

APPENDIX A

Data Book

May 14, 2014

Rhody Health Options Data Book

State of Rhode Island

Rates for the period 7/1/2014 through 6/30/2015

Final & Confidential

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Contents

1. Introduction.....	5
2. Capitation Rates	6
3. Rate Development Methodology	7
4. Appendix.....	18
5. Exhibits.....	21

1

INTRODUCTION

The Rhode Island Executive Office of Health and Human Services (EOHHS) requested that HealthCare Analytics calculate actuarially sound rates, for contracting purposes, for the Medicaid portion of expenses of certain and specific segments of the dually eligible, Medicare & Medicaid Eligible (MME) beneficiaries. In addition, EOHHS also requested actuarially sound rates reflecting comprehensive medical services for Medicaid Only (MA Only) Long Term Services and Supports (LTSS) beneficiaries. These efforts are part of the State's Integrated Care Initiative (ICI), information for which can be found in the appendix of this document, to address the complex medical needs of the State's MA Only LTSS and MME populations. The program set to address said populations will be referred to as Rhody Health Options.

This document presents the approach and calculation of the Rhody Health Options (RHO) per member per month (PMPM) capitation rates effective for the Rate Period July 1, 2014 through June 30, 2015, for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c), and which were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist. **The Rates presented in this Data Book should be considered provisional, subject to and pending CMS review and approval.**

The rates were developed from existing claims data for the target populations, which were adjusted, smoothed and trended to the rate period. Adjustments were made to account for programmatic changes that will impact future claims. Such changes include the impact of **R.I.G.L. 40-8-13.4 "Article 19 As Amended" of the FY 2014 Appropriations Act**, referred here to as "Article 19." The claims were trended forward to the rate period using the indicated trends in the claims experience, smoothed for non-repetitive occurrences such as certain negative price or utilization trends, and adjusted with an estimate of the impact from Article 19. Finally, administrative (including profit and contingency), State premium tax and ACA Issuer tax loads were included, as applicable, to develop actuarially sound capitation rates. Exhibits supporting the calculations for the rate development and adjustments related to programmatic changes are shown in tables throughout this document and as attached in the Exhibits section.

We relied on data and analysis produced by EOHHS and its subcontractors for the historical claims experience of the eligible beneficiaries for enrollment in Rhody Health Options, and for the data related to the historical transitions and migration patterns between (a) Long Term Care / Nursing Home (LTC) beneficiaries and (b) Home and Community Based (HCBS/Waiver) recipients. The latter, transition/migration analysis, formed the basis upon which the program initiatives and target enrollment mix were established.

The Rhody Health Options capitation rates were developed with guidance and assistance from Airam Actuarial Consulting LLC and Donlon & Associates, Inc. Donlon & Associates also provided the certification letter as per CMS and State requirements.

With respect to the State's Integrated Care Initiative, this data book and the rates presented within are applicable to phase I of EOHHS' approach to improving the Medicaid program and are set on a 12-month basis. Phase II, when implemented, is anticipated to be part of the demonstration project with CMS to integrate the care of the dually eligible Medicare & Medicaid beneficiaries. Further information regarding the State's ICI program and its phases can be found in the appendix of this data book. ***Note, however, that should the State participate in the said demonstration project, it is anticipated that the effective period will begin April 1, 2015, and consequently these rates will need to be recast for the resulting revised rate period.***

2

CAPITATION RATES AND DEMOGRAPHICS

The **provisional** capitation rates, subject to CMS review and approval, including administrative, profit, contingency and tax loads (as applicable to non-profit and for-profit plans) for the rate period 7/1/2014 – 6/30/2015 are as follows:

Table 1Capitation Rates

Rhody Health Options			
Rate Period 7/1/2014 - 6/30/2015 (Provisional)			
Capitation Rates - Medicaid Expenses			
RHO Population Cohorts / Rate Cells	SFY '15 Forecasted Average Enrollment	PMPM Capitation Rates (Non-Profit Plans)	PMPM Capitation Rates (For-Profit Plans)
MME - MRDD	1,590	\$ 120.59	\$ 122.76
MME - SPMI	1,189	\$ 168.55	\$ 171.63
MME - Community (Non-LTSS)	10,024	\$ 121.97	\$ 123.34
MME - LTC (NH >90 Days) ¹	3,300	\$ 5,070.63	\$ 5,074.71
MME - Waiver (LTSS Comm.) ¹	1,400	\$ 2,081.88	\$ 2,088.19
MA Only - LTSS ²	497	\$ 6,532.11	\$ 6,601.64
¹ Rates for MME-LTC and MME-Waiver are presented as informational only. These two population cohorts will be blended and reimbursed as a single capitated rate cell based on the Medicaid Managed Care Organization's (MCO's) original assignment mix of enrollees in MME-LTC and MME-Waiver population cohorts, adjusted for the targeted enrollment mix - as displayed in Table 8a and Table 8b			
² Enrollment for MA Only - LTSS represents June 2014 actual			

3

RATE DEVELOPMENT METHODOLOGY**Claims & Enrollment Data**

Claims and enrollment data was provided by EOHHS and its subcontractors on behalf of the State which we used to develop the capitation rates exhibited in the above Table 1. The data and analysis was based on encounter and fee-for-service experience and recipients, for In-Plan and Out-of-Plan services, for the following beneficiaries:

MME Population / Rate Cell:

- MRDD
- SPMI
- Community (Non-LTSS)
- LTC (>90 days in Nursing Home)
- Waiver (LTSS Community)

MA Only Population:

- LTSS (LTC and Waiver beneficiaries)

The claims data was delineated by type of service detail, and was for the periods July 1 through June 30 for the State Fiscal Years (SFY) ending in 2010, 2011, 2012 and 2013. The claims were presented on an incurred basis, paid through November 2013, estimated 100% complete.

The membership history was reported and analyzed for the same periods and same target populations (see Table 2). We relied upon the accuracy of the data provided by EOHHS and its subcontractors for our analysis and capitation rate development.

Table 2

Average Eligible Members

Rhody Health Options					
Rate Period 7/1/2014 - 6/30/2015					
Average Eligible Members					
Program Population	7/09 - 6/10	7/10 - 6/11	7/11 - 6/12	7/12 - 6/13	SFY '15 Forecast
MME - MRDD	2,293	2,357	2,428	2,477	1,590
MME - SPMI	2,429	2,478	2,625	2,823	1,189
MME - Community (Non-LTSS)	13,307	13,532	13,917	14,040	10,024
MME - LTC (NH >90 Days)	4,895	4,864	4,909	4,912	3,300
MME - Waiver (LTSS Comm.)	2,893	3,130	3,286	3,470	1,400
MA Only - LTSS ¹	465	535	540	557	497

¹ MA Only -LTSS enrollment under SFY '15 Forecast represents June 2014 actual

Trends

MME Populations / Rate Cells: We examined year-over-year and multi-year average trends for each rate cell from SFY 2010 through SFY 2013 and observed that there were wide variances in the trends within the rate cells. To smooth out these variances we developed a blended average trend, adjusted for the relative weight of the rate cells contributing to a specific service category trend. Negative price and utilization trends were disallowed where they did not offset each other and where they resulted in negative PMPM trends. Lastly, the composite trend for each rate cell was calculated using the rate cell's SFY '13 distribution of service category PMPMs. The steps, as discussed, were as follows:

1. Calculate the two-year average trend by major service category for the total MME population for SFY 2013 over SFY 2011
2. Weigh individual service category trends by the rate cells that contribute greater than 60% of the service category trend – i.e., use LTC rate cell's Outpatient and Institutional service category trends as the trend for all Outpatient and Institutional services, and Waiver rate cell's Waiver service category trend for all Waiver services
3. Disallow negative trends where the PMPM trend in any service category is negative – e.g., set the negative price and/or utilization trend to 0% if the PMPM trend is negative and if the price and utilization trends do not appear to offset each other
4. Apply the impact of Article 19 (R.I.G.L. 40-8-13.4) on the price (cost per utilization) trends for Inpatient and Outpatient services from the base period to the rate period
5. Calculate the composite trend for each rate cell based on each rate cell's SFY 2013 service category PMPM distribution

