DES/DDD program.

iv. Explanation of Using Data Other Than Fee-for-Service or Encounters

This does not apply because encounter data was used to develop the CYE 18 capitation rates for the DES/DDD program.

v. Reliance or Use of a Data Book

The capitation rate development process relied primarily on data extracted from the AHCCCS PMMIS mainframe. The extracted data contained summarized enrollment data by month, and encounter data by month and category of service.

B. Data Adjustments

Capitation rates were developed from SFY 16 encounter data paid through January 2017, and from the SFY 16 NF and HCBS supplemental expense data. Adjustments to the base data include completion, reimbursement, program changes and trend.

i. Credibility

The SFY 14, SFY 15, and SFY 16 encounter data were determined by AHCCCS to be fully credible. No credibility adjustment was applied.

ii. Completeness

An adjustment was made to the encounter data to reflect the level of completion. AHCCCS calculated completion factors using the development method with monthly encounter data from July 1, 2013 through June 30, 2016, paid through January 2017. The monthly completion factors were applied to the encounter data on a monthly basis. The aggregated SFY 16 completion factors applied to each COS are shown in Appendix 4 rate build up.

iii. Errors

No errors were found in the data. Thus, no data adjustments were made for errors.

iv. Program and Reimbursement Changes

There were no historical program changes that impacted NF or HCBS services. There were historical reimbursement changes that occurred during SFY 14, SFY 15, and SFY 16 and thus the base data was adjusted. The changes are shown in Appendix 4.

v. Exclusions

No adjustments were made to the data for exclusions of certain payments or services.

3. Projected Benefit Costs and Trends

This section provides documentation for the Projected Benefit Costs and Trends section of the 2017 Guide.

A. Compliance with 42 CFR 438.4(b)(6)

The “actuarially sound” capitation rates comply with 42 CFR § 438.4(b)(6) of 81 FR 27497.

B. Rate Development Standards and Federal Medical Assistance Percentage

Variations in the assumptions used to develop the projected benefit costs for the covered populations were based on valid rate development standards and not based on the rate of Federal Medical Assistance Percentage (FMAP). The covered populations under the ALTCS DES/DDD program receive the regular FMAP. ALTCS DES/DDD program receives some Children’s Health Insurance Program (CHIP) funding for TCM for those Acute enrolled members who are TXXI.

C. Development of Projected Benefit Costs

i. Data, Assumptions, and Methodologies

The adjusted base data years described in Section 2(B) reflect assumed completion, benefits, program requirements, and provider reimbursement levels as of the date of the most recent change (January 1, 2017). The per-member-per-month (PMPM) expenditures for each category of service (COS) in the base year are trended forward to the midpoint of the effective period of the capitation rates by applying assumed annual utilization and unit cost trends for each COS.

As noted in Section 2.A, data from SFY 16 served as the base for projections to CYE 18, while data from prior years was used in development of trends and completion factors. The historical encounter data was summarized by SFY and COS.

There were no prospective program or reimbursement changes included in the CYE 18 capitation rates for the DES/DDD program.

ii. Material changes

No material changes have been made to the data, assumptions, and methodologies since the last rate certification. The development of the CYE 18 capitation rates for the DES/DDD program followed similar processes used during the last rate development process.

D. Projected Benefit Cost Trends

i. Descriptions

(a) Data and Assumptions

The adjusted encounter data and supplemental expense data by SFY and COS, and the enrollment data by SFY, were used to develop the utilization and unit cost trends assumed in projecting PMPM expenditures by COS for the rating period. No external sources were referenced.

(b) Methodologies

Annualized growth rates in utilization and unit costs by COS, observed over the three year data period, were the basis for trend assumptions by COS. Some COS observed negative trends in utilization and/or unit cost during that time frame. AHCCCS judged that those negative trends were not likely to continue, and applied a 0% floor to the utilization and unit cost trend assumption for each COS. An upper limit (set at 10%) was also applied to the PMPM trend to smooth out unreasonable trends. For this rate setting period, no COS hit that upper limit. The assumed trends in part ii and Appendix 4 below reflect the application of those limits to the historical trends.

