

Arizona Long Term Care System (ALTCS), Elderly and Physically Disabled (EPD) Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the Arizona Long Term Care System (ALTCS) Elderly and Physically Disabled (EPD) 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 a revision to the already approved Contract Year Ending 2013 (CYE 13) EPD capitation rates. The revision reflects enhanced payments to nursing facilities (NFs). These rates are updated retroactively for the third quarter of CYE 13, from April 1, 2013 through June 30, 2013.

II. Overview of Changes

For CYE 13, NFs are eligible for enhanced payments. Within each Geographic Service Area (GSA), the enhanced payments are allocated among the NFs and Contractors using claims and encounter data incurred between October 2010 and September 2011.

III. Methodology for Calculating Capitation Adjustments

EPD Long Term Care per-member-per-month (PMPM) capitation adjustments were developed based on historical NF bed day utilization. The PMPM adjustments were developed based on each Contractor's proportion of bed days and actual/projected member months by GSA. AHCCCS excluded Fee For Service (FFS) utilization from the capitation adjustments. Bed day data for Contractors whose utilization of a particular NF was less than 10% of total bed days for that facility was added to the data for the Contractor with the highest volume of utilization at that facility. Funding for these enhanced payments will be added to the already approved EPD Contractors' capitation rates effective for the period of April 1, 2013 through June 30, 2013. The estimated impact of this retroactive capitation rate adjustment is a statewide increase of approximately \$9.5 million.

State law restricts AHCCCS from making adjustments to capitation for NF enhanced payments that exceed the monies available from the NF enhanced payment funding source. Thus when AHCCCS developed the capitation adjustment, a hold back of 20% was applied. AHCCCS will perform a reconciliation (with a risk corridor of 0%) on the NF enhanced payment component of the capitation rate. This reconciliation will be completed after the end of the contract year and will reconcile the NF enhanced payment component paid to Contractors with the actual NF enhanced payment funds available.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the enhanced payments. The premium tax component was impacted by the enhanced payments.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I below includes the net capitation rates on a statewide basis for all rate cells as well as the estimated budget impact based off of actual EPD Long Term Care and Acute Only member months and projected PPC member months for April 2013 through June 2013. Table II below summarizes the adjustments made to the already approved CYE 13 EPD Long Term Care capitation rates on a statewide basis. The impact to Contractors ranges from 3.1% to 5.3%. The appendices contain individual Contractor capitation rates. Appendix I displays EPD rates by geographical service area and Contractor. Appendix II displays individual Contractor capitation rates at the service category level for EPD Long Term Care.

Table I: Proposed Capitation Rates and Budget Impact

Rate Cell	Actual MMs (04/01/13 - 06/30/13)	Approved (04/01/13 - 06/30/13) Rate	Proposed (04/01/13 - 06/30/13) Rate	Previous Estimated (04/01/13 - 06/30/13) Capitation	Revised Estimated (04/01/13 - 06/30/13) Capitation	Dollar impact on (04/01/13 - 06/30/13) estimated current capitation	Pct impact on (04/01/13 - 06/30/13) estimated capitation
EPD (Prospective)	75,177	\$3,059.29	\$3,185.56	\$ 229,988,244	\$ 239,480,844	\$ 9,492,600	4.1%
PPC	2,668	\$855.56	\$855.56	\$ 2,282,634	\$ 2,282,634	\$ -	0.0%
Acute Only	1,036	\$497.57	\$497.57	\$ 515,483	\$ 515,483	\$ -	0.0%
Total				\$ 232,786,361	\$ 242,278,961	\$ 9,492,600	4.1%

Table II: Statewide Projected Net Capitation PMPM EPD Combined

Service Category	Approved Gross CYE13		Approved Net CYE13		Pct Gross		Proposed Gross CYE13		Proposed Net CYE13	
	Rate	Mix	Rate	Mix	Change	Change	Rate	Mix	Rate	Mix
Nursing Facility (NF)	\$5,691.53	26.85%	\$1,527.91		0.0%	0.0%	\$5,691.53	26.85%	\$1,527.91	
Share of Cost			(\$230.32)			0.0%			(\$230.32)	
NF Enhanced Payment			\$0.00						\$123.75	
Net Nursing Facility			\$1,297.59			9.5%			\$1,421.34	
Home/Community (HCBS)	\$1,453.53	73.15%	\$1,063.32		0.0%	0.0%	\$1,453.53	73.15%	\$1,063.32	
Acute Care			\$504.99			0.0%			\$504.99	
Reinsurance			(\$177.77)			0.0%			(\$177.77)	
Part D Change			(\$1.26)			0.0%			(\$1.26)	
Case Management			\$113.66			0.0%			\$113.66	
Administration			\$166.18			0.0%			\$166.18	
Risk Contingency			\$31.46			0.0%			\$31.46	
Premium Tax			\$61.12			4.1%			\$63.64	
Net Capitation PMPM			\$3,059.29			4.1%			\$3,185.56	

V. **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 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 proposed actuarially sound capitation rates that are associated with this certification are effective for the three-month period April 1, 2013 to June 30, 2013.