Table 3a

Trend Development – MME Population

Rhody Health Options																
Rate Period 7/1/14 - 6/30/15																
Trend Development for MME (Dual Eligible) Populations																
LOB	SFY '13 Dist	Indicated Total MME				Adjusted ² Total MME										
		sfy '13 over sfy '11				sfy '13 over sfy '11 ²										
		PMPM	Util / 1K	Cost / Util		PMPM	Util / 1K	Cost / Util								
IP	1.8%	-6.2%	-14.5%	9.7%		9.7%	0.0%	9.7%								
OP	3.7%	-3.5%	-5.2%	1.8%	¹	1.8%	0.0%	1.8%								
Prof	4.1%	6.8%	-3.8%	11.1%		6.8%	-3.8%	11.1%								
Inst (NH)	75.6%	1.0%	-3.6%	4.7%	¹	1.0%	-3.6%	4.7%								
Waiver	14.5%	5.9%	2.3%	3.5%	¹	5.9%	2.3%	3.5%								
Rx	0.2%	-26.6%	-7.9%	-20.3%		0.0%	0.0%	0.0%								
	100.0%	1.6%				2.1%										
LOB	SFY '13 Dist	Applied To SFY '14				Applied To SFY '15				SFY '13 PMPM Distributions					Composite 2-yr. Avg. PMPM Trends	
		PMPM	Util / 1K	Cost / Util		PMPM	Util / 1K	Cost / Util		MRDD	SPMI	Comm	LTC	Waiver	MRDD	SPMI
IP	1.8%	1.2%	0.0%	1.2%	³	3.0%	0.0%	3.0%	³	12.1%	31.8%	14.5%	0.4%	1.6%	2.1%	2.1%
OP	3.7%	0.0%	0.0%	0.0%	³	2.0%	0.0%	2.0%	³	6.6%	9.1%	14.2%	3.2%	2.8%	1.0%	1.0%
Prof	4.1%	6.8%	-3.8%	11.1%		6.8%	-3.8%	11.1%		62.7%	44.8%	21.9%	0.3%	10.1%	6.8%	6.8%
Inst (NH)	75.6%	1.0%	-3.6%	4.7%		1.0%	-3.6%	4.7%		11.6%	10.5%	44.8%	95.8%	9.5%	1.0%	1.0%
Waiver	14.5%	5.9%	2.3%	3.5%		5.9%	2.3%	3.5%		0.0%	0.0%	0.2%	0.3%	75.7%	5.9%	5.9%
Rx	0.2%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		7.0%	3.8%	4.5%	0.0%	0.3%	0.0%	0.0%
Total	100.0%	1.9%				2.0%				100%	100%	100%	100%	100%	4.7%	3.9%
															2.4%	1.0%
															5.4%	

¹ Since most OP, Institutional and waiver services occur in the LTC and Waiver populations, the 2-yr. avg. trend of those populations were used for ALL RHO MME (Dual Eligible) populations

² Where indicated composite PMPM trends are negative and price and utilization trends do not offset each other, we assumed 0% for the corresponding negative price and/or utilization trend

³ Substituted trends for Cost/Util with estimated CMS Market Basket Less Productivity Index Rates for Inpatient and Outpatient, as per Article 19 (R.I.G.L. 40-8-13.4), as applicable to In-State expenses

MA Only LTSS rate cell: Since the MA Only population is small and not credible, we blended the experience of the MME (Duals) with the MA Only experience to derive the trends for MA Only. Since Institutional and Waiver expenses are primarily concentrated in the LTC and Waiver populations, respectively, the selected trends were that of the blended MA Only & MME LTC for institutional category, the blended MA Only and MME Waiver for the waiver category. As in the MME trend development above, negative trends were disallowed in any service category where the PMPM trend was negative and the price and utilization trends did not appear to offset each other. The impact of Article 19 (R.I.G.L. 40-8-13.4) was applied to Inpatient and Outpatient services for the rate period's cost/utilization (price) trends. Lastly, the MA Only rate cell's SFY 2013 service category PMPM distribution was applied to develop the overall trend for MA Only LTSS.

Table 3b

Trend Development – MA Only LTSS

Rhody Health Options									
Rate Period 7/1/14 - 6/30/15									
Trend Development for MA Only LTSS (LTC/Waiver) Population									

Information on Article 19

R.I.G.L. 40-8-13.4 “Article 19 As Amended” of the FY 2014 Appropriations Act – The impact of the “Article 19” legislation was estimated on the selected trend as it applied to Inpatient and Outpatient payments rates (cost/util), as per the specific language excerpted below.

Base Period Data

State Fiscal Years (SFY) 2010 through 2013 were reviewed for consistency and credibility and the following decisions were made with respect to the selections of the base period. For each MME target population and MA Only LTSS population, SFY 2013 was selected as the Base Period PMPM (see Table 4).

Table 4
Base Period PMPMs

Rhody Health Options									
Rate Period 7/1/14 - 6/30/15									
Claims Experience PMPM									
Incurred State Fiscal Year (SFY), Paid through November 2013, estimated 100%									
		MME (Dual Eligibles)							MA - Only
		MRDD		SPMI		Community (Non-LTSS)		LTC (NH >90 days)	
								Waiver (LTSS Community)	
<u>Incurred Periods</u>		<u>PMPM</u>		<u>PMPM</u>		<u>PMPM</u>		<u>PMPM</u>	
7/1/10 - 6/30/11		\$ 107.49		\$ 138.64		\$ 124.24		\$ 4,396.90	
7/1/11 - 6/30/12		\$ 104.00		\$ 138.79		\$ 124.22		\$ 4,524.41	
7/1/12 - 6/30/13		\$ 100.00		\$ 147.07		\$ 110.15		\$ 4,650.90	
Selected Base Period PMPM¹		\$ 100.00		\$ 147.07		\$ 110.15		\$ 4,650.90	

¹ The selected Base Period PMPMs is set at the actual SFY '13 experience for the MME and MA Only populations

Care Management Savings Estimate

A range of care management savings were estimated on the assumption that health plans will achieve better outcomes within each rate cell through their care management and best practice initiatives than the traditional fee-for-service system. The goal is both enhanced preventive services and an appropriate shift of services from institutional setting to community and office-based setting. The summary estimates are presented below, and a more detailed analysis can be found in Exhibit 5a.

Table 5a
Care Management Savings – MME Population

Rhody Health Options - MME											
Rate Period 7/1/2014 - 6/30/2015											
Care Management Initiatives											
		MRDD		SPMI		Community (Non-LTSS)		LTC (NH >90 days)		Waiver (LTSS comm.)	
		PMPM	% Pct	PMPM	% Pct	PMPM	% Pct	PMPM	% Pct	PMPM	% Pct
Total Projected PMPM		\$ 109.71		\$ 158.91		\$ 115.53		\$ 4,747.20		\$ 1,860.89	
Medical Care Management Savings		\$ 2.33	2.3%	\$ (4.79)	-3.1%	\$ (2.79)	-2.5%	\$ (1.76)	0.0%	\$ 3.40	0.2%
Pharmacy Care Management Savings		\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Total Care Management Savings		\$ 2.33	2.1%	\$ (4.79)	-3.0%	\$ (2.79)	-2.4%	\$ (1.76)	0.0%	\$ 3.40	0.2%

¹ Care Management savings adjustment factors developed with the assistance of Airam Actuarial Consulting, LLC, Donlon & Associates, Inc. and RI-EOHHS

For the MA Only LTSS population, the care management savings estimates were adjusted to reflect a portion of the rate cell (Waiver beneficiaries) where services are currently covered under a managed care contract, and for which care management savings are assumed to be reflected in the experience. The summary estimates are presented below, and a more detailed analysis can be found in Exhibit 5b.

Table 5b**Care Management Savings – MA Only Population**

Rhody Health Options - MA Only			
Rate Period 7/1/14 - 6/30/15			
Care Management Initiatives			
		LTC/Waiver LTSS	
		PMPM	% Pct
Total Projected PMPM		\$ 6,254.15	
Medical Care Management Savings		\$ (42.55)	-0.8%
<u>Pharmacy Care Management Savings</u>		<u>\$ -</u>	<u>0.0%</u>
Total Care Management Savings		(42.55)	-0.7%

¹ Care Management savings adjustment factors developed with the assistance of Airam Actuarial Consulting, LLC, Donlon & Associates, Inc., and RI-EOHHS

Program Initiatives

Program savings were identified from initiatives related to the transition and/or migration of the MME beneficiaries to the most appropriate setting for their particular service needs. These initiatives are based on the assumption that health plans will best meet the needs of the MME beneficiaries through their care management and best practice protocols, and have a favorable impact on the rates of transitions and migrations by enhancing and strengthening transitions into home and community based services and away from institutional settings. Table 6 below displays the estimates of program initiatives to affect the mix in the LTC & Waiver populations through interventions in transitions and migrations.

