I. **Purpose**

The purpose of this actuarial memorandum is to demonstrate that the Children’s Rehabilitative Services (CRS) capitation rates for contract year ending 2016 (CYE 16: October 1, 2015 through September 30, 2016) were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) places an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. CYE 16 capitation rates do not include the fee at this time; that adjustment will be addressed in a retroactive capitation rate adjustment once the fees are known. Historical actuarial certifications for health insurer fee adjustment can be found on the AHCCCS website:

http://www.azahcccs.gov/commercial/ContractorResources/capitation/capitationrates.aspx#HIF

II. **General Program Information**

This certification covers the integrated CRS program. Effective October 1, 2013, AHCCCS integrated all services for most Acute Care program children with CRS conditions through one statewide CRS Contractor with the goals of improved member outcomes, reduced member confusion, improved care coordination, and streamlined administration. This model continues to qualify children for CRS based on particular diagnoses. At the same time, children with CRS conditions who are enrolled in the elderly and physically disabled long term care program, and who today have integrated acute, behavioral health and long term care services, began to receive their CRS related services through the Arizona Long Term Care System (ALTCS) Contractors.

There are four permutations of the program enrollment, hereafter called “coverage types” described below:

- A Fully Integrated member will receive acute care, behavioral health, and specialty care services for CRS conditions through the sole CRS Contractor.

- A Partially Integrated-BH member will receive behavioral health and specialty care services through the sole CRS Contractor. These members are typically enrolled with the ALTCS Developmentally Disabled (DD) or the Comprehensive Medical and Dental Program (CMDP) for their acute care services.

- A Partially Integrated-Acute member will receive acute care and specialty care services through the sole CRS Contractor. These members are typically American Indians receiving behavioral health services through a Tribal Regional Behavioral Health Authority (TRBHA).

- A CRS Only member will only receive specialty care services through the sole CRS Contractor. These members are typically enrolled in the American Indian Health Plan (AIHP), receiving acute care services in a fee-for-service environment, and receiving behavioral health services through a TRBHA.
The CYE 16 capitation rates were developed as a rebase of the previously submitted CYE 15 capitation rates. These capitation rates represent the twelve month contract period from October 1, 2015 through September 30, 2016. Due to one programmatic change (high acuity pediatric adjustor) that will be implemented with an effective date of January 1, 2016, this certification will cover two sets of capitation rates. One set will apply for the time frame from October 1, 2015 through December 31, 2015, and another set will apply from January 1, 2016 through September 30, 2016. The rate development process is the same for both sets of capitation rates except the latter set includes the impact of the high acuity pediatric adjustor.

III. Overview of Rate Setting Methodology

CYE 16 actuarially sound capitation rates were developed utilizing the steps outlined as follows:

1. Develop base period data (Section IV)
2. Develop trend factors (Section V)
3. Project CYE 16 gross medical expense estimates by coverage type (Section VI)
4. Adjust CYE 16 projected gross medical expense estimates for programmatic and provider fee schedule changes as applicable (Section VII)
5. Apply reinsurance offsets by coverage type (Section VIII)
6. Add provisions for non-benefit costs (Section IX)
7. Combine for final capitation rates (Section X)

IV. Base Period Data

The base period data consisted of historical CRS Integrated encounter and member month data by coverage type for the time period covered under the most recent Request for Proposal (RFP), October 1, 2013 through September 30, 2014. The data was reviewed for accuracy, timeliness and completeness through encounter validation studies, as required by AHCCCS’ Centers for Medicare and Medicaid Services (CMS) Waiver, as well as studies comparing the encounter data to the Contractor’s financial statements. The encounter data was deemed accurate for use in developing a gross medical expense estimate to apply within the CYE 16 capitation rate for each coverage type.