(c) Trend Comparisons

Historical trends should not be used in a formulaic manner to determine future trends; actuarial judgment with consideration of external forces is also needed.

ii. Projected Benefit Cost Trends by Component

Table 2 and Appendix 4 contain the assumed trend rates by COS. The table includes both utilization and unit cost trends, as well as the combined PMPM trend.

Table 2: Assumed Trends by COS

Detail COS	Data Source	Annual Utilization Trend Rate	Annual Unit Cost Trend Rate	Annual PMPM Trend Rate
Institutional	Encounters	0.0%	1.1%	1.1%
ATPC, ICF/IID	DDD Supplemental Information	0.0%	0.0%	0.0%
Attendant Care	Encounters	3.2%	2.0%	5.3%
Respite	Encounters	0.0%	0.0%	0.0%
Hab Res Per Diem	Encounters	0.0%	0.7%	0.7%
Hab Res Per 15 mins	Encounters	0.7%	0.1%	0.8%
Day Treatment	Encounters	0.0%	0.0%	0.0%
Self Care Home	Encounters	0.0%	3.9%	3.9%
Therapy and Evals	Encounters	2.0%	1.6%	3.7%
Transportation	Encounters	1.5%	0.0%	1.5%
Nursing	Encounters	0.0%	5.3%	5.3%
Employment	Encounters	0.9%	1.5%	2.4%
Misc	Encounters	0.0%	9.7%	9.7%
SOGH	DDD Supplemental Information	0.1%	0.0%	0.1%

(a) Components of Trend

iv. Changes in Price

See Table 2 for the assumed annualized growth in unit costs.

v. Changes in Utilization

See Table 2 for the assumed annualized growth in utilization.

(b) Description and Justification of Other Methods

No other methods for developing trend assumptions were used or considered.

(c) Other Trend Components

No other components to the annualized trend assumptions provided in Table 2 are included in the capitation rates.

iii. Variations in Trend

(a) By Medicaid Population

Trend rates by COS were developed for all of the DES/DDD members. No further stratification of experience applied to trend development or projections for the rating period.

(b) By Rate Cell

The TCM rate cell is not based off of service expenses and is only related to case management expenses thus the only rate cell impacted by the trends discussed above is the regular DDD capitation rate cell.

(c) By Category of Service

AHCCCS developed trends by COS.

iv. Any Other Material Adjustments

No other material adjustments were made to the trend assumptions.

v. Any Other Adjustments

No other adjustments were made to the trend assumptions.

(a) Managed Care Impacts

The DES/DDD program operates as managed care, thus no adjustment to the data was needed.

(b) Changes Outside of Utilization and Unit Cost

AHCCCS did not adjust the trend assumptions for changes other than utilization and unit cost.

E. Parity Standards of the Mental Health Parity and Addiction Equity Act

AHCCCS is currently reviewing health plan contracts across all programs to ensure compliance is met with the Mental Health Parity and Addiction Equity Act (MHPAEA) requirements that are effective October 1, 2017. These reviews are expected to be completed during the summer of 2017, at which time AHCCCS will determine if additional services will be added to the health plan contracts to ensure compliance with the MHPAEA.

F. In-Lieu-Of Services

This is not applicable because in-lieu-of services, as defined in 42 CFR § 438.3(e)(2) of 81 FR 27497, were not used in developing the CYE 18 capitation rates for DES/DDD program.

G. Institution for Mental Disease Payments

This is not applicable because institution for mental disease (IMD) payments in accordance with 42 CFR § 438.6(e) of 81 FR 27497 are for enrollees aged 21 to 64. There was no utilization of IMDs for enrollees aged 21 to 64 in the SFY 16 encounter data used for the rebase of the capitation rate.