Although separate PMPM capitation rates are developed for the LTC and Waiver populations, payments to health plans will be a blended rate of the LTC and Waiver rates, based on the monthly original enrollment assignment mix for each health plan, adjusted for the targeted mix from the program initiatives. This concept is further discussed below and illustrated in Table 8:

Table 6

Program Initiatives – Transition/Migration Intervention – MME

Rhody Health Options - MME											
Rate Year 7/1/14 - 6/30/15											
Transition / Migration											
MME (Dual Eligibles)											
				MRDD		SPMI		Community (Non-LTSS)	LTC (NH >90 days)	Waiver (LTSS comm.)	
Projected Avg. Members Pre-Transition (SFY '15)				1,590		1,189		10,024	3,300	1,400	
										4,700	
								LTC / Waiver Mix	70.2%	29.8%	
Current (Organic) Transition/Migration	Current	Mid-Point									
Community to Waiver	3.77%	1.87%						(187)		187	
Community to LTC	3.59%	1.78%						(178)	178		
Waiver to LTC	10.05%	4.91%							69	(69)	
LTC to Waiver	1.52%	0.76%							(25)	25	
Projected Avg. Members - Current / Do Nothing / Organic Transition				1,590	0.0%	1,189	0.0%	9,659	-3.6%	3,522	6.7%
										1,543	10.2%
Transition/Migration Interventions ¹	Target	Mid-Point									
Community to Waiver	2.50%	1.24%						(125)		125	
Community to LTC	3.00%	1.49%						(149)	149		
Waiver to LTC	5.00%	2.47%							35	(35)	
LTC to Waiver	3.00%	1.49%							(49)	49	
Projected Avg. Members -Target / Post-Intervention				1,590	0.0%	1,189	0.0%	9,750	0.9%	3,435	-2.5%
										4,974	-0.3%
								LTC / Waiver Mix	69.1%	30.9%	
Target Intervention Factor for Transitions/Migrations									-1.2%		

¹ Program initiatives were developed with the assistance of RI-EOHHS, Airam Actuarial Consulting and Donlon & Associates, Inc.

Adjustment for Program Changes

Generics First Rx Program – Drug cost estimates for the MME and MA Only populations are primarily based on FFS experience. As such, we anticipate that under a managed care plan the drug expense will reflect certain savings as a result of higher generic substitutions and through the effective use of formularies. To account for these potential savings in the projected expenses, we analyzed the SFY '13 drug expenditures by rate cell and developed estimates for savings as a ratio of total SFY '13 expenses, to be applied to the projected PMPMs in the rate development.

Fraud & Abuse – The additional provisions for healthcare compliance as contained in the RHO contract, and the healthcare compliance programs as mandated by the Healthcare Reform Law of the Patient Protection and Affordable Care Act (PPACA) of 2010 are expected to produce additional savings in the healthcare system. In anticipation, an adjustment was applied to recognize such savings at a moderately low level of 1.0% of claims for the rate period ending 6/30/2015, as Fraud & Abuse prevention and recovery programs are newly introduced or existing ones better implemented.

Administrative Load & Premium Tax

With guidance from Airam Actuarial Consulting LLC, the administrative & contingency load (including profit) for the rate period 7/1/2014 – 6/30/2015 rates for the MME populations were set at 6% to 10% of the projected capitation rate PMPMs, with greater emphasis on the Waiver rate cell, in anticipation of greater care management efforts required for this population with respect to the program initiative discussed above. Administrative & contingency load (including profit) for the MA Only rate were set to achieve a comparable PMPM as compared to the MME LTC / Waiver rate cell. The capitation rates for the rate cells were also loaded for the 2% RI State Premium Tax. Additionally, For-profit plans' rates were loaded for an estimate of the ACA Issuer tax at a rate of 2% on non-nursing home and non-waiver expenses.

The Issuer tax rate was previously estimated by United Healthcare of New England and it represents the maximum liability for the State. The State will require a settlement for a refund based on actual Issuer Tax incurred by the For-Profit health plan(s); should the actual Issuer Tax be less than the estimate provided for in these rates.

Summary – Rate Development

In summary, the selected base period PMPMs for each population cohort were trended at their respective selected trends, adjusted for the estimated impact of R.I.G.L. 40-8-13.4 “Article 19 As Amended.” The PMPMs were further adjusted for anticipated care management initiatives, program initiatives as applicable to the blended MME - LTC/Waiver rate cell, as well as the anticipated impact of PPACA’s healthcare compliance – Fraud & Abuse mandate. The resultant PMPMs were then loaded for administration, RI State premium tax, and ACA Issuer tax as applicable to for-profit plans. Table 7 below presents the rates on a “summary” level, and a more detailed work-up of the rate development is presented in Exhibit 7 in the exhibits section of this data book.

Table 7

Projected & Adjusted Rhody Health Options Capitation Rate PMPMs

Rhody Health Options							
Rate Period 7/1/2014 - 6/30/2015							
Capitation Rates - Medicaid Expenses							
RHO Population Cohorts / Rate Cells	SFY '15 Forecasted Average Enrollment	Medical Component of Capitation Rates	Admin Component of Capitation Rates¹	2% State Premium Tax	PMPM Capitation Rates (Non-Profit Plans)	Estimated ACA Issuer Tax	PMPM Capitation Rates (For-Profit Plans)
MME - MRDD	1,590	\$ 107.84	\$ 10.34	\$ 2.41	\$ 120.59	\$ 2.17	\$ 122.76
MME - SPMI	1,189	\$ 150.73	\$ 14.45	\$ 3.37	\$ 168.55	\$ 3.08	\$ 171.63
MME - Community (Non-LTSS)	10,024	\$ 109.07	\$ 10.46	\$ 2.44	\$ 121.97	\$ 1.37	\$ 123.34
MME - LTC (NH >90 Days) ¹	3,300	\$ 4,695.91	\$ 273.31	\$ 101.41	\$ 5,070.63	\$ 4.08	\$ 5,074.71
MME - Waiver (LTSS Comm.) ¹	1,400	\$ 1,836.21	\$ 204.03	\$ 41.64	\$ 2,081.88	\$ 6.31	\$ 2,088.19
MA Only - LTSS ²	497	\$ 6,149.47	\$ 252.00	\$ 130.64	\$ 6,532.11	\$ 69.53	\$ 6,601.64
¹ Rates for MME-LTC and MME-Waiver are presented as informational only. These two population cohorts will be blended and reimbursed as a single capitated rate cell based on an MCO's original assignment mix of enrollees in MME-LTC and MME-Waiver population cohorts, adjusted for the targeted enrollment mix - as displayed in Table 8a and Table 8b							
² Enrollment for MA Only - LTSS represents June 2014 actual							

LTC/Waiver Rate Cell Payment Blending Methodology

While separate PMPM capitation rates are developed for the LTC and Waiver populations, payments to health plans will be a blended rate of the LTC and Waiver rates, based on the monthly Original Assignment enrollment mix for each health plan, adjusted for the targeted mix from the program initiatives. The methodology for the blended rate calculation and the monthly adjustment is illustrated below in Table 8a and Table 8b:

The steps for determining Original Assignment enrollment and the calculation of the blended rate will be as follows:

1. Original Assignment enrollment = assignment of Eligibles into either the LTC or the Waiver cells, with an accounting of:
 - a. New enrollees

- b. Disenrollment of members no longer eligible for either the LTC or the Waiver cells
***Note:** Although it is anticipated that there will be transfer of members from the LTC cell to the Waiver cell (or vice versa), the resulting effect on the "Census" for each cell will not be considered in the determination of Original Assignment Enrollment for the purpose of calculating the blended capitation rate*
- Calculate the Original Assignment enrollment (Pre-Intervention) mix of step 1 above
 - Apply Target Intervention Factor to derive the Post-Intervention target enrollment mix for LTC and Waiver
 - Calculate the blended capitation rate of LTC/Waiver, based on the Post-Intervention target enrollment mix determined in step 3 above

Table 8a displays calculation of the blended rate cell for Month 1 under various examples of enrollment mix, while Table 8b displays calculation of the blended rate cell for multiple months under various enrollment scenarios for the LTC and Waiver cells.

Table 8aLTC/Waiver Blended Rate Calculation – Month 1

Rhody Health Options - MME					
7/1/2014 - 6/30/2015					
LTC / Waiver Blended Rate - Methodology					
MME (Dual Eligibles)					
		LTC		Waiver	Blended LTC/Waiver
LTC / Waiver Mix - <u>Pre-intervention mix</u>		70.2%		29.8%	100.0%
LTC / Waiver Mix - <u>Target Post-intervention mix</u>		69.1%		30.9%	100.0%
Target Intervention Factor for Transitions/Migrations		-1.2%			
Capitation Rate PMPM with State Premium Tax - <u>Illustrative</u>		\$ 5,070.63		\$ 2,081.88	
Month 1 - Various Examples					
					100
<u>Example 1</u>					
Month 1 Health Plan Original Assignment Enrollment		60		40	100
LTC / Waiver Mix - <u>Original Assignment</u>		60.0%		40.0%	100.0%
Target Intervention Factor for Transitions/Migrations		-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>		58.8%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)		59		41	100
Month 1 Health Plan Blended Rate Per Member					\$ 3,845.24
					PMPM
<u>Example 2</u>					
Month 1 Health Plan Original Assignment Enrollment		100		-	100
LTC / Waiver Mix - <u>Original Assignment</u>		100.0%		0.0%	100.0%
Target Intervention Factor for Transitions/Migrations		-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>		98.8%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)		99		1	100
Month 1 Health Plan Blended Rate Per Member					\$ 5,040.74
					PMPM
<u>Example 3</u>					
Month 1 Health Plan Original Assignment Enrollment		-		100	100
LTC / Waiver Mix - <u>Original Assignment</u>		0.0%		100.0%	100.0%
Target Intervention Factor for Transitions/Migrations		-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>		0.0%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)		-		100	100
Month 1 Health Plan Blended Rate Per Member					\$ 2,081.88
					PMPM