In developing the actuarially sound CYE 13 capitation rates and the actuarially sound methodology for the nursing facility enhanced payments, I have relied upon data and information provided by the health plans and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the health plan 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.

Matthew C. Varitek
Matthew C. Varitek

06.25.2013
Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

Appendix I

GSA	County	Contractor	EPD Long Term Care Dual	EPD Long Term Care Non-Dual	Acute Only	PPC
40	Pinal/Gila	Bridgeway	\$3,155.05	\$4,489.52	\$618.61	\$925.11
42	LaPaz/Yuma	Evercare	\$3,017.08	\$4,497.27	\$519.71	\$925.11
44	Apache/Coconino/Mohave/Navajo	Evercare	\$2,568.62	\$4,123.64	\$486.02	\$925.11
46	Cochise/Graham/Greenlee	Bridgeway	\$2,984.26	\$3,918.82	\$436.84	\$925.11
48	Yavapai	Evercare	\$3,335.16	\$4,540.37	\$489.98	\$925.11
50	Pima/Santa Cruz	Evercare	\$2,936.79	\$4,280.46	\$377.42	\$784.36
50	Pima	Mercy Care	\$3,116.00	\$4,705.12	\$429.56	\$784.36
52	Maricopa	Bridgeway	\$2,611.50	\$4,849.75	\$428.58	\$844.98
52	Maricopa	Evercare	\$2,928.97	\$4,556.26	\$296.07	\$844.98
52	Maricopa	Mercy Care	\$2,965.73	\$4,661.38	\$560.99	\$844.98

Appendix II

**AHCCCS Capitation Calculation For Rates - Bridgeway CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 40 (Pinal and Gila)			Non Dual GSA 40 (Pinal and Gila)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,536.68	25.90%	\$ 1,433.87	\$6,181.07	14.76%	\$ 912.20
Share of Cost			\$ (216.59)			\$ (26.53)
NF Enhanced Payment			\$ 79.29			\$ 79.29
Net Nursing Facility			\$ 1,296.58			\$ 964.96
HCBS Home and Community	\$1,638.20	74.10%	\$ 1,213.95	\$1,518.70	85.24%	\$ 1,294.57
Net HCBS			\$ 1,213.95			\$ 1,294.57
Acute			\$ 285.58			\$ 2,211.08
Reinsurance			\$ (58.63)			\$ (443.58)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 225.47			\$ 1,767.50
Case Management			\$ 115.45			\$ 115.45
Administration			\$ 210.08			\$ 210.08
Risk/Contingency			\$ 30.42			\$ 47.17
Net Capitation			\$ 3,091.95			\$ 4,399.73
Premium Tax			\$ 63.10			\$ 89.79
Net Cap w/ Premium Tax			\$ 3,155.05			\$ 4,489.52

Appendix II

**AHCCCS Capitation Calculation For Rates - Evercare CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 42 (Yuma and LaPaz)			Non Dual GSA 42 (Yuma and LaPaz)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,123.38	38.37%	\$ 1,965.89	\$5,313.76	25.62%	\$ 1,361.47
Share of Cost			\$ (300.41)			\$ (26.66)
NF Enhanced Payment			\$ 140.45			\$ 140.45
Net Nursing Facility			\$ 1,805.93			\$ 1,475.26
HCBS Home and Community	\$1,095.26	61.63%	\$ 675.00	\$1,243.11	74.38%	\$ 924.61
Net HCBS			\$ 675.00			\$ 924.61
Acute Care			\$ 260.47			\$ 2,187.29
Reinsurance			\$ (73.65)			\$ (488.77)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 185.33			\$ 1,698.52
Case Management			\$ 104.50			\$ 104.50
Administration			\$ 157.35			\$ 157.35
Risk/Contingency			\$ 28.63			\$ 47.09
Net Capitation			\$ 2,956.73			\$ 4,407.33
Premium Tax			\$ 60.34			\$ 89.95
Net Cap w/ Premium Tax			\$ 3,017.08			\$ 4,497.27