H. Retrospective Eligibility Periods

i. Managed Care Plan Responsibility

It is the responsibility of DES/DDD to pay all claims for covered services incurred by members in the timeframe between the effective date of eligibility and the date a member is enrolled with DES/DDD.

ii. Claims Data Included in Base Data

Encounters delivered during the prior period coverage (PPC) timeframe for each member are included in the base encounter data used for setting the capitation rates.

iii. Enrollment Data Included in Base Data

Member months during the PPC timeframe are included in the base enrollment data used for setting the capitation rates.

iv. Adjustments, Assumptions, and Methodology

Due to limited number of members in the PPC time frame, a separate PPC capitation rate was not developed and all covered expenses and member months are included in the regular DDD capitation rate cell.

I. Final Projected Benefit Costs

Appendix 4 contains the SFY 18 projected gross medical expenses PMPM by COS for the regular DDD rate cell.

J. Impact of Projected Costs

This section covers material changes to the covered benefits or services since the last rate certification. The last rate certification for the DES/DDD program was an update to the January 1, 2017 through June 30, 2017 capitation rates to reflect Prop 206 minimum wage impacts that were effective January 1, 2017 and were not known at the time the original rate certification was submitted to CMS.

i. Covered Benefit Changes

There were no material changes since the last rate certification related to changes in covered benefits.

ii. Provider Payments

There were no material changes since the last rate certification related to provider payments.

iii. Applicable Waiver Changes

There were no material changes since the last rate certification related to waiver requirements.

iv. Applicable Litigation Impacts

There were no material changes since the last rate certification related to litigation requirements.

K. Documentation of Material and Non-Material Changes

Per 42 CFR § 438.7(b)(4) of 81 FR 27497, all material and non-material adjustments related to the projected benefit costs and trends have been described.

4. Pass-Through and Supplemental Payments

This is not applicable because pass-through payments, as defined in 42 CFR § 438.6(a) of 81 FR 27497, were not developed for the CYE 18 capitation rates for the DES/DDD program.

Supplemental payments are not applicable because fee-for-service data were not used in developing the CYE 18 capitation rates for the DES/DDD program.

5. Projected Non-Benefit Costs

This section provides documentation for the Projected Non-Benefit Costs section of the 2017 Guide.

A. Rate Development Standards and Federal Medical Assistance Percentage

Variations in the assumptions used to develop the projected benefit costs for the covered populations were based on valid rate development standards and not based on the rate of FMAP. The covered populations under the ALTCS DES/DDD program receive the regular FMAP. ALTCS DES/DDD program receives some CHIP funding for TCM for those Acute enrolled members who are TXXI.

B. Description of the Projected Non-Benefit Costs

i. Data, Assumptions, and Methodology

The administrative expenses are not developed using a ground up approach based upon fixed and variable cost allocations. Instead, DES/DDD provides AHCCCS with a detailed administrative expense request for funding. The administrative expense request typically includes the two most recent contract years of administrative expense data and a projection of the administrative expenses for the upcoming rating period. These administrative expense requests are reviewed by AHCCCS for reasonableness by comparing against the financial statements submitted by DES/DDD and against previous administrative expense requests. Once the reports are determined to be reasonable by AHCCCS, an administrative expense PMPM is calculated using the appropriate projected member months for the contract year.

The projected case management expenses are reviewed by AHCCCS for reasonableness by comparing against the financial statements submitted by DES/DDD, against previous case management expense requests, and discussions with DES/DDD. Once the projected case management expenses are determined to be reasonable by AHCCCS, a case management expense PMPM is calculated using the appropriate projected member months for the contract year.

The TCM expense PMPMs were developed by reviewing supplemental TCM cost information for the TCM population provided by DES/DDD and projecting that forward per discussions with DES/DDD.

ii. Material Changes

There were no material changes.

C. Projected Non-Benefit Costs Categories

i. Administrative Costs

DES/DDD provides actual and projected administrative expenses in the categories described above in part B.i. of this section.

ii. Care Coordination and Care Management

DES/DDD provides care coordination and care management (i.e. case management) as described above in part B.i. of this section.

iii. Provision for Margin

The CYE 18 capitation rate for the DES/DDD program includes a provision of 1% for margin (i.e. risk contingency).

iv. Taxes, Fees, and Assessments

The CYE 18 capitation rates for the DES/DDD program include a provision for premium tax of 2.0% of capitation. No other taxes, fees, or assessments are applicable for this filing.

v. Other Material Non-Benefit Costs

No other material or non-material non-benefit costs are reflected in the CYE 18 capitation rates for the DES/DDD program.