Table 8a

LTC/Waiver Blended Rate Calculation – Various Months

Rhody Health Options - MME				
7/1/2014 - 6/30/2015				
LTC / Waiver Blended Rate - Monthly Calculation				
	MME (Dual Eligibles)			
	LTC	Waiver	Blended LTC/Waiver	
Capitation Rate PMPM with State Premium Tax - Illustrative	\$ 5,070.63	\$ 2,081.88		
Monthly Calculation of Blended Rate (Steps 1 - 4)				
				100
Month 1				
Step 1				
Month 1 Original Assignment Enrollment	60	40		100
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	60.0%	40.0%		100.0%
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 1 LTC / Waiver Mix - Target Post-Intervention	58.8%	41.2%		100.0%
Month 1 Target (Post-Intervention) Enrollment (rounded)	59	41		100
Step 4				
Month 1 Health Plan Blended Rate Per Member			\$ 3,845.24	PMPM
Month 2				
Step 1				
Additions: New Enrollment	15	-		15
Subtractions: Enrollee disenrolled from Blended Rate Cell	(20)	-		(20)
Transitions: LTC to Waiver / Waiver to LTC	(10)	10		-
Month 2 "Census" Enrollment ¹	45	50		95
Month 2 Original Assignment Enrollment	55	40		95
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	57.9%	42.1%		100.0%
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 2 LTC / Waiver Mix - Target Post-Intervention	56.7%	43.3%		100.0%
Month 2 Target (Post-Intervention) Enrollment (rounded)	54	41		95
Step 4				
Month 2 Health Plan Blended Rate Per Member			\$ 3,780.75	PMPM
Month 3				
Step 1				
Additions: New Enrollment	20	20		40
Subtractions: Enrollee disenrolled from Blended Rate Cell	(10)	(10)		(20)
Transitions: LTC to Waiver / Waiver to LTC	-	-		-
Month 3 "Census" Enrollment ¹	55	60		115
Month 3 Original Assignment Enrollment	65	50		115
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	56.5%	43.5%		100.0%
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 3 LTC / Waiver Mix - Target Post-Intervention	55.4%	44.6%		100.0%
Month 3 Target (Post-Intervention) Enrollment (rounded)	64	51		115
Step 4				
Month 3 Health Plan Blended Rate Per Member			\$ 3,745.18	PMPM

¹ Although it is anticipated that there will be transfer of members from the LTC cell to the Waiver cell (or vice versa), the resulting effect on the "Census" for each cell will not be considered in the determination of Original Assignment Enrollment for the purpose of calculating the blended capitation rate

Actuarial Certification

Certification of the Rhody Health Options capitation rates for the rate period 7/1/2014 – 6/30/2015 is provided under a separate cover by the actuarial firm of Donlon & Associates, Inc., in support of this data book.

APPENDIX

THE STATE'S ICI PROGRAM

- As excerpted from the procurement / plan documents to provide further information.

EOHHS and stakeholders recognized that there is an opportunity to improve the Medicaid program by enhancing the integration of all services required by [ABD] Medicaid recipients including primary care, acute care, specialty care, behavioral health care and long-term services and supports and to include those individuals who are Medicare and Medicaid eligible in those integration efforts. These populations have complex medical conditions, require a multi-disciplinary cadre of care and supports, and are costly to serve. It is not surprising therefore that the Integrated Care Initiative (ICI) focuses on these populations.

In 2010, the ACA recognized the needs of these population groups and promoted the coordination of services for adults with disabilities (ages 19 to 64) and to elders (age 65 and older). In July 2011, the RI General Assembly also recognized the importance of improving the systems serving these populations:

By joint resolution pursuant to Rhode Island General Laws relating to the Medicaid Reform Act; Section 3 of Article 16: Integration of Care and Financing for Medicare and Medicaid Beneficiaries, the Executive Office of Health and Human Services is directed to engage in a contractual arrangement for the expansion and integration of care management strategies by July of 2012 for Medicaid-only beneficiaries and MME Members.

As a result, the ICI was established.

The vision of the State is to have an Integrated Health Care System for all Medicaid-only and MME Members that will achieve improved health and well-being, better healthcare, at lower costs. EOHHS's mission is to transform the delivery system through purchasing a person-centered, comprehensive, coordinated, quality health care and support services that promote and enhance the ability of Medicaid-only and MME recipients to maintain a high quality of life and live independently in the community.

A key requisite to meet the State's vision and mission for the ICI is to build on, improve, and integrate the current Care Management programs to better meet the needs of the target populations. The goals of ICI are the following:

- *Enhance person-centered care*
- *Improve and maintain Member's quality of life and care*
- *Develop an integrated system of care and coordination of services*
- *Increase the proportion of individuals successfully residing in a community setting*
- *Reduce long term care costs by providing person-centered care in the most appropriate and cost-effective setting*
- *Decrease avoidable hospitalizations, emergency room utilization and reduce nursing home admissions and length of stay*

EOHHS's ICI is founded on a care philosophy to ensure that services are delivered in the most appropriate care setting for each Member based on their medical, behavioral health and social service needs. This philosophy incorporates CMS' tenets of Managed LTSS:

- ***Person-driven:*** *The system affords older people, people with disabilities and/or chronic illness the opportunity to decide where and with whom they live, to have control over the services they receive and who provides the services, to work and earn money, and to include friends and supports to help them participate in community life.*
- ***Inclusive:*** *The system encourages and supports people to live where they want to live with access to a full array of quality services and supports in the community.*
- ***Effective and Accountable:*** *The system offers high quality services that improve quality of life. Accountability and responsibility is shared between public and private partners and includes personal accountability and planning for long term care needs, including greater use and awareness of private sources of funding.*
- ***Sustainable and Efficient:*** *The system achieves economy and efficiency by coordinating and managing a package of services that are appropriate for the beneficiary and paid for by the appropriate party.*
- ***Coordinated and Transparent:*** *The system coordinates services from various funding streams to provide a coordinated, seamless package of supports, and makes effective use of health information technology to provide transparent information to consumers, providers and payers.*

- **Culturally Competent:** *The system provides accessible information and services that take into account people's cultural and linguistic needs.*

In order to achieve the goal of full integration (primary care, acute care, specialty care, behavioral health care and long term services and supports), the State will contract with two or more MCOs to provide the comprehensive array of primary care, acute care, specialty care, behavioral health, and long-term care services and supports to Medicaid-only adults who receive LTSS as well as to MME individuals who are eligible for full Medicaid benefits, under a capitation arrangement. The target populations for this procurement fall into four groups: (1) MMEs living in the community receiving no long-term care services or supports, (2) MMEs living in the community receiving long term care services and supports, (3) MMEs living in an institutional care setting, and (4) Medicaid-only adults who receive LTSS in a nursing home or in the community.

This initiative will be implemented in two phases.

*The Medicaid ICI represents **Phase I** of EOHHS's approach to improving the Medicaid program by enhancing the integration of the full range of services (primary care, acute care, specialty care, behavioral health care and long-term services and supports) for all Medicaid eligible adults, importantly including persons who are dually eligible for Medicaid and Medicare. Additionally, as described below, certain services for individuals with developmental disabilities and individuals with severe and persistent mental illness will not be included in Phase I.*

***Phase II** includes the provision of all Medicaid covered benefits to the Medicaid only adults who receive LTSS and to all full benefit MMEs population, except for those individuals who are specifically excluded from this initiative. Phase II includes the provision of all Medicaid benefits and Medicare benefits to the Medicaid only and to dually eligible Medicaid and Medicare individuals.*

EXHIBITS

**Rhody Health Options
Proposed 7/1/2014 - 6/30/2015 Capitation Rates
For Medicaid Expenses
MME (Dual Eligible) and MA Only Populations**

Rhody Health Options			
Rate Period 7/1/2014 - 6/30/2015 (Provisional)			
Capitation Rates - Medicaid Expenses			
RHO Population Cohorts / Rate Cells	SFY '15 Forecasted Average Enrollment	PMPM Capitation Rates (<u>Non</u>-Profit Plans)	PMPM Capitation Rates (For-Profit Plans)
MME - MRDD	1,590	\$ 120.59	\$ 122.76
MME - SPMI	1,189	\$ 168.55	\$ 171.63
MME - Community (Non-LTSS)	10,024	\$ 121.97	\$ 123.34
MME - LTC (NH >90 Days) ¹	3,300	\$ 5,070.63	\$ 5,074.71
MME - Waiver (LTSS Comm.) ¹	1,400	\$ 2,081.88	\$ 2,088.19
MA Only - LTSS ²	497	\$ 6,532.11	\$ 6,601.64
¹ Rates for MME-LTC and MME-Waiver are presented as informational only. These two population cohorts will be blended and reimbursed as a single capitated rate cell based on the Medicaid Managed Care Organization's (MCO's) original assignment mix of enrollees in MME-LTC and MME-Waiver population cohorts, adjusted for the targeted enrollment mix - as displayed in Table 8a and Table 8b			
² Enrollment for MA Only - LTSS represents June 2014 actual			

