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January 23, 2013

**Actuarial Certification  
 Health Choice Arizona  
 AHCCCS Acute Care Capitation Bids: GSAs 2 - 14  
 October 1, 2013 – September 30, 2014**

I, Matthew W. Anthony, am a Consulting Actuary with Milliman, Inc. I am a Fellow of the Society of Actuaries. I am also a Member of the American Academy of Actuaries and meet its qualification standards for rendering this opinion. I have been retained by Health Choice Arizona to provide a certification of the actuarial soundness of its proposed capitation rates for Acute Care Services in GSAs 2 - 14 under the Arizona Health Care Cost Containment System (AHCCCS).

The purpose of this certification is to comply with the Instructions to Offerors contained in the Acute Care Services Request for Proposal (including amendments through the date of this certification) issued by AHCCCS. This certification may not be appropriate for other purposes.

The capitation rates to which this certification applies are attached in AHCCCS's required Bid Template sheets and shown in tables 1 and 2 below. The rates apply to the period October 1, 2013 through September 30, 2014.

**Table 1  
 Gross Medical Component by Risk Group and GSA**

<b>Risk Group</b>	<b>GSA 2</b>	<b>GSA 4</b>	<b>GSA 6</b>	<b>GSA 8</b>	<b>GSA 10</b>	<b>GSA 12</b>	<b>GSA 14</b>
TANF < 1	\$388.80	\$410.21	\$427.22	\$442.25	\$427.17	\$463.43	\$395.52
TANF 1-13	\$84.18	\$91.38	\$100.38	\$88.02	\$76.96	\$92.76	\$86.22
TANF 14-44 F	\$180.31	\$221.96	\$267.10	\$229.85	\$189.06	\$210.74	\$216.06
TANF 14-44 M	\$102.01	\$154.93	\$171.16	\$143.37	\$117.33	\$137.66	\$146.09
TANF 45+	\$285.65	\$372.31	\$389.81	\$405.83	\$319.51	\$375.78	\$353.68
SSIW	\$152.66	\$103.12	\$96.96	\$115.66	\$111.00	\$147.57	\$128.94
SSIW/O	\$793.11	\$846.82	\$860.44	\$673.01	\$712.05	\$746.20	\$821.80
AHCCCS Care	\$318.31	\$384.75	\$422.81	\$373.02	\$298.76	\$387.44	\$350.68
Delivery Supp	\$4,593.29	\$5,109.50	\$5,209.47	\$5,237.17	\$5,161.69	\$5,447.17	\$4,998.15



**Table 2**  
**Administrative Component by Risk Group and GSA**

<b>Risk Group</b>	<b>GSA 2</b>	<b>GSA 4</b>	<b>GSA 6</b>	<b>GSA 8</b>	<b>GSA 10</b>	<b>GSA 12</b>	<b>GSA 14</b>
TANF < 1	\$25.86	\$25.84	\$26.91	\$27.86	\$27.13	\$32.44	\$24.92
TANF 1-13	\$5.68	\$6.03	\$6.47	\$5.81	\$5.08	\$6.68	\$5.69
TANF 14-44 F	\$11.99	\$13.98	\$16.83	\$14.48	\$12.01	\$14.75	\$13.61
TANF 14-44 M	\$6.89	\$10.23	\$11.04	\$9.46	\$7.74	\$9.91	\$9.64
TANF 45+	\$19.00	\$23.46	\$24.56	\$25.57	\$20.29	\$26.30	\$22.28
SSIW	\$10.15	\$6.50	\$6.11	\$7.29	\$7.05	\$10.33	\$8.12
SSIW/O	\$53.53	\$55.89	\$55.50	\$44.42	\$47.00	\$53.73	\$54.24
AHCCCS Care	\$21.49	\$25.39	\$27.27	\$24.62	\$19.72	\$27.90	\$23.14
Delivery Supp	\$310.05	\$337.23	\$336.01	\$345.65	\$340.67	\$392.20	\$329.88

It is my opinion that the above rates are adequate, in the aggregate, to fund claims and administrative expenses for an average Medicaid population for GSAs 2 - 14 during the time period for which they are intended. AHCCCS has recommended that bidders submit rates reflecting the average monthly cost of a member utilizing the Data Book provided in the Bidders' Library; my opinion reflects this recommendation.

My determination is based on a review of the claim experience and other information provided by AHCCCS, experience data and descriptions of provider contracts provided by Health Choice Arizona, and my judgment. In performing my analysis, I relied on data and other information provided by AHCCCS and Health Choice Arizona. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of my analysis may likewise be inaccurate or incomplete.

I performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of my analysis.

I also relied on Health Choice Arizona's provider reimbursement descriptions without audit. My opinion that the rates are actuarially sound is based on the assumption that Health Choice Arizona's capitated providers are financially stable and have the financial resources to absorb capitation risk. I did not review the financial resources or medical management abilities of any provider to confirm their ability to assume financial risk.



The utilization rates and average costs in the attached Bid Template sheets are estimates only and include assumptions regarding future experience. In my opinion, the assumptions used are applicable for the purpose of this certification and are reasonably related to the experience of Health Choice Arizona and/or experience provided by AHCCCS and to reasonable expectations. Actual results will differ from the figures indicated in the final offered rates to the extent that future plan experience deviates from expected experience.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, whose standards form the basis of this statement of opinion.

A handwritten signature in black ink that reads 'Matthew W. Anthony'.

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Matthew W. Anthony, FSA, MAAA  
January 23, 2013