D. Non-Benefit Cost Development

As described in B.ii of this section, the administrative expenses and case management expenses were developed as a PMPM for the CYE 18 capitation rates for the DES/DDD program. Appendix 5 shows the administrative and case management expenses on a PMPM basis.

E. Health Insurance Providers Fee

AHCCCS will not be adjusting the capitation rates for the Health Insurance Providers Fee (HIPF) at this time. The HIPF is addressed by AHCCCS each year in a separate certification specific to the program and year.

F. Moratorium on Health Insurance Provider Fee

The rating period this certification covers is not subject to the moratorium on HIPF. The moratorium on HIPF is applicable to calendar year 2016 net premiums, and the rating period covered by this certification will affect calendar year 2017 and calendar year 2018.

6. Rate Range Development

This is not applicable because rate ranges were not developed for the CYE 18 capitation rates for DES/DDD.

7. Risk Mitigation, Incentives and Related Contractual Provisions

This section provides documentation for the Risk Mitigation, Incentives, and Related Contractual Provisions section of the 2017 Guide.

A. Descriptions

The CYE 18 contract for DES/DDD includes two medical loss ratio (MLR) arrangements and a reinsurance requirement. These contractual provisions are described in the applicable sections of this rate certification.

B. Risk Adjustment Model and Methodology

This is not applicable because risk adjustment, as defined in 42 CFR § 438.5(a) of 81 FR 27497, was not used for developing the CYE 18 capitation rates for DES/DDD.

C. Acuity Adjustment

This is not applicable because an acuity adjustment was not developed for the CYE 18 capitation rates for DES/DDD.

D. Other Risk-Sharing Arrangements

This is not applicable because there are no other risk-sharing arrangements in place for the CYE 18 capitation rates for the DES/DDD program.

E. Medical Loss Ratio Requirements

There are two MLR arrangements included with the CYE 18 the ALTCS DES/DDD contract. The first MLR is the AHCCCS MLR, which is called the medical expense ratio in the ALTCS DES/DDD contract. The second MLR is the MLR that is required for rates effective on or after July 1, 2017 and described in 42 CFR § 438.8 of 81 FR 27497. Both of these are further described below.

The AHCCCS MLR is included in the ALTCS DES/DDD contract and includes a MLR standard of at least 85%. DES/DDD must comply with the MLR established by AHCCCS. The MLR is reviewed by AHCCCS on a quarterly basis to monitor the financial health of DES/DDD. The ALTCS DES/DDD contract uses the term medical expense ratio instead of MLR. This rate certification will use the term MLR to be consistent with the applicable provisions of 42 CFR Part 438 of 81 FR 274972017 and the 2017 Guide. Additional information regarding the AHCCCS MLR can be found in the Financial Viability Standards section of the ALTCS DES/DDD contract.

Regarding the MLR requirement described in 42 CFR § 438.8 of 81 FR 27497 and the State oversight of the MLR requirement described in 42 CFR § 438.74 of 81 FR 27497, both of these requirements became effective for contracts effective on and after July 1, 2017. Thus, the CYE 18 capitation rates for DES/DDD align with the first reporting year of the MLR. Therefore, regarding the requirements in 42 CFR § 438.74(a) of 81 FR 27497 that rate certifications include a summary description of MLR reports received, this rate certification will include an overview what AHCCCS will include in the ALTCS DES/DDD contract given that no reporting has yet occurred.

AHCCCS will be implementing contract language into the ALTCS DES/DDD contract for compliance with the reporting of the MLR described in 42 CFR § 438.8 of 81 FR 27497 that will:

- Require calculation and reporting of the MLR.