Rhody Health Options					
Rate Period 7/1/2014 - 6/30/2015					
Average Eligible Members					
Program Population	7/09 - 6/10	7/10 - 6/11	7/11 - 6/12	7/12 - 6/13	SFY '15 Forecast
MME - MRDD	2,293	2,357	2,428	2,477	1,590
MME - SPMI	2,429	2,478	2,625	2,823	1,189
MME - Community (Non-LTSS)	13,307	13,532	13,917	14,040	10,024
MME - LTC (NH >90 Days)	4,895	4,864	4,909	4,912	3,300
MME - Waiver (LTSS Comm.)	2,893	3,130	3,286	3,470	1,400
MA Only - LTSS ¹	465	535	540	557	497
¹ MA Only -LTSS enrollment under SFY '15 Forecast represents June 2014 actual					

Rhody Health Options																			
Rate Period 7/1/14 - 6/30/15																			
Trend Development for MME (Dual Eligible) Populations																			
		Indicated Total MME			Adjusted ² Total MME														
		sfy '13 over sfy '11			sfy '13 over sfy '11 ²														
LOB	SFY'13 Dist	PMPM	Util / 1K	Cost / Util	PMPM	Util / 1K	Cost / Util												
IP	1.8%	-6.2%	-14.5%	9.7%	9.7%	0.0%	9.7%												
OP	3.7%	-3.5%	-5.2%	1.8%	1.8%	0.0%	1.8%												
Prof	4.1%	6.8%	-3.8%	11.1%	6.8%	-3.8%	11.1%												
Inst (NH)	75.6%	1.0%	-3.6%	4.7%	1.0%	-3.6%	4.7%												
Waiver	14.5%	5.9%	2.3%	3.5%	5.9%	2.3%	3.5%												
Rx	0.2%	-26.6%	-7.9%	-20.3%	0.0%	0.0%	0.0%												
	100.0%	1.6%			2.1%														
		Applied To SFY '14			Applied To SFY '15			SFY '13 PMPM Distributions					Composite 2-yr. Avg. PMPM Trends						
LOB	SFY'13 Dist	PMPM	Util / 1K	Cost / Util	PMPM	Util / 1K	Cost / Util	MRDD	SPMI	Comm	LTC	Waiver	MRDD	SPMI	Comm	LTC	Waiver		
IP	1.8%	1.2%	0.0%	1.2%	3.0%	0.0%	3.0%	12.1%	31.8%	14.5%	0.4%	1.6%	2.1%	2.1%	2.1%	2.1%	2.1%		
OP	3.7%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	6.6%	9.1%	14.2%	3.2%	2.8%	1.0%	1.0%	1.0%	1.0%	1.0%		
Prof	4.1%	6.8%	-3.8%	11.1%	6.8%	-3.8%	11.1%	62.7%	44.8%	21.9%	0.3%	10.1%	6.8%	6.8%	6.8%	6.8%	6.8%		
Inst (NH)	75.6%	1.0%	-3.6%	4.7%	1.0%	-3.6%	4.7%	11.6%	10.5%	44.8%	95.8%	9.5%	1.0%	1.0%	1.0%	1.0%	1.0%		
Waiver	14.5%	5.9%	2.3%	3.5%	5.9%	2.3%	3.5%	0.0%	0.0%	0.2%	0.3%	75.7%	5.9%	5.9%	5.9%	5.9%	5.9%		
Rx	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.0%	3.8%	4.5%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%		
Total	100.0%	1.9%			2.0%			100%	100%	100%	100%	100%	4.7%	3.9%	2.4%	1.0%	5.4%		
¹ Since most OP, Institutional and waiver services occur in the LTC and Waiver populations, the 2-yr. avg. trend of those populations were used for ALL RHO MME (Dual Eligible) populations																			
² Where indicated composite PMPM trends are negative and price and utilization trends do not offset each other, we assumed 0% for the corresponding negative price and/or utilization trend																			
³ Substituted trends for Cost/Util with estimated CMS Market Basket Less Productivity Index Rates for Inpatient and Outpatient, as per Article 19 (R.I.G.L. 40-8-13.4), as applicable to In-State expenses																			

Rhody Health Options									
Rate Period 7/1/14 - 6/30/15									
Trend Development for MA Only LTSS (LTC/Waiver) Population									
		Indicated MA Only			Adjusted ² MA Only				
		sfy '13 over sfy '11			sfy '13 over sfy '11 ²				
	<u>SFY¹13</u>	<u>PMPM</u>	<u>Util /</u>	<u>Cost /</u>	<u>PMPM</u>	<u>Util /</u>	<u>Cost /</u>		
<u>LOB</u>	<u>Dist</u>		<u>1K</u>	<u>Util</u>		<u>1K</u>	<u>Util</u>		
IP	18.6%	-9.7%	-2.9%	-7.0%	0.0%	0.0%	0.0%		
OP	10.1%	-2.2%	-3.3%	1.2%	1.2%	0.0%	1.2%		
Prof	12.5%	9.5%	2.3%	7.0%	9.5%	2.3%	7.0%		
Inst (NH)	27.5%	3.1%	-1.2%	4.4%	3.1%	-1.2%	4.4%		
Waiver	21.3%	3.0%	-1.1%	4.2%	3.0%	-1.1%	4.2%		
Rx	10.0%	-8.1%	-5.0%	-3.2%	0.0%	0.0%	0.0%		
Total	100.0%	-0.2%			2.8%				
								2-yr. Avg. PMPM Trends	
		Applied To SFY '14			Applied To SFY '15				
	<u>SFY¹13</u>	<u>PMPM</u>	<u>Util /</u>	<u>Cost /</u>	<u>PMPM</u>	<u>Util /</u>	<u>Cost /</u>	<u>LTSS (LTC /</u>	
<u>LOB</u>	<u>Dist</u>		<u>1K</u>	<u>Util</u>		<u>1K</u>	<u>Util</u>	<u>Waiver)</u>	
IP	18.6%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	1.0%	
OP	10.1%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	1.0%	
Prof	12.5%	9.5%	2.3%	7.0%	9.5%	2.3%	7.0%	9.5%	
Inst (NH)	27.5%	3.1%	-1.2%	4.4%	3.1%	-1.2%	4.4%	3.1%	
Waiver	21.3%	3.0%	-1.1%	4.2%	3.0%	-1.1%	4.2%	3.0%	
Rx	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total	100.0%	2.7%			3.3%			3.0%	
¹ Trends are based on MA Only & MME Total combined experience, except for institutional and waiver service categories which are from the MA Only & MME LTC blend and MA Only & MME Waiver blend populations, respectively									
² Where indicated composite PMPM trends are negative and price and utilization trends do not offset each other, we assumed 0% for the corresponding negative price and/or utilization trend									
³ Substituted trends for Cost/Util with estimated CMS Market Basket Less Productivity Index Rates for Inpatient and Outpatient, as per Article 19 (R.I.G.L. 40-8-13.4), as applicable to In-State expenses									

Rhody Health Options									
Rate Period 7/1/14 - 6/30/15									
Claims Experience PMPM									
Incurred State Fiscal Year (SFY), Paid through November 2013, estimated 100%									
		MME (Dual Eligibles)							MA - Only
		MRDD		SPMI		Community (Non-LTSS)		LTC (NH >90 days)	Waiver (LTSS Community)
Incurred Periods		PMPM		PMPM		PMPM		PMPM	PMPM
7/1/10 - 6/30/11		\$ 107.49		\$ 138.64		\$ 124.24		\$ 4,396.90	\$ 1,590.23
7/1/11 - 6/30/12		\$ 104.00		\$ 138.79		\$ 124.22		\$ 4,524.41	\$ 1,650.59
7/1/12 - 6/30/13		\$ 100.00		\$ 147.07		\$ 110.15		\$ 4,650.90	\$ 1,676.45
Selected Base Period PMPM ¹		\$ 100.00		\$ 147.07		\$ 110.15		\$ 4,650.90	\$ 1,676.45
¹ The selected Base Period PMPMs is set at the actual SFY '13 experience for the MME and MA Only populations									

