

**Arizona Long Term Care System (ALTCS),
Department of Economic Security /Division of Developmental
Disabilities (DES/DDD) Actuarial Memorandum**

I. Purpose

This memorandum presents a revision to the capitation rates for the Arizona Long Term Care System (ALTCS)/Division of Developmental Disabilities (DDD) program, for the period April 1, 2013 to June 30, 2013. The purpose of this actuarial memorandum is to demonstrate that the updated capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

This memorandum presents a discussion of the revision to the already approved Contract Year Ending 2013 (CYE 13) DDD capitation rates to reflect Institutional, Home and Community Based Services (HCBS) and Behavioral Health Services (BHS) provider rate increases as well as an adjustment for Medicare coverage of benzodiazepine and barbiturate medications for dual eligible members. These updated rates will be the rates in effect April 1, 2013 through the end of the contract year (June 30, 2013).

II. Overview of Changes

Provider Rate Increase

A two percent rate increase for developmental disabilities service providers was included in the DDD appropriation with an effective date of April 1, 2013. DDD completed an analysis of their published rates and provided a recommendation to increase HCBS published rates and Private Intermediate Care Facility (institutional) rates. The capitation rates were adjusted to reflect this recommendation. The estimated three month statewide impact is approximately \$3.3 million.

A two percent rate increase for behavioral health service providers was included in the BHS appropriation with an effective date of April 1, 2013. BHS completed an analysis of encounter and financial expenditures for certain BH categories of services and provided AHCCCS with a recommendation to increase community-based providers. The DDD Behavioral Health (BH) capitation rates were adjusted to reflect this recommendation. The estimated three month statewide impact is approximately \$144,000.

Medicare Coverage of Benzodiazepine and Barbiturate Medications

Effective January 1, 2013, for dual eligible members, Medicare will cover benzodiazepines for any condition and barbiturates used for the treatment of epilepsy, cancer or chronic mental health conditions. Therefore, Contractors will no longer be permitted to reimburse prescription claims for these services and thus the capitation rates need to be adjusted.

The acute component of the DDD capitation rates was adjusted for this impact. The PMPM capitation adjustments were developed based on historical encounter and member month data for dates from October 1, 2010 to September 30, 2011.

Likewise the BH component of the DDD capitation rates was adjusted for this Medicare Part D impact. The BH PMPM capitation adjustments were developed based on historical encounter and member month data for dates from July 1, 2010 to June 30, 2011.

Both the acute and BH PMPMs were then applied to actual/projected member months from the effective date of this change (January 1, 2013) to the end of the contract period (June 30, 2013) to get the total dollar impact for CYE 13. This projected total dollar impact for CYE 13 (six months from January 1 to June 30 2013) was then divided by projected member months for April 1, 2013 to June 30, 2013 (three months) to develop the CYE 13 capitation adjustment PMPM. The estimated six month statewide savings from the acute component is approximately \$268,000 and the estimated six month statewide savings from the BH component is approximately \$21,000.

III. Proposed Capitation Rates and Their Impacts

Table I below summarizes the changes per rate cell with the estimated budget impact. The table summarizes from the current approved CYE 13 capitation rates to the proposed updated CYE 13 capitation rates, effective for the period April 1, 2013 through June 30, 2013 on a statewide basis.

Table I: Proposed Capitation Rates and Budget Impact

Rate Cell	Based on Projected Member Months		Based on Projected Member Months April 1, 2013 - June 30, 2013				Dollar Impact	Percentage Impact
	April 1, 2013 - June 30, 2013		CYE 13 Current Rate	CYE 13 Updated Rate	Estimated CYE 13 Current	Estimated CYE 13 Updated Capitation		
DDD	76,024	\$ 3,084.22	\$ 3,125.69	\$ 234,473,702	\$ 237,626,403	\$ 3,152,701	1.34%	
Behavioral Health	76,024	\$ 118.92	\$ 120.67	\$ 9,040,734	\$ 9,173,775	\$ 133,041	1.47%	
Targeted Case Management	13,557	\$ 113.18	\$ 113.18	\$ 1,534,359	\$ 1,534,359	\$ -	0.00%	
Total				\$ 245,048,795	\$ 248,334,538	\$ 3,285,743	1.34%	

Behavioral Health does not reflect premium tax

Actuarial Certification of the Capitation Rates

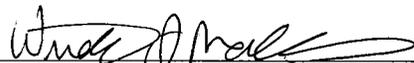
I, Windy J. Marks, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The 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 rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The 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 three-month period beginning April 1, 2013.

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 rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by DES/DDD and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the DES/DDD auditors and other AHCCCS employees for the accuracy of the data.

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.


Windy J. Marks

03-19-13
Date

Fellow of the Society of Actuaries
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