- Mandate a minimum MLR of 85%.
- Create a team to determine the activities that will be considered as health care quality improvement.
- Set the MLR calculation in aggregate, but this may change in future years.
- Not require a remittance if the MLR is under 85%.
- Set the reporting requirements at a minimum to those described in 42 CFR § 438.8(k) of 81 FR 27497 and will determine if additional information is required.
- Determine the time period of which the report will be due.
- Exclude a newly contracted health plan, which is current practice with the AHCCCS MLR.

i. Methodology to Calculate Medical Loss Ratio

The AHCCCS MLR is the ratio of the numerator (as defined in the ALTCS DES/DDD contract) to the denominator (as defined in the ALTCS DES/DDD contract). The numerator is equal to the total medical expenses less third-party liability payments (including case management). The denominator is equal to the total payments from AHCCCS less the premium tax.

ii. Medical Loss Ratio Consequences

Sanctions and/or additional monitoring may be imposed if DES/DDD does not meet the AHCCCS MLR requirements in the ALTCS DES/DDD contract.

F. Reinsurance Requirements

DES/DDD participates in the AHCCCS reinsurance program which is a stop-loss program provided by AHCCCS to the DES/DDD for the partial reimbursement of covered medical services incurred for a member beyond an annual deductible level. AHCCCS is self-insured for the reinsurance program which is characterized by an initial deductible level and a subsequent coinsurance percentage. The coinsurance percentage is the rate at which AHCCCS will reimburse DES/DDD for covered services incurred above the deductible. The deductible is the responsibility of DES/DDD. Additional information regarding the AHCCCS reinsurance program can be found in in the Reinsurance section of the ALTCS DES/DDD contract.

The capitation rates are adjusted by subtracting the reinsurance offset amounts from the gross medical expenses since DES/DDD will receive payment from AHCCCS for reinsurance cases. The data used for the reinsurance offset amounts are actual RI paid data. This component of the rate cell will be updated with an effective date of October 1, 2017 since it is part of the Acute component as described in section I.D.iv.a.

The development of the reinsurance requirement is consistent with general actuarial principles and practices.

G. Incentive Arrangements

This is not applicable because incentive arrangements, as defined in 42 CFR § 438.6(a) of 81 FR 27497, were not developed for the CYE 18 capitation rates for DES/DDD.

H. Withhold Arrangements

This is not applicable because withhold arrangements, as defined in 42 CFR § 438.6(a) of 81 FR 27497, were not developed for the CYE 18 capitation rates for DES/DDD.

8. Other Rate Development Considerations

This section provides documentation for the Other Rate Development Considerations section of the 2017 Guide.

A. Differences in Federal Medical Assistance Percentage

The covered populations under ALTCS DES/DDD receive the regular FMAP, which is currently 69.24% for the time period of January 1, 2017 through September 30, 2017.

The enhanced FMAP amounts for CHIP are not shown separately in this rate certification because CHIP is only applicable to the TCM rate cell and AHCCCS is currently reviewing TCM members and processes to determine enhancements that may be necessary.

The enhanced FMAP for family planning services is currently 90%. Family planning services are a covered service listed in the ALTCS DES/DDD contract. The enhanced FMAP for family planning services are not shown separately in this rate certification because of current encounter and financial report coding processes that places family planning services in other categories of service. AHCCCS is currently reviewing current encounter and financial report coding processes in order to determine enhancements that any family planning services being utilized by DES/DDD members can be identified separately for the purposes of capitation rate development and rate certification documentation.

B. Rate Development Standards and Federal Medical Assistance Percentage

Proposed differences among the CYE 18 capitation rates for DES/DDD are based on valid rate development standards.

C. Effective Dates of Changes

The effective dates of changes to the ALTCS DES/DDD Program are consistent with the assumptions used to develop the CYE 18 capitation rates for DES/DDD.