Rhody Health Options - MME

Rate Period 7/1/2014 - 6/30/2015	
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Care Management Initiatives	
1. Care Coordination	2. Patient Education
3. Case Management	4. Care Transitions
5. Remote Patient Monitoring	6. Care Pathway Development
7. Care Plan Development	8. Care Plan Implementation
9. Care Plan Evaluation	10. Care Plan Revision
11. Care Plan Monitoring	12. Care Plan Reporting
13. Care Plan Documentation	14. Care Plan Communication
15. Care Plan Collaboration	16. Care Plan Coordination
17. Care Plan Collaboration	18. Care Plan Coordination
19. Care Plan Collaboration	20. Care Plan Coordination
21. Care Plan Collaboration	22. Care Plan Coordination
23. Care Plan Collaboration	24. Care Plan Coordination
25. Care Plan Collaboration	26. Care Plan Coordination
27. Care Plan Collaboration	28. Care Plan Coordination
29. Care Plan Collaboration	30. Care Plan Coordination
31. Care Plan Collaboration	32. Care Plan Coordination
33. Care Plan Collaboration	34. Care Plan Coordination
35. Care Plan Collaboration	36. Care Plan Coordination
37. Care Plan Collaboration	38. Care Plan Coordination
39. Care Plan Collaboration	40. Care Plan Coordination
41. Care Plan Collaboration	42. Care Plan Coordination
43. Care Plan Collaboration	44. Care Plan Coordination
45. Care Plan Collaboration	46. Care Plan Coordination
47. Care Plan Collaboration	48. Care Plan Coordination
49. Care Plan Collaboration	50. Care Plan Coordination
51. Care Plan Collaboration	52. Care Plan Coordination
53. Care Plan Collaboration	54. Care Plan Coordination
55. Care Plan Collaboration	56. Care Plan Coordination
57. Care Plan Collaboration	58. Care Plan Coordination
59. Care Plan Collaboration	60. Care Plan Coordination
61. Care Plan Collaboration	62. Care Plan Coordination
63. Care Plan Collaboration	64. Care Plan Coordination
65. Care Plan Collaboration	66. Care Plan Coordination
67. Care Plan Collaboration	68. Care Plan Coordination
69. Care Plan Collaboration	70. Care Plan Coordination
71. Care Plan Collaboration	72. Care Plan Coordination
73. Care Plan Collaboration	74. Care Plan Coordination
75. Care Plan Collaboration	76. Care Plan Coordination
77. Care Plan Collaboration	78. Care Plan Coordination
79. Care Plan Collaboration	80. Care Plan Coordination
81. Care Plan Collaboration	82. Care Plan Coordination
83. Care Plan Collaboration	84. Care Plan Coordination
85. Care Plan Collaboration	86. Care Plan Coordination
87. Care Plan Collaboration	88. Care Plan Coordination
89. Care Plan Collaboration	90. Care Plan Coordination
91. Care Plan Collaboration	92. Care Plan Coordination
93. Care Plan Collaboration	94. Care Plan Coordination
95. Care Plan Collaboration	96. Care Plan Coordination
97. Care Plan Collaboration	98. Care Plan Coordination
99. Care Plan Collaboration	100. Care Plan Coordination

		MME (Dual Eligibles)												
		MRDD			SPMI			Community (Non-LTSS)			LTC (NH >90 days)			Waiver (LTSS comm.)
Experience Period 7/1/12 - 6/30/13														
Average Members		2,477			2,823			14,040			4,912			3,470
Total PMPM		\$ 100.00			\$ 147.07			\$ 110.15			\$ 4,650.90			\$ 1,676.45
<u>Care component affected by managed care initiatives:</u>														
Inpatient		\$ 3.30			\$ 27.80			\$ 5.98			\$ 7.20			\$ 3.18
Institutional-Nursing Home		\$ 11.60			\$ 15.49			\$ 49.33			\$ 4,455.63			\$ 159.13
Outpatient		\$ 1.66			\$ 2.79			\$ 6.31			\$ 143.72			\$ 27.44
Professional - DME		\$ 32.43			\$ 2.48			\$ 0.03			\$ 1.87			\$ 32.75
Prof.- Personal Care/Day Care/Shared Living/Assisted Living		\$ 11.50			\$ 19.35			\$ 4.50			\$ 1.59			\$ 54.67
Professional - Rehab		\$ 5.71			\$ -			\$ -			\$ -			\$ 54.60
Professional - Behavioral Health		\$ 2.01			\$ 30.15			\$ 0.54			\$ 0.44			\$ 1.65
Crossover - Inpatient		\$ 8.77			\$ 18.91			\$ 9.99			\$ 12.39			\$ 23.16
Crossover - Outpatient		\$ 4.86			\$ 10.32			\$ 9.16			\$ 3.87			\$ 19.00
Crossover - Professional		\$ 9.07			\$ 9.81			\$ 11.47			\$ 7.66			\$ 21.09
Waiver - DME		\$ -			\$ -			\$ -			\$ 0.66			\$ 18.03
Waiver-Personal Care/Day Care/Shared Living/Assisted Living		\$ -			\$ 0.00			\$ 0.18			\$ 0.37			\$ 1,209.02
Waiver - Rehab		\$ -			\$ -			\$ -			\$ -			\$ 11.04
<u>Rx - Pharmacy</u>		<u>\$ 7.04</u>			<u>\$ 5.61</u>			<u>\$ 4.97</u>			<u>\$ 2.01</u>			<u>\$ 5.15</u>
Total of care components affected by managed care initiatives		\$ 97.96			\$ 142.72			\$ 102.44			\$ 4,637.40			\$ 1,639.90
Inpatient components NOT affected by care management		\$ -			\$ -			\$ -			\$ -			\$ -
Outpatient components NOT affected by care management		\$ -			\$ -			\$ -			\$ (0.00)			\$ -
Professional components NOT affected by care management		\$ 2.04			\$ 4.35			\$ 7.70			\$ 2.63			\$ 6.19
<u>Waiver components NOT affected by care management</u>		<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>			<u>\$ 10.87</u>			<u>\$ 30.37</u>
Total of care components NOT affected by care management		\$ 2.04			\$ 4.35			\$ 7.70			\$ 13.50			\$ 36.55
Total Medical and Rx PMPM		\$ 100.00			\$ 147.07			\$ 110.15			\$ 4,650.90			\$ 1,676.45

Rhody Health Options - MME															
Rate Period 7/1/2014 - 6/30/2015															
Care Management Initiatives															
Care component Projected to Rate Period	2-yr. Avg. Trend	Projected PMPM		2-yr. Avg. Trend	Projected PMPM		2-yr. Avg. Trend	Projected PMPM		2-yr. Avg. Trend	Projected PMPM		2-yr. Avg. Trend	Projected PMPM	
Inpatient	2.1%	\$ 3.44		2.1%	\$ 28.97		2.1%	\$ 6.23		2.1%	\$ 7.51		2.1%	\$ 3.31	
Institutional-Nursing Home	1.0%	\$ 11.84		1.0%	\$ 15.80		1.0%	\$ 50.31		1.0%	\$ 4,544.68		1.0%	\$ 162.31	
Outpatient	1.0%	\$ 1.70		1.0%	\$ 2.85		1.0%	\$ 6.44		1.0%	\$ 146.60		1.0%	\$ 27.99	
Professional - DME	6.8%	\$ 37.01		6.8%	\$ 2.83		6.8%	\$ 0.03		6.8%	\$ 2.14		6.8%	\$ 37.37	
Prof.- Personal Care/Day Care/Shared Living/Assisted Li	6.8%	\$ 13.12		6.8%	\$ 22.08		6.8%	\$ 5.13		6.8%	\$ 1.81		6.8%	\$ 62.38	
Professional - Rehab	6.8%	\$ 6.51		6.8%	\$ -		6.8%	\$ -		6.8%	\$ -		6.8%	\$ 62.31	
Professional - Behavioral Health	6.8%	\$ 2.30		6.8%	\$ 34.40		6.8%	\$ 0.61		6.8%	\$ 0.50		6.8%	\$ 1.88	
Crossover - Inpatient	2.1%	\$ 9.13		2.1%	\$ 19.71		2.1%	\$ 10.41		2.1%	\$ 12.92		2.1%	\$ 24.13	
Crossover - Outpatient	1.0%	\$ 4.96		1.0%	\$ 10.53		1.0%	\$ 9.35		1.0%	\$ 3.94		1.0%	\$ 19.39	
Crossover - Professional	6.8%	\$ 10.35		6.8%	\$ 11.19		6.8%	\$ 13.08		6.8%	\$ 8.74		6.8%	\$ 24.06	
Waiver - DME	5.9%	\$ -		5.9%	\$ -		5.9%	\$ -		5.9%	\$ 0.74		5.9%	\$ 20.24	
Waiver-Personal Care/Day Care/Shared Living/Assisted	5.9%	\$ -		5.9%	\$ -		5.9%	\$ 0.20		5.9%	\$ 0.41		5.9%	\$ 1,356.84	
Waiver - Rehab	5.9%	\$ -		5.9%	\$ -		5.9%	\$ -		5.9%	\$ -		5.9%	\$ 12.39	
Rx - Pharmacy	0.0%	\$ 7.04		0.0%	\$ 5.61		0.0%	\$ 4.97		0.0%	\$ 2.01		0.0%	\$ 5.15	
Total of care components affected by managed care initiatives		\$ 107.38			\$ 153.96			\$ 106.75			\$ 4,732.00			\$ 1,819.75	
Inpatient components NOT affected by care management	2.1%	\$ -		2.1%	\$ -		2.1%	\$ -		2.1%	\$ -		2.1%	\$ -	
Outpatient components NOT affected by care management	1.0%	\$ -		1.0%	\$ -		1.0%	\$ -		1.0%	\$ -		1.0%	\$ -	
Professional components NOT affected by care management	6.8%	\$ 2.33		6.8%	\$ 4.95		6.8%	\$ 8.78		6.8%	\$ 3.00		6.8%	\$ 7.06	
Waiver components NOT affected by care management	5.9%	\$ -		5.9%	\$ -		5.9%	\$ -		5.9%	\$ 12.20		5.9%	\$ 34.08	
Total of care components NOT affected by care management		\$ 2.33			\$ 4.95			\$ 8.78			\$ 15.20			\$ 41.14	
Total Medical and Rx PMPM		\$ 109.71			\$ 158.91			\$ 115.53			\$ 4,747.20			\$ 1,860.89	