Adjustments were made to the data for completion factors, historical programmatic changes and historical provider fee for service rate schedule changes to arrive at the adjusted data that will be used in trend and experience adjustment analysis. Standard actuarial models were used to develop the completion factors. Documentation about historical programmatic and provider fee for service rate schedule changes can be found in past actuarial certifications which are posted here: http://www.azahcccs.gov/commercial/ContractorResources/capitation/capitationrates.aspx

Many other data sources were used in setting the actuarially sound capitation rates for the CRS program. The Contractor’s financial statements were used for reasonableness testing. Further cost trend assumptions from the proposed CYE 16 capitation rates for AHCCCS’ Acute Care and
Behavioral Health Services (BHS) programs were used for application to the Acute and Behavioral Health components of the CRS Integrated medical expenses. The CRS Specialty Care component of the gross medical expense assumption included an adjustment for annualized PMPM cost increases observed at CRS Specialty Care clinics over the time period from October 1, 2011 through September 30, 2014.

V. Projected Trend Rates

The trend analysis used a weighted average of trend rates for Acute, Behavioral Health, and CRS Specialty services to develop a unique trend assumption for each of the four coverage types. The Acute services trend for each coverage type incorporated the trend by category of service (COS) as assumed in the CYE 16 capitation rates for the Acute Care program. Similarly, the Behavioral Health trend assumption for each coverage type used the cost trend assumed in the CYE 16 capitation rates for the BHS program. For CRS Specialty Care services, AHCCCS developed a trend rate for each coverage type using member month data and encounters at CRS Specialty Care clinics, identifiable by a specific HCPCS procedure code, to develop a trend specific to CRS clinics. Then, that trend was weighted with the Acute services trend assumption to develop a trend for the Specialty Care component (as described in Section IV). Within the base period data, the members enrolled in each coverage type receive a distinct distribution of services among the Acute, Behavioral Health, and CRS Specialty Care components. Thus, the trends by component were weighted by the distribution appropriate for each coverage type in order to calculate an overall trend for each coverage type.

The trend rates used to project the gross medical expense per member per month (PMPM) by coverage type from the base period to the midpoint of the current rating year are shown below in Table I. The trend rates shown below in Table I do not reflect the impact of any future programmatic changes or provider fee schedule changes.

<table>
<thead>
<tr>
<th>Trend by Coverage Type</th>
<th>Fully Integrated</th>
<th>Partially Integrated/ Acute</th>
<th>Partially Integrated/ BH</th>
<th>CRS Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute &amp; Specialty Care Trend</td>
<td>1.6%</td>
<td>5.6%</td>
<td>2.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Assumed Pct of Expenses for BH Services</td>
<td>9.4%</td>
<td>0.0%</td>
<td>27.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>BH Trend from BHS Rates</td>
<td>2.6%</td>
<td>N/A</td>
<td>2.6%</td>
<td>N/A</td>
</tr>
<tr>
<td>Pct of Expenses incurred at CRS Clinics</td>
<td>8.7%</td>
<td>3.2%</td>
<td>12.7%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Clinic Fee Trend from Analysis</td>
<td>5.9%</td>
<td>5.9%</td>
<td>5.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Overall Trend by Coverage Type</td>
<td>2.0%</td>
<td>5.7%</td>
<td>2.7%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

VI. Gross Medical Expense PMPM by Coverage Type

AHCCCS used the gross medical expense PMPM by coverage type from the CYE 14 base period data, adjusted for subsequent programmatic and provider fee schedule changes, and applied the trend assumptions by coverage type described in Section V to develop the CYE 16 projected gross medical expense PMPM.

VII. Projected Programmatic Changes and Provider Fee Schedule Changes

All impacts listed below, unless specifically stated otherwise, exclude the additional impact of non-benefit cost changes (i.e. admin, risk contingency, premium tax, etc.)
Newborn Enrollment Change
Effective October 1, 2015, AHCCCS is amending the enrollment date for certain newborns determined eligible for the CRS program. The current enrollment date for any AHCCCS member subsequently found medically eligible for CRS is the day the medical eligibility determination is made. The amended enrollment date will be the date of birth when the CRS application is received by the AHCCCS CRS Enrollment Unit within 28 days of birth (and a positive decision is made based on that documentation), beginning with applications received on and after October 1, 2015. The CRS Contractor will be responsible for payment of medically necessary covered services retroactive to the member’s date of birth which will equal the member’s enrollment date with the Contractor. The estimated impact to the CRS program is an increase of approximately $0.7 million.