D. Generally Accepted Actuarial Principles and Practices

i. Reasonable, Appropriate, and Attainable Costs

All adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate, and attainable costs and are included in this rate certification.

ii. Rate Setting Process

Adjustments are not made to the rates outside of the rate setting process described in this rate certification.

iii. Contracted Rates

The final contracted capitation rates should match the capitation rates included in this rate certification.

9. Procedures for Rate Certifications for Rate and Contract Amendments

This section provides documentation for the Procedures for Rate Certifications for Rate and Contract Amendments section of the 2017 Guide.

A. CMS Rate Certification Requirement for Rate Change

This is a new rate certification that documents the DES/DDD capitation rates will be changing effective July 1, 2017.

B. CMS Rate Certification Requirement for No Rate Change

This section is not applicable because the DES/DDD capitation rates will be changing effective July 1, 2017.

C. CMS Rate Certification Circumstances

This section is not applicable because rate ranges and risk scores were not developed for the CYE 18 capitation rates for DES/DDD.

D. CMS Contract Amendment Requirement

A contract amendment will be submitted to CMS to reflect the DES/DDD capitation rates changing effective July 1, 2017.

Section II Medicaid Managed Care Rates with Long-Term Services and Supports

Section II of the 2017 Medicaid Managed Care Rate Development Guide is applicable to the ALTCS DES/DDD Program because the CYE 18 capitation rates for DES/DDD are subject to the applicable “actuarial soundness” provisions from 42 CFR § 438.4 of 81 FR 27497 and the ALTCS DES/DDD Program includes managed long-term services and supports (MLTSS).

1. Managed Long-term Services and Supports

A. Applicability of Section I

The guidance from Section I of the 2017 Guide is applicable to Section II.

B. MLTSS Documentation

(a) Capitation Rate Structure

i. Blended Capitation Rate

The monthly capitation rate for each rate cell is developed as a blended rate payable for each enrolled member.

ii. Non-Blended Capitation Rate

This is not applicable because a member’s long-term care setting does not determine the capitation paid for that member.

(b) Data, Assumptions, Methodology to Develop Rates

The data, assumptions, and methodology to develop the MLTSS portion of the capitation rates, which includes Institutional and HCBS services, are described in Section I, parts 2 and 3, and demonstrated in Appendix 4.

C. Expected effect of MLTSS on Utilization and Unit Cost

The DES/DDD program operates as managed care. No data is available that would quantify the impacts of care management on utilization or unit costs.

D. Projected Non-Benefit Costs

The development of projected non-benefits costs is described in Section I, part 5.B of this certification.

E. Additional Information Considered

No additional information beyond the data sources described in Section I, part 2.A of this certification was considered.

Section III New Adult Group Capitation Rates

Section III of the 2017 Medicaid Managed Care Rate Development Guide is not applicable to the ALTCS DES/DDD program.

Limitations

The purpose of this rate certification is to demonstrate compliance with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 (published May 6, 2016 and effective July 5, 2016). This rate certification is intended to be sent to CMS for review and approval of the “actuarially sound” certified capitation rates contained herein. This rate certification may not be appropriate for any other purpose.

This rate certification may also be made available publicly on the AHCCCS website or distributed to other parties. If this rate certification is made available publicly on the AHCCCS website or to third parties, then this rate certification should be provided in its entirety. Any third party reviewing this rate certification should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 of 81 FR 27497 applicable to this rate certification, and generally accepted actuarial principles and practices.

The “actuarially sound” capitation rates represent projections of future events. Actual results may vary from the projections.

Appendix 1: Actuarial Certification

I, Matthew C. Varitek, 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 the Actuarial Standards Board.

The capitation rates included with this rate certification are considered “actuarially sound” according to the following criteria from 42 CFR § 438.4 of 81 FR 27497:

- § 438.4 (a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4 (b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
 - § 438.4 (b) (1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
 - § 438.4 (b) (2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
 - § 438.4 (b) (5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
 - § 438.4 (b) (6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
 - § 438.4 (b) (7) Meet any applicable special contract provisions as specified in § 438.6.
 - § 438.4(b) (8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term “actuarially sound” is defined in Actuarial Standard of Practice (ASOP) 49 as:

“Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

The data, assumptions, and methodologies use to develop the CYE 18 capitation rates for DES/DDD have been documented according to the guidelines established by CMS in the 2017 Guide. The CYE 18 capitation rates for DES/DDD are effective for the twelve month time period from July 1, 2017 through June 30, 2018.