Care Management Savings : Adjustment Factors ¹											
	Factors	PMPM		Factors	PMPM		Factors	PMPM		Factors	PMPM
Inpatient	0.90	\$ (0.34)		0.90	\$ (2.90)		0.90	\$ (0.62)		0.90	\$ (0.75)
Institutional-Nursing Home	0.95	\$ (0.59)		0.95	\$ (0.79)		0.95	\$ (2.52)		1.00	\$ -
Outpatient	1.05	\$ 0.08		1.05	\$ 0.14		1.05	\$ 0.32		1.00	\$ -
Professional - DME	1.10	\$ 3.70		1.10	\$ 0.28		1.10	\$ 0.00		1.10	\$ 0.21
Prof.- Personal Care/Day Care/Shared Living/Assisted Living	1.03	\$ 0.39		1.02	\$ 0.44		1.20	\$ 1.03		1.00	\$ -
Professional - Rehab	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
Professional - Behavioral Health	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
Crossover - Inpatient	0.90	\$ (0.91)		0.90	\$ (1.97)		0.90	\$ (1.04)		0.90	\$ (1.29)
Crossover - Outpatient	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
Crossover - Professional	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
Waiver - DME	1.10	\$ -		1.10	\$ -		1.10	\$ -		1.10	\$ 0.07
Waiver-Personal Care/Day Care/Shared Living/Assisted Living	1.03	\$ -		1.02	\$ -		1.20	\$ 0.04		1.00	\$ -
Waiver - Rehab	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
<u>Rx - Pharmacy</u>	1.00	\$ -		1.00	\$ -		1.00	\$ -		1.00	\$ -
Total of care components affected by managed care initiatives		\$ 2.33			\$ (4.79)			\$ (2.79)			\$ (1.76)
	MRDD			SPMI			Community (Non-			LTC (NH >90 days)	
	PMPM	% Pct		PMPM	% Pct		PMPM	% Pct		PMPM	% Pct
Total Projected PMPM	\$ 109.71			\$ 158.91			\$ 115.53			\$ 4,747.20	
Medical Care Management Savings	\$ 2.33	2.3%		\$ (4.79)	-3.1%		\$ (2.79)	-2.5%		\$ (1.76)	0.0%
<u>Pharmacy Care Management Savings</u>	\$ -	0.0%		\$ -	0.0%		\$ -	0.0%		\$ -	0.0%
Total Care Management Savings	\$ 2.33	2.1%		\$ (4.79)	-3.0%		\$ (2.79)	-2.4%		\$ (1.76)	0.0%
Adjustment for populations already in Managed Care	1.00			1.00			1.00			1.00	
Medical Care Management Savings	\$ 2.33	2.3%		\$ (4.79)	-3.1%		\$ (2.79)	-2.5%		\$ (1.76)	0.0%
<u>Pharmacy Care Management Savings</u>	\$ -	0.0%		\$ -	0.0%		\$ -	0.0%		\$ -	0.0%
Total Care Management Savings	\$ 2.33	2.1%		\$ (4.79)	-3.0%		\$ (2.79)	-2.4%		\$ (1.76)	0.0%
¹ Care Management savings adjustment factors developed with the assistance of Airam Actuarial Consulting, LLC, Donlon & Associates, Inc. and RI-EOHHS											

Rhody Health Options - MA Only			
Rate Period 7/1/14 - 6/30/15			
Care Management Initiatives			
		LTSS (LTC / Waiver)	
Experience Period 7/1/12 - 6/30/13			
Average Members		557	
Total PMPM		\$ 5,895.15	
Care component affected by managed care initiatives:			
Inpatient		\$ 1,094.69	
Institutional-Nursing Home		\$ 1,622.64	
Outpatient		\$ 595.66	
Professional - E&M Specialty		\$ 188.60	
Professional - DME		\$ 136.98	
Prof.- Personal Care/Day Care/Shared Living/Assisted Living		\$ 31.09	
Professional - Rehab		\$ 29.37	
Professional - Behavioral Health		\$ 20.78	
Crossover - Inpatient		\$ -	
Crossover - Outpatient		\$ -	
Crossover - Professional		\$ -	
Waiver - DME		\$ 14.79	
Waiver-Personal Care/Day Care/Shared Living/Assisted Living		\$ 1,190.75	
Waiver - Rehab		\$ 27.56	
<u>Rx - Pharmacy</u>		<u>\$ 592.40</u>	
Total of care components affected by managed care initiatives		\$ 5,545.32	
Inpatient components NOT affected by care management		\$ -	
Outpatient components NOT affected by care management		\$ -	
Professional components NOT affected by care management		\$ 327.93	
<u>Waiver components NOT affected by care management</u>		<u>\$ 21.90</u>	
Total of care components NOT affected by care management		\$ 349.83	
Total Medical and Rx PMPM		\$ 5,895.15	

Rhody Health Options - MA Only			
Rate Period 7/1/14 - 6/30/15			
Care Management Initiatives			
<u>Care component Projected to Rate Period</u>	<u>2-yr. Avg. Trend</u>	<u>Projected PMPM</u>	
Inpatient	1.0%	\$ 1,116.59	
Institutional-Nursing Home	3.1%	\$ 1,725.26	
Outpatient	1.0%	\$ 607.59	
Professional - E&M Specialty	9.5%	\$ 225.98	
Professional - DME	9.5%	\$ 164.12	
Prof.- Personal Care/Day Care/Shared Living/Assisted Living	9.5%	\$ 37.26	
Professional - Rehab	9.5%	\$ 35.19	
Professional - Behavioral Health	9.5%	\$ 24.90	
Crossover - Inpatient	1.0%	\$ -	
Crossover - Outpatient	1.0%	\$ -	
Crossover - Professional	9.5%	\$ -	
Waiver - DME	3.0%	\$ 15.70	
Waiver-Personal Care/Day Care/Shared Living/Assisted Living	3.0%	\$ 1,263.76	
Waiver - Rehab	3.0%	\$ 29.24	
<u>Rx - Pharmacy</u>	0.0%	\$ 592.40	
Total of care components affected by managed care initiatives		\$ 5,837.99	
Inpatient components NOT affected by care management	1.0%	\$ -	
Outpatient components NOT affected by care management	1.0%	\$ -	
Professional components NOT affected by care management	9.5%	\$ 392.92	
<u>Waiver components NOT affected by care management</u>	3.0%	\$ 23.24	
Total of care components NOT affected by care management		\$ 416.16	
Total Medical and Rx PMPM		\$ 6,254.15	

Rhody Health Options - MA Only			
Rate Period 7/1/14 - 6/30/15			
Care Management Initiatives			
Care Management Savings : Adjustment Factors ¹		Factors	PMPM
Inpatient		0.96	\$ (44.61)
Institutional-Nursing Home		1.00	\$ -
Outpatient		1.00	\$ -
Professional - E&M Specialty		1.00	\$ -
Professional - DME		1.01	\$ 1.07
Prof.- Personal Care/Day Care/Shared Living/Assisted Living		1.00	\$ 0.05
Professional - Rehab		1.00	\$ -
Professional - Behavioral Health		1.00	\$ -
Crossover - Inpatient		1.00	\$ -
Crossover - Outpatient		1.00	\$ -
Crossover - Professional		1.00	\$ -
Waiver - DME		1.00	\$ 0.03
Waiver-Personal Care/Day Care/Shared Living/Assisted Living		1.00	\$ 0.91
Waiver - Rehab		1.00	\$ -
<u>Rx - Pharmacy</u>		1.00	\$ -
Total of care components affected by managed care initiatives			\$ (42.55)
		LTC/Waiver LTSS	
		PMPM	% Pct
Total Projected PMPM		\$ 6,254.15	
Medical Care Management Savings		\$ (42.55)	-0.8%
<u>Pharmacy Care Management Savings</u>		\$ -	0.0%
Total Care Management Savings		(42.55)	-0.7%
Adjustment for populations already in Managed Care ²		1.00	
Medical Care Management Savings		\$ (42.55)	-0.8%
<u>Pharmacy Care Management Savings</u>		\$ -	0.0%
Total Care Management Savings		(42.55)	-0.7%
¹ Care Management savings adjustment factors developed with the assistance of Airam Actuarial Consulting, LLC, Donlon & Associates, Inc., and RI-EOHHS			

Transition / Migration

¹ Program initiatives were developed with the assistance of RI-EOHHS, Airam Actuarial Consulting and Donlon & Associates, Inc.