Arizona Department of Health Services (ADHS) Ambulance Rates
In accordance with A.R.S. §36-2239, AHCCCS is required to pay ambulance providers rates equal to a prescribed percentage of the amounts approved by ADHS. Currently AHCCCS’ rates are equal to 74.74% of the ADHS rates per Laws 2013, First Special Session, Chapter 10. AHCCCS is required by Laws 2015, First Regular Session, Chapter 14 to decrease this percentage to 68.59% of the ADHS rates effective for dates of service on or after October 1, 2015. The estimated statewide impact to the CRS program is a decrease of approximately $64,000 for twelve months.

Other Provider Fee Schedule Changes
Effective October 1, 2015, AHCCCS is changing Fee For Service (FFS) provider rates for certain providers based either on access to care needs, Medicare/ADHS fee schedule rate changes, and/or legislative mandates. Because Contractors tend to base their fee schedules on the AHCCCS Fee Schedule, and/or adopt the same adjustments to their fee schedules, the estimated statewide impact to the CRS program is an increase of approximately $259,000 for twelve months.

High Acuity Pediatric Adjustor
The AHCCCS All Patient Refined Diagnosis Related Group (APR-DRG) payment system includes several policy adjustors. One such adjustor applies a factor of 1.25 to the reimbursement amount that would otherwise apply for "claims for members under age 19," as long as the claim is not subject to one of the other policy adjustors.

Beginning January 1, 2016, AHCCCS will address the costs associated with high-acuity pediatric cases by using an adjustment factor of 1.60 in place of the above pediatric policy adjustor in the following instances only: for inpatient stays, where an APR-DRG assignment of level 3 or 4 Severity of Illness is indicated. The estimated statewide impact to the CRS program is an increase of approximately $4.7 million over nine months.

Medically Preferred Treatment Options
Effective August 1, 2015, AHCCCS expanded the coverage of orthotics for members age 21 and over. More specifically, AHCCCS will allow orthotics when the use of orthotics is medically necessary as the preferred treatment option and consistent with Medicare guidelines; the orthotic is less expensive than all other treatment options or surgical procedures to treat the same diagnosed condition; and the orthotic is ordered by a physician or a primary care practitioner. There is no impact to capitation rates as orthotics are offered in place of more costly interventions.

In-Lieu of Services
Included in the base rates is funding for "in lieu of" services, substituting cost-effective alternative inpatient settings in place of more costly inpatient non-specialty hospital placements. State approved FFS rates at inpatient non-specialty hospitals are approximately 93.5% more expensive than those
provided in alternative inpatient settings. The proposed capitation rates allow for the provision of services in alternative inpatient settings that are licensed by Arizona Department of Health Services/Arizona Licensing Services/Office of Behavioral Health License, in lieu of services in an inpatient non-specialty hospital, thus no increase to cap rates is included.

VIII. Projected Reinsurance Offsets

All Contractors participate in the reinsurance program which is a stop-loss program provided by AHCCCS to the Contractor 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 the Contractor for covered services incurred above the deductible. The deductible is the responsibility of the Contractor. The capitation rates are adjusted by subtracting the reinsurance offset from the gross medical since the Contractors will receive payment from AHCCCS for reinsurance cases. For additional information on the reinsurance program please refer to Section D, Paragraph 57, Reinsurance, of the CRS program contract.

The projected CYE 16 reinsurance offsets were developed using CYE 14 reinsurance payment information. The projected CYE 16 reinsurance offsets were developed using actual completed CYE 14 reinsurance payment data, trended forward two years using the trend assumptions for inpatient and pharmacy services from the Acute component of the capitation rates. The projected CYE 16 reinsurance offsets take into consideration that a single threshold for reinsurance will apply to the total encounters incurred under all of the program components for which each member is enrolled. The implementation of the DRG method of payment will no longer allow Contractors to split encounters that cross contract years. The reinsurance offset estimate is therefore adjusted to reflect the impact of the DRG payment structure as well as for the cases that will no longer receive reinsurance payments due to the inability to split encounters.