The “actuarially sound” capitation rates are based on projections of future events. Actual results may vary from the projections. In developing the “actuarially sound” capitation rates, I have relied upon data and information provided by AHCCCS and ALTCS DES/DDD. I have relied upon AHCCCS and ALTCS DES/DDD for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness and consistency.

SIGNATURE ON FILE

April 5, 2017

Matthew C. Varitek

Date

Fellow, Society of Actuaries

Member, American Academy of Actuaries

Appendix 2: Certified Capitation Rates

Rate Cell	Projected CYE 18 Member Months	CYE 17 Capitation Rate ¹	CYE 18 Capitation Rate	Percentage Impact
Regular DDD	373,435	\$3,702.20	\$3,638.21	-1.73%
Targeted Case Management	58,603	\$151.59	\$160.11	5.62%

Notes:

1. The CYE 17 Capitation Rate represents the recently submitted CYE 17 capitation rate effective from January 1, 2017 through June 30, 2017.

Appendix 3: Fiscal Impact Summary

Rate Cell	Projected CYE 18 Member Months	CYE 17 Capitation Rate ¹	CYE 18 Capitation Rate	PMPM Change
Regular DDD	373,435	\$3,702.20	\$3,638.21	\$ (63.98)
Targeted Case Management	58,603	\$151.59	\$160.11	\$8.52

Rate Cell	CYE 17 Projected Expenditures	CYE 18 Projected Expenditures	Dollar Impact	Percentage Impact
Regular DDD	\$1,382,529,746	\$1,358,636,765	-\$23,892,981	-1.73%
Targeted Case Management	\$8,883,850	\$9,383,164	\$499,314	5.62%
Total	\$1,391,413,596	\$1,368,019,929	-\$23,393,667	-1.68%

Notes:

1. The CYE 17 Capitation Rate represents the recently submitted CYE 17 capitation rate effective from January 1, 2017 through June 30, 2017.

Appendix 4: Unadjusted and Adjusted Data and Projected Benefit Costs

Detail COS	Data Source	SFY 16 Unadjusted Base Data	Adjustments to Unadjusted Base Data to Bring to Current				Adjusted Base Data
			CFs	Reimbursement Changes	Program Changes	Prop 206 Min Wage Impact	
Institutional	Encounters	\$ 48.80	98.2%	1.0%	0.0%	\$ 1.44	\$ 51.63
ATPC, ICF/IID	DDD Supplemental Information	\$ 60.34	100.0%	0.0%	0.0%	\$ -	\$ 60.34
Total Institutional		\$ 109.13					\$ 111.97

Attendant Care	Encounters	\$ 233.30	99.6%	1.2%	0.0%	\$ 17.66	\$ 254.83
Respite	Encounters	\$ 261.47	99.6%	1.2%	0.0%	\$ 20.58	\$ 286.37
Hab Res Per Diem	Encounters	\$ 904.08	99.6%	1.0%	0.0%	\$ 54.18	\$ 971.36
Hab Res Per 15 mins	Encounters	\$ 279.96	99.6%	1.2%	0.0%	\$ 40.49	\$ 325.08
Day Treatment	Encounters	\$ 312.88	99.6%	1.0%	0.0%	\$ -	\$ 317.34
Self Care Home	Encounters	\$ 8.31	99.6%	1.0%	0.0%	\$ -	\$ 8.42
Therapy and Evals	Encounters	\$ 128.82	99.6%	1.7%	0.0%	\$ -	\$ 131.60
Transportation	Encounters	\$ 44.75	99.6%	3.7%	0.0%	\$ 3.25	\$ 49.84
Nursing	Encounters	\$ 123.58	99.6%	2.1%	0.0%	\$ -	\$ 126.72
Employment	Encounters	\$ 81.83	99.6%	1.1%	0.0%	\$ -	\$ 83.07
Misc	Encounters	\$ 0.89	99.6%	1.3%	0.0%	\$ 0.01	\$ 0.92
SOGH	DDD Supplemental Information	\$ 14.08	100.0%	0.0%	0.0%	\$ -	\$ 14.08
Total HCBS		\$ 2,393.95					\$ 2,569.63