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**AHCCCS Capitation Calculation For Rates - Evercare CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 44 (Apache, Coconino, Mohave and Navajo)			Non Dual GSA 44 (Apache, Coconino, Mohave and Navajo)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,243.11	31.69%	\$ 1,661.78	\$6,435.24	19.69%	\$ 1,267.10
Share of Cost			\$ (329.92)			\$ (45.05)
NF Enhanced Payment			\$ 114.48			\$ 114.48
Net Nursing Facility			\$ 1,446.35			\$ 1,336.52
HCBS Home and Community	\$938.73	68.31%	\$ 641.21	\$1,205.97	80.31%	\$ 968.52
Net HCBS			\$ 641.21			\$ 968.52
Acute Care			\$ 185.89			\$ 2,002.66
Reinsurance			\$ (29.92)			\$ (562.06)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 154.49			\$ 1,440.59
Case Management			\$ 109.65			\$ 109.65
Administration			\$ 141.45			\$ 141.45
Risk/Contingency			\$ 24.10			\$ 44.44
Net Capitation			\$ 2,517.24			\$ 4,041.17
Premium Tax			\$ 51.37			\$ 82.47
Net Cap w/ Premium Tax			\$ 2,568.62			\$ 4,123.64

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**AHCCCS Capitation Calculation For Rates - Bridgeway CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 46 (Cochise, Graham and Greenlee)			Non Dual GSA 46 (Cochise, Graham and Greenlee)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$4,960.03	39.46%	\$ 1,957.05	\$5,186.15	23.55%	\$ 1,221.12
Share of Cost			\$ (353.69)			\$ (101.19)
NF Enhanced Payment			\$ 156.81			\$ 156.81
Net Nursing Facility			\$ 1,760.17			\$ 1,276.73
HCBS Home and Community	\$1,091.91	60.54%	\$ 661.08	\$1,322.47	76.45%	\$ 1,011.09
Net HCBS			\$ 661.08			\$ 1,011.09
Acute			\$ 225.06			\$ 1,743.52
Reinsurance			\$ (46.88)			\$ (531.37)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 176.71			\$ 1,212.15
Case Management			\$ 110.23			\$ 110.23
Administration			\$ 188.51			\$ 188.51
Risk/Contingency			\$ 27.88			\$ 41.73
Net Capitation			\$ 2,924.58			\$ 3,840.44
Premium Tax			\$ 59.69			\$ 78.38
Net Cap w/ Premium Tax			\$ 2,984.26			\$ 3,918.82

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**AHCCCS Capitation Calculation For Rates - Evercare CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 48 (Yavapai)			Non Dual GSA 48 (Yavapai)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,424.49	38.38%	\$ 2,081.87	\$5,650.70	21.83%	\$ 1,233.60
Share of Cost			\$ (381.71)			\$ (66.27)
NF Enhanced Payment			\$ 163.89			\$ 163.89
Net Nursing Facility			\$ 1,864.05			\$ 1,331.22
HCBS Home and Community	\$1,498.99	61.62%	\$ 923.69	\$1,787.64	78.17%	\$ 1,397.38
Net HCBS			\$ 923.69			\$ 1,397.38
Acute Care			\$ 217.42			\$ 1,965.20
Reinsurance			\$ (38.33)			\$ (564.24)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 177.61			\$ 1,400.97
Case Management			\$ 97.08			\$ 97.08
Administration			\$ 174.90			\$ 174.90
Risk/Contingency			\$ 31.13			\$ 48.02
Net Capitation			\$ 3,268.46			\$ 4,449.56
Premium Tax			\$ 66.70			\$ 90.81
Net Cap w/ Premium Tax			\$ 3,335.16			\$ 4,540.37

Appendix II

**AHCCCS Capitation Calculation For Rates - Evercare CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 50 (Pima and Santa Cruz)			Non Dual GSA 50 (Pima and Santa Cruz)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,521.18	27.58%	\$ 1,522.83	\$6,433.86	17.41%	\$ 1,120.17
Share of Cost			\$ (291.24)			\$ (41.50)
NF Enhanced Payment			\$ 158.29			\$ 158.29
Net Nursing Facility			\$ 1,389.88			\$ 1,236.96
HCBS Home and Community	\$1,534.22	72.42%	\$ 1,111.06	\$1,805.43	82.59%	\$ 1,491.10
Net HCBS			\$ 1,111.06			\$ 1,491.10
Acute Care			\$ 151.65			\$ 1,840.20
Reinsurance			\$ (78.41)			\$ (697.92)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 71.76			\$ 1,142.29
Case Management			\$ 114.71			\$ 114.71
Administration			\$ 162.92			\$ 162.92
Risk/Contingency			\$ 27.72			\$ 46.88
Net Capitation			\$ 2,878.05			\$ 4,194.85
Premium Tax			\$ 58.74			\$ 85.61
Net Cap w/ Premium Tax			\$ 2,936.79			\$ 4,280.46

Appendix II

AHCCCS Capitation Calculation For Rates - Mercy Care CYE 13 Revised Rates Effective April 1, 2013