IX. Projected Non-Benefit Costs

The administrative expense built into the capitation rates represents the administrative capitation rate PMPM awarded as part of the CYE 14 RFP, and then adjusted by AHCCCS. This component remains the same as CYE 15. The risk contingency load is set at 1% which remains the same as CYE 15.

X. Coordination of Benefits/Third Party Liability

Contractors utilize verified commercial and Medicare coverage information for their members to ensure payments are not made for medical services that are covered by the other carriers. When Contractors make a payment to cover members' coinsurance, deductibles, or Medicaid-covered services that are not covered by the other carriers, the Contractors submit encounters for these amounts. Thus, the encounters that are submitted and used in capitation rate development are net of any payments made by commercial insurance or Medicare. The medical costs reported on the financial statements are also net of any payments made by commercial insurance or Medicare.
XI. Proposed Capitation Rates and Budget Impact

The proposed capitation rates equal the sum of the gross medical expense PMPM in Section VI and the non-benefit costs from Section IX, less the reinsurance offset in Section VII, divided by one minus two percent for premium tax. Tables IIa, IIb and IIc below summarize the projected member months, proposed capitation rates, and estimated total capitation by coverage type and in total on a statewide basis.

### Table IIa: Budget Impact of Proposed Capitation Rates Effective 10/1/2015 through 12/31/2015

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Fully Integrated</th>
<th>Partially Integrated/ Acute</th>
<th>Partially Integrated/ BH</th>
<th>CRS Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 CYE 16 (10/1/15 - 12/31/15) Projected MMs</td>
<td>51,178</td>
<td>512</td>
<td>19,404</td>
<td>3,395</td>
<td></td>
</tr>
<tr>
<td>CYE 15 Rate (4/1/15)</td>
<td>$789.59</td>
<td>$702.32</td>
<td>$504.21</td>
<td>$416.94</td>
<td></td>
</tr>
<tr>
<td>CYE 16 Rate (10/1/15)</td>
<td>$807.38</td>
<td>$777.04</td>
<td>$737.16</td>
<td>$463.80</td>
<td></td>
</tr>
<tr>
<td>Estimated Q1 CYE 16 Capitation, using 4/1/15 rates</td>
<td>$40,410,078</td>
<td>$359,777</td>
<td>$9,783,929</td>
<td>$1,415,393</td>
<td>$51,969,177</td>
</tr>
<tr>
<td>Estimated Q1 CYE 16 Capitation, using 10/1/15 rates</td>
<td>$41,320,206</td>
<td>$398,053</td>
<td>$14,304,172</td>
<td>$1,574,459</td>
<td>$57,596,890</td>
</tr>
<tr>
<td>Dollar Impact on estimated capitation</td>
<td>$910,127</td>
<td>$38,276</td>
<td>$4,520,243</td>
<td>$1,415,393</td>
<td>$5,627,713</td>
</tr>
<tr>
<td>Percentage Impact on estimated capitation</td>
<td>2.3%</td>
<td>10.6%</td>
<td>46.2%</td>
<td>11.2%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

### Table IIb: Budget Impact of Proposed Capitation Rates Effective 1/1/2016 through 9/30/2016

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Fully Integrated</th>
<th>Partially Integrated/ Acute</th>
<th>Partially Integrated/ BH</th>
<th>CRS Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2-Q4 CYE 16 (1/1/16 - 9/30/16) Projected MMs</td>
<td>155,234</td>
<td>1,554</td>
<td>58,857</td>
<td>10,297</td>
<td></td>
</tr>
<tr>
<td>CYE 16 Rate (10/1/15)</td>
<td>$807.38</td>
<td>$777.04</td>
<td>$737.16</td>
<td>$463.80</td>
<td></td>
</tr>
<tr>
<td>CYE 16 Rate (1/1/16)</td>
<td>$830.84</td>
<td>$800.81</td>
<td>$755.20</td>
<td>$477.12</td>
<td></td>
</tr>
<tr>
<td>Estimated Q2-Q4 CYE 16 Capitation, using 10/1 rates</td>
<td>$125,331,984</td>
<td>$1,207,369</td>
<td>$43,387,255</td>
<td>$4,775,630</td>
<td>$174,702,239</td>
</tr>
<tr>
<td>Estimated Q2-Q4 CYE 16 Capitation, using 1/1 rates</td>
<td>$128,974,468</td>
<td>$1,244,307</td>
<td>$44,448,764</td>
<td>$4,912,852</td>
<td>$179,580,391</td>
</tr>
<tr>
<td>Dollar Impact on estimated capitation</td>
<td>$3,642,484</td>
<td>$36,938</td>
<td>$1,061,509</td>
<td>$137,222</td>
<td>$4,878,152</td>
</tr>
<tr>
<td>Percentage Impact on estimated capitation</td>
<td>2.9%</td>
<td>3.1%</td>
<td>2.4%</td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