Detail COS	Data Source	Adjusted Base Data	PMPM Trends	Prospective Changes		CYE 18 Projected Benefit Costs
				Reimbursement Changes	Program Changes	
Institutional	Encounters	\$ 51.63	1.1%	0.0%	0.0%	\$ 52.76
ATPC, ICF/IID	DDD Supplemental Information	\$ 60.34	0.0%	0.0%	0.0%	\$ 60.34
Total Institutional		\$ 111.97				\$ 113.10

Attendant Care	Encounters	\$ 254.83	5.3%	0.0%	0.0%	\$ 282.30
Respite	Encounters	\$ 286.37	0.0%	0.0%	0.0%	\$ 286.37
Hab Res Per Diem	Encounters	\$ 971.36	0.7%	0.0%	0.0%	\$ 985.35
Hab Res Per 15 mins	Encounters	\$ 325.08	0.8%	0.0%	0.0%	\$ 330.29
Day Treatment	Encounters	\$ 317.34	0.0%	0.0%	0.0%	\$ 317.34
Self Care Home	Encounters	\$ 8.42	3.9%	0.0%	0.0%	\$ 9.09
Therapy and Evals	Encounters	\$ 131.60	3.7%	0.0%	0.0%	\$ 141.43
Transportation	Encounters	\$ 49.84	1.5%	0.0%	0.0%	\$ 51.33
Nursing	Encounters	\$ 126.72	5.3%	0.0%	0.0%	\$ 140.45
Employment	Encounters	\$ 83.07	2.4%	0.0%	0.0%	\$ 87.12
Misc	Encounters	\$ 0.92	9.7%	0.0%	0.0%	\$ 1.10
SOGH	DDD Supplemental Information	\$ 14.08	0.1%	0.0%	0.0%	\$ 14.10
Total HCBS		\$ 2,569.63				\$ 2,646.27

Appendix 5: Projected Benefit and Non-Benefit Costs

DES/DDD Capitation Rate	CYE17 Capitation Rate PMPM ¹	CYE18 Capitation Rate PMPM	Percentage Impact
Claim Costs			
Institutional	\$113.91	\$113.10	-0.71%
Home and Community Based Services	\$2,696.80	\$2,646.27	-1.87%
Acute Services	\$426.21	\$426.21	0.00%
Total Claim Costs	\$3,236.92	\$3,185.59	-1.59%
Share of Cost	\$ (5.35)	\$(4.70)	-12.19%
Acute Services Reinsurance	\$ (21.19)	\$(21.19)	0.00%
Total Net Claim Costs	\$3,210.38	\$3,159.70	-1.58%
Non-Benefit Costs			
Case Management	\$175.75	\$170.74	-2.85%
Administration	\$207.90	\$201.45	-3.10%
Risk Contingency	\$34.13	\$33.56	-1.65%
Premium Tax	\$74.04	\$72.76	-1.73%
Total Non-Benefit Costs	\$491.81	\$478.51	-2.70%
DES/DDD Capitation Rate	\$3,702.20	\$3,638.21	-1.73%

Targeted Case Management (TCM)	CYE17 Capitation Rate PMPM ¹	CYE18 Capitation Rate PMPM	Percentage Impact
Non-Benefit Costs			
Case Management	\$148.56	\$156.91	5.62%
Premium Tax	\$3.03	\$3.20	5.62%
Targeted Case Management Rate	\$151.59	\$160.11	5.62%

Notes:

1. The CYE 17 Capitation Rate represents the recently submitted CYE 17 capitation rate effective from January 1, 2017 through June 30, 2017.