Rhody Health Options

Rate Period 7/1/2014 - 6/30/2015

Capitation Rates - Medicaid Expenses

RHO Population Cohorts / Rate Cells	SFY '15 Forecasted Average Enrollment	Medical Component of Capitation Rates	Admin Component of Capitation Rates ¹	2% State Premium Tax	PMPM Capitation Rates (Non- Profit Plans)	Estimated ACA Issuer Tax	PMPM Capitation Rates (For- Profit Plans)
MME - MRDD	1,590	\$ 107.84	\$ 10.34	\$ 2.41	\$ 120.59	\$ 2.17	\$ 122.76
MME - SPMI	1,189	\$ 150.73	\$ 14.45	\$ 3.37	\$ 168.55	\$ 3.08	\$ 171.63
MME - Community (Non-LTSS)	10,024	\$ 109.07	\$ 10.46	\$ 2.44	\$ 121.97	\$ 1.37	\$ 123.34
MME - LTC (NH >90 Days) ¹	3,300	\$ 4,695.91	\$ 273.31	\$ 101.41	\$ 5,070.63	\$ 4.08	\$ 5,074.71
MME - Waiver (LTSS Comm.) ¹	1,400	\$ 1,836.21	\$ 204.03	\$ 41.64	\$ 2,081.88	\$ 6.31	\$ 2,088.19
MA Only - LTSS ²	497	\$ 6,149.47	\$ 252.00	\$ 130.64	\$ 6,532.11	\$ 69.53	\$ 6,601.64

¹ Rates for MME-LTC and MME-Waiver are presented as informational only. These two population cohorts will be blended and reimbursed as a single capitated rate cell based on an MCO's original assignment mix of enrollees in MME-LTC and MME-Waiver population cohorts, adjusted for the targeted enrollment mix - as displayed in Table 8a and Table 8b

² Enrollment for MA Only - LTSS represents June 2014 actual

Rhody Health Options - MME						
7/1/2014 - 6/30/2015						
LTC / Waiver Blended Rate - Methodology						
MME (Dual Eligibles)						
			LTC	Waiver	Blended LTC/Waiver	
LTC / Waiver Mix - <u>Pre-intervention mix</u>			70.2%	29.8%	100.0%	
LTC / Waiver Mix - <u>Target Post-intervention mix</u>			69.1%	30.9%	100.0%	
Target Intervention Factor for Transitions/Migrations			-1.2%			
Capitation Rate PMPM with State Premium Tax - <u>Illustrative</u>			\$ 5,070.63	\$ 2,081.88		
Month 1 - Various Examples						
					100	
Example 1						
Month 1 Health Plan Original Assignment Enrollment			60	40	100	
LTC / Waiver Mix - <u>Original Assignment</u>			60.0%	40.0%	100.0%	
Target Intervention Factor for Transitions/Migrations			-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>			58.8%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)			59	41	100	
Month 1 Health Plan Blended Rate Per Member					\$ 3,845.24	PMPM
Example 2						
Month 1 Health Plan Original Assignment Enrollment			100	-	100	
LTC / Waiver Mix - <u>Original Assignment</u>			100.0%	0.0%	100.0%	
Target Intervention Factor for Transitions/Migrations			-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>			98.8%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)			99	1	100	
Month 1 Health Plan Blended Rate Per Member					\$ 5,040.74	PMPM
Example 3						
Month 1 Health Plan Original Assignment Enrollment			-	100	100	
LTC / Waiver Mix - <u>Original Assignment</u>			0.0%	100.0%	100.0%	
Target Intervention Factor for Transitions/Migrations			-1.2%			
LTC / Waiver Mix - <u>Target Post-Intervention</u>			0.0%			
Month 1 Health Plan Target Enrollment (rounded to the nearest whole member)			-	100	100	
Month 1 Health Plan Blended Rate Per Member					\$ 2,081.88	PMPM

Rhody Health Options - MME				
7/1/2014 - 6/30/2015				
LTC / Waiver Blended Rate - Monthly Calculation				
MME (Dual Eligibles)				
	LTC	Waiver	Blended LTC/Waiver	
Capitation Rate PMPM with State Premium Tax - Illustrative	\$ 5,070.63	\$ 2,081.88		
Monthly Calculation of Blended Rate (Steps 1 - 4)				
				100
Month 1				
Step 1				
Month 1 Original Assignment Enrollment	60	40	100	
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	60.0%	40.0%	100.0%	
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 1 LTC / Waiver Mix - Target Post-Intervention	58.8%	41.2%	100.0%	
Month 1 Target (Post-Intervention) Enrollment (rounded)	59	41	100	
Step 4				
Month 1 Health Plan Blended Rate Per Member			\$ 3,845.24	PMPM
Month 2				
Step 1				
Additions: New Enrollment	15	-	15	
Subtractions: Enrollee disenrolled from Blended Rate Cell	(20)	-	(20)	
Transitions: LTC to Waiver / Waiver to LTC	(10)	10	-	
Month 2 "Census" Enrollment ¹	45	50	95	
Month 2 Original Assignment Enrollment	55	40	95	
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	57.9%	42.1%	100.0%	
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 2 LTC / Waiver Mix - Target Post-Intervention	56.7%	43.3%	100.0%	
Month 2 Target (Post-Intervention) Enrollment (rounded)	54	41	95	
Step 4				
Month 2 Health Plan Blended Rate Per Member			\$ 3,780.75	PMPM
Month 3				
Step 1				
Additions: New Enrollment	20	20	40	
Subtractions: Enrollee disenrolled from Blended Rate Cell	(10)	(10)	(20)	
Transitions: LTC to Waiver / Waiver to LTC	-	-	-	
Month 3 "Census" Enrollment ¹	55	60	115	
Month 3 Original Assignment Enrollment	65	50	115	
Step 2				
LTC / Waiver Mix - Original Assignment (Pre-Intervention)	56.5%	43.5%	100.0%	
Step 3				
Target Intervention Factor for Transitions/Migrations	-1.2%			
Month 3 LTC / Waiver Mix - Target Post-Intervention	55.4%	44.6%	100.0%	
Month 3 Target (Post-Intervention) Enrollment (rounded)	64	51	115	
Step 4				
Month 3 Health Plan Blended Rate Per Member			\$ 3,745.18	PMPM
¹ Although it is anticipated that there will be transfer of members from the LTC cell to the Waiver cell (or vice versa), the resulting effect on the "Census" for each cell will not be considered in the determination of Original Assignment Enrollment for the purpose of calculating the blended capitation rate				

Rate Period 7/1/2014 - 6/30/2015

Note: LTC & Waiver capitation PMPMs are illustrative only and will serve as the basis for calculating the capitation rate for blended LTC / Waiver rate cell, based on a health plan's original assignment enrollment each month



Donlon & Associates, Inc.

STATEMENT OF ACTUARIAL OPINION

I, Thomas M. Donlon, am associated with the firm of Donlon & Associates, Inc. I am a Member of the American Academy of Actuaries and meet its General Qualification Standards to issue public statements of actuarial opinions, which include the development of capitated rates for state Medicaid programs. I have been involved in developing the State capitation rates for specific segments of the SSI population under Rhode Island's Medicaid program called Rhody Health Options (RHO) for the 12-month period July 1, 2014 through June 30, 2015. These efforts are part of the State's Integrated Care Initiative (ICI) to address the complex medical needs of the Medicare & Medicaid Eligible (MME) Aged, Blind and Disabled Adult (ABD) population and the Medicaid Only (MA Only) Long Term Services and Supports (LTSS) beneficiaries. Capitation rates were developed for the following eligibility categories:

MME Population:

- Long Term Care (LTC) – Greater than 90 days in Nursing Home
- Mental Retardation and Developmental Disabilities (MRDD)
- Waiver (LTSS Community)
- Serious and Persistent Mental Illness (SPMI)
- Community (Non-LTSS)

MA Only Population:

- LTSS (LTC and Waiver beneficiaries)

I have examined the actuarial assumptions and actuarial methods used in determining the capitated payment rates as developed in the attached HealthCare Analytics report dated May 14, 2014. In my review of the capitation rate development, I have relied upon an analysis of Managed Care Encounter data, Medicaid Fee-For-Service claims data, Medicaid eligibility data, program and other documentation, and trend research provided by HealthCare Analytics to the State. All data was provided to the State Medicaid Agency. I performed no verification as to the accuracy of these data. In other respects, my determination included such review of the actuarial calculations as I considered necessary in the circumstances.

In my opinion, the capitation rates developed in the report dated May 14, 2014:

- 1) Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- 2) Are based on actuarial assumptions which reflect historical program experience, and
- 3) Are in compliance with the regulations found at 42 CFR 438.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board.

Thomas M. Donlon, FSA, MAAA
Consulting Actuary

May 14, 2014
Date