### Table IIc: Blended Capitation Rates and Combined Budget Impact of Both Rate Revisions

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Fully Integrated</th>
<th>Partially Integrated/ Acute</th>
<th>Partially Integrated/ BH</th>
<th>CRS Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CYE 16 Projected MMs</td>
<td>206,412</td>
<td>2,066</td>
<td>78,261</td>
<td>13,692</td>
<td></td>
</tr>
<tr>
<td>CYE 15 Rate (4/1/15)</td>
<td>$789.59</td>
<td>$702.32</td>
<td>$504.21</td>
<td>$416.94</td>
<td></td>
</tr>
<tr>
<td>Blended CYE 16 Rate</td>
<td>$825.02</td>
<td>$794.92</td>
<td>$750.73</td>
<td>$473.82</td>
<td></td>
</tr>
<tr>
<td>Estimated CYE 16 Capitation (4/1/15 Rates)</td>
<td>$162,981,475</td>
<td>$1,451,047</td>
<td>$39,460,434</td>
<td>$5,708,545</td>
<td>$209,601,502</td>
</tr>
<tr>
<td>Estimated CYE 16 Capitation (Blended CYE 16 Rates)</td>
<td>$170,294,674</td>
<td>$1,642,360</td>
<td>$58,752,937</td>
<td>$6,487,311</td>
<td>$237,177,281</td>
</tr>
<tr>
<td>Dollar Impact on estimated capitation</td>
<td>$7,313,199</td>
<td>$191,312</td>
<td>$19,292,503</td>
<td>$778,766</td>
<td>$27,575,779</td>
</tr>
<tr>
<td>Percentage Impact on estimated capitation</td>
<td>4.5%</td>
<td>13.2%</td>
<td>48.9%</td>
<td>13.6%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>
XII. CMS Rate Setting Checklist

1. Overview of rate setting methodology

A.A.1.0: Overview of rate setting methodology
AHCCCS is performing a rate update from the previously approved CYE 15 capitation as adjusted April 1, 2015 under 42 CFR 438.6(c). Please refer to Sections II through X.

A.A.1.1: Actuarial certification
Please refer to Section XIII.

A.A.1.2: Projection of expenditure
Please refer to Section XI.

A.A.1.3: Procurement, prior approval and rate setting
AHCCCS is operating under the Competitive Procurement contracting method.

A.A.1.5: Risk contract
The contract is an at risk contract, however there are some provisions for reconciliation and reinsurance. The reconciliation for CYE 16 is as follows:

<table>
<thead>
<tr>
<th>Profit</th>
<th>MCO Share</th>
<th>State Share</th>
<th>Maximum Contractor Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=3%</td>
<td>100%</td>
<td>0%</td>
<td>3.00%</td>
</tr>
<tr>
<td>&gt;3% and &lt;=6%</td>
<td>50%</td>
<td>50%</td>
<td>1.50%</td>
</tr>
<tr>
<td>&gt;6%</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4.50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss</th>
<th>MCO Share</th>
<th>State Share</th>
<th>Maximum Contractor Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=3%</td>
<td>100%</td>
<td>0%</td>
<td>3.00%</td>
</tr>
<tr>
<td>&gt;3%</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>3.00%</td>
</tr>
</tbody>
</table>

A.A.1.6: Limit on payment to other providers
AHCCCS makes no additional payment to providers, except for DSH, GME, and Critical Access Hospitals (CAH). GME is paid in accordance with state plan. DSH and CAH payments are paid in accordance with the Waiver Special Terms and Conditions. None of the additional payments to providers were included in the capitation calculation.