Service Category	Dual GSA 50 (Pima)			Non Dual GSA 50 (Pima)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,521.18	34.40%	\$ 1,899.06	\$6,433.86	28.36%	\$ 1,824.41
Share of Cost			\$ (291.24)			\$ (41.50)
NF Enhanced Payment			\$ 139.37			\$ 139.37
Net Nursing Facility			\$ 1,747.19			\$ 1,922.28
HCBS Home and Community	\$1,534.22	65.60%	\$ 1,006.51	\$1,805.43	71.64%	\$ 1,293.48
Net HCBS			\$ 1,006.51			\$ 1,293.48
Acute			\$ 151.65			\$ 1,840.20
Reinsurance			\$ (78.00)			\$ (694.26)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 72.17			\$ 1,145.94
Case Management			\$ 115.20			\$ 115.20
Administration			\$ 82.97			\$ 82.97
Risk/Contingency			\$ 29.64			\$ 51.15
Net Capitation			\$ 3,053.68			\$ 4,611.01
Premium Tax			\$ 62.32			\$ 94.10
Net Cap w/ Premium Tax			\$ 3,116.00			\$ 4,705.12

Appendix II

**AHCCCS Capitation Calculation For Rates - Bridgeway CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 52 (Maricopa)			Non Dual GSA 52 (Maricopa)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,496.77	21.18%	\$ 1,164.20	\$6,867.32	22.15%	\$ 1,520.95
Share of Cost			(\$235.05)			(\$37.05)
NF Enhanced Payment			\$145.48			\$145.48
Net Nursing Facility			\$ 1,074.63			\$ 1,629.38
HCBS Home and Community	\$1,298.26	78.82%	\$ 1,023.29	\$1,673.12	77.85%	\$ 1,302.56
Net HCBS			\$ 1,023.29			\$ 1,302.56
Acute			\$155.92			\$2,385.98
Reinsurance			(\$41.04)			(\$943.76)
Part D Adjustment			(\$1.48)			\$0.00
Net Acute Care			\$ 113.41			\$ 1,442.22
Case Management			\$114.25			\$114.25
Administration			\$209.38			\$209.38
Risk/Contingency			\$24.32			\$54.96
Net Capitation			\$ 2,559.27			\$ 4,752.76
Premium Tax			\$ 52.23			\$ 97.00
Net Cap w/ Premium Tax			\$ 2,611.50			\$ 4,849.75

Appendix II

**AHCCCS Capitation Calculation For Rates - Evercare CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 52 (Maricopa)			Non Dual GSA 52 (Maricopa)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,656.96	30.42%	\$ 1,720.95	\$6,780.04	20.84%	\$ 1,413.15
Share of Cost			\$ (344.60)			\$ (22.20)
NF Enhanced Payment			\$ 184.54			\$ 184.54
Net Nursing Facility			\$ 1,560.89			\$ 1,575.49
HCBS Home and Community	\$1,415.84	69.58%	\$ 985.11	\$2,161.92	79.16%	\$ 1,711.31
Net HCBS			\$ 985.11			\$ 1,711.31
Acute Care			\$ 159.91			\$ 1,542.44
Reinsurance			\$ (114.00)			\$ (665.29)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 44.44			\$ 877.15
Case Management			\$ 101.04			\$ 101.04
Administration			\$ 151.17			\$ 151.17
Risk/Contingency			\$ 27.74			\$ 48.97
Net Capitation			\$ 2,870.39			\$ 4,465.14
Premium Tax			\$ 58.58			\$ 91.13
Net Cap w/ Premium Tax			\$ 2,928.97			\$ 4,556.26

Appendix II

**AHCCCS Capitation Calculation For Rates - Mercy Care CYE 13 Revised Rates
Effective April 1, 2013**

Service Category	Dual GSA 52 (Maricopa)			Non Dual GSA 52 (Maricopa)		
	Gross	MIX	Net	Gross	MIX	Net
Nursing Facility	\$5,755.46	25.83%	\$ 1,486.69	\$7,339.58	19.45%	\$ 1,427.84
Share of Cost			\$ (227.63)			\$ (22.24)
NF Enhanced Payment			\$ 89.42			\$ 89.42
Net Nursing Facility			\$ 1,348.48			\$ 1,495.01
HCBS Home and Community	\$1,449.49	74.17%	\$ 1,075.07	\$1,747.05	80.55%	\$ 1,407.18
Net HCBS			\$ 1,075.07			\$ 1,407.18
Acute			\$ 285.27			\$ 2,018.28
Reinsurance			\$ (113.30)			\$ (686.80)
Part D Adjustment			\$ (1.48)			\$ -
Net Acute Care			\$ 170.49			\$ 1,331.48
Case Management			\$ 118.92			\$ 118.92
Administration			\$ 164.42			\$ 164.42
Risk/Contingency			\$ 29.03			\$ 51.14
Net Capitation			\$ 2,906.41			\$ 4,568.15
Premium Tax			\$ 59.31			\$ 93.23
Net Cap w/ Premium Tax			\$ 2,965.73			\$ 4,661.38