A.A.1.7: Rate modification
Please refer to Sections II, IV, V, VII, VIII and IX.

2. Base Year Utilization and Cost Data

A.A.2.0: Base year utilization and cost data
Please refer to Section IV.

A.A.2.1: Medicaid eligibles under the contract
The data includes only those members eligible for managed care.

A.A.2.2: Spenddown
Not applicable, not covered under this contract.
AA.2.3: State plan services only

The contract between AHCCCS and the Contractor specifies that the Contractor may cover additional services. Non-covered services were not included in the encounter data used to set the rates.

AA.2.4: Services that can be covered by a capitated entity out of contract savings.

Same as AA.2.3

3. Adjustments to the Base Year Data

AA.3.0 Adjustments to base year data

Please refer to Section IV, V, VII and VIII.

AA.3.1 Benefit differences

Please refer to Section II for descriptions of the benefits provided under the integrated contract and the four coverage types.

AA.3.2 Administrative cost allowance calculation

Please refer to Section IX.

AA.3.3 Special populations’ adjustment

It is anticipated that the risk characteristics of this population will not change materially from the base period to the effective period of the capitation rates. Therefore, no adjustment was made.

AA.3.4 Eligibility Adjustments

No adjustment was made.

AA.3.5 DSH Payments

No DSH payments were included in the capitation development.

AA.3.6 Third party Liability (TPL)

This is a contractual arrangement between AHCCCS and the Contractor.

AA.3.7 Copayments, coinsurance and deductible in the capitated rates

Not applicable, member cost sharing is not required.

AA.3.8 Graduate Medical Education (GME)

The experience excludes any payments for GME.

AA.3.9 FQHC and RHC reimbursement

The experience excludes any additional payments that FQHCs may receive from the State.

AA.3.10 Medical cost/ trend inflation

Please refer to Section V.

AA.3.11 Utilization adjustment

Other than trend, no specific adjustment was made to utilization.

AA.3.12 Utilization and cost assumptions

Not applicable, since actual experience was used.

AA.3.13 Post-eligibility treatment of income (PETI)

Not applicable, not required to consider PETI.
AA.3.14 Incomplete data adjustment.
The encounter data was not fully complete. AHCCCS applied completion factors by form type and incurred month to the encounter data.

4. Establish Rate Category Groupings

AA.4.0: Establish rate category groupings
Please refer to Section II.

AA.4.1: Age
Please refer to Section II.

AA.4.2: Gender
Please refer to Section II.

AA.4.2: Locality/region
Please refer to Section II.

AA.4.2: Eligibility category
Please refer to Section II.

5. Data Smoothing, Special Populations and Catastrophic Claims

AA.5.0: Data smoothing
Please refer to Section II.

AA.5.1: Special populations and assessment of the data for distortions
Data was not adjusted for special populations.

AA.5.2: Cost-neutral data smoothing adjustments
There was no cost-neutral data smoothing adjustments

AA.5.3: Risk-adjustment
There is no other risk adjustment, except for reconciliation and reinsurance.

6. Stop Loss, Reinsurance, or Risk-Sharing arrangements

AA.6.1: Commercial reinsurance
There is no commercial reinsurance.

AA.6.2: Simple stop loss program
AHCCCS has a reinsurance program. Please refer to Section VIII.

AA.6.3: Risk corridor program
There is the stop loss program (i.e. Reinsurance) and a reconciliation for the CRS population.

7. Incentive Arrangements
At this time there are no incentive arrangements.
XIII. Actuarial Certification of the Capitation Rates

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 from time-to-time by the Actuarial Standards Board.

The capitation rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation 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 capitation rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation 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 twelve-month period beginning October 1, 2015.

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 capitation rates.

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

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.

This certification letter assumes the reader is familiar with the CRS program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

SIGNATURE ON FILE

Matthew C. Varitek
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08/13/2015