

**Arizona Long Term Care System (ALTCS),  
Elderly and Physically Disabled (EPD) Program  
Updated Actuarial Memorandum for CYE 2012**

**I. Purpose**

This memorandum presents a discussion of the revision to the capitation rates for the Arizona Long Term Care System (ALTCS) Elderly and Physically Disabled (EPD) program, for the period May 1, 2012 to September 30, 2012. This update to the rates is required as a result of the departure of one ALTCS Contractor and the continuing health plans' assumed proportions of members receiving Home and Community Based Services (HCBS) effective May 1, 2012.

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.

**II. Overview of Changes**

SCAN Health Plan, which serves approximately 2,700 members of the ALTCS EPD program in Maricopa County, will terminate its contract with AHCCCS effective April 30, 2012. Therefore, effective May 1, 2012, all of those members will receive their EPD services through one of the three remaining contracted plans in Maricopa County (Bridgeway Health Solutions, Evercare, or Mercy Care Plan). The influx of members to the remaining Contractors impacts their established HCBS mix percentages thus resulting in material changes to the capitation rates implemented October 1, 2011. The HCBS mix percentages provided in this certification represent the most current available figures regarding members' plan choices.

The overall impact of these changes to the EPD program is a reduction in total capitation of approximately \$1.2 million. The reduction in capitation follows from increases in the HCBS mix percentage for two of the three remaining Contractors.

Table I below summarizes the current approved CYE12 capitation rates for each health plan in Maricopa County, and the estimated budget impact of the revised rates effective for the period May 1, 2012 through September 30, 2012 given the updates to the HCBS mix percentages of the continuing plans. The impact of the adjustment to each contractor's PMPM capitation rate falls in a range of -3.8% to +0.4%.

**Table I: Current and Proposed Capitation Rates and Projected Budget Impact  
For Maricopa County**

<b>Before Membership Changes</b>				
<b>Plan</b>	<b>Bridgeway</b>	<b>Evercare</b>	<b>Mercy Care</b>	<b>SCAN</b>
Projected Member Months 5/12 - 9/12	13,661	9,390	41,730	13,490
Assumed HCBS Mix Percentage	75.88%	63.53%	75.70%	76.22%
Net Capitation Rate PMPM	\$2,981.95	\$3,323.83	\$2,941.11	\$2,946.12
Total Capitation 5/12 - 9/12	\$40,737,246	\$31,209,258	\$122,731,390	\$39,743,192
<b>After Membership Changes</b>				
<b>Plan</b>	<b>Bridgeway</b>	<b>Evercare</b>	<b>Mercy Care</b>	<b>SCAN</b>
Projected Member Months 5/12 - 9/12	19,246	13,225	45,800	0
Revised HCBS Mix Percentage	78.02%	66.39%	75.42%	0%
Net Capitation Rate PMPM	\$2,893.60	\$3,199.12	\$2,952.02	\$0.00
Total Capitation 5/12 - 9/12	\$55,691,081	\$42,306,977	\$135,201,306	\$0
<b>Impact of Membership Changes</b>				
Total Capitation 5/12 - 9/12 Before Membership Changes				\$234,421,086
Total Capitation 5/12 - 9/12 After Membership Changes				\$233,199,364
Total Impact in Dollars				(\$1,221,722)
Total Impact as a Percentage				-0.5%

### **III. Proposed Revised Capitation Rates and Their Impact**

Table II below includes the net capitation rates on a statewide basis for all rate cells as well as the estimated budget impact based off of CYE12 projected member months. Appendix I shows EPD rates by geographical service area and Contractor.

**Table II: Current and Proposed Capitation Rates and Projected Budget Impact  
Statewide by Rate Cell**

Rate Cell	Projected MMs (5/12 - 9/12)	CYE12 Rate (10/1/11)	CYE12 Rate (5/1/12)	Estimated Capitation (5/12 - 9/12, at 10/11 rates)	Estimated Capitation (5/12 - 9/12, at 5/12 rates)	Dollar Impact	Percentage Impact
EPD	128,791	\$2,998.86	\$2,989.38	\$386,226,280	\$385,004,558	(\$1,221,722)	-0.3%
PPC	4,348	\$908.41	\$908.41	\$3,950,205	\$3,950,205	\$0	0.0%
Acute Only	1,929	\$514.15	\$514.15	\$991,562	\$991,562	\$0	0.0%
Total				\$391,168,047	\$389,946,325	(\$1,221,722)	-0.3%

#### IV. 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 actuarially sound capitation rates that are associated with this certification are effective for the five month period beginning May 1, 2012.

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 the Program Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the Program Contractors 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

*04-03-2012*

Date

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

### Appendix I

<b>GSA</b>	<b>Contractor</b>	<b>EPD Rate</b>	<b>Acute Only Rate</b>	<b>PPC Rate</b>
GSA 40 (Pinal, Gila)	Bridgeway	\$3,050.80	\$612.00	\$959.55
GSA 42 (LaPaz, Yuma)	Evercare	\$2,882.98	\$423.93	\$959.55
GSA 44 (Apache, Coconino, Mohave, Navajo)	Evercare	\$2,602.94	\$526.66	\$959.55
GSA 46 (Cochise, Graham, Greenlee)	Bridgeway	\$2,786.23	\$578.00	\$959.55
GSA 48 (Yavapai)	Evercare	\$3,075.52	\$485.64	\$959.55
GSA 50 (Pima, Santa Cruz)	Evercare	\$3,204.12	\$502.36	\$838.89
GSA 50 (Pima, Santa Cruz)	Mercy Care	\$3,148.03	\$451.16	\$838.89
GSA 52 (Maricopa)	Bridgeway	\$2,893.60	\$634.03	\$903.73
GSA 52 (Maricopa)	Evercare	\$3,199.12	\$359.12	\$903.73
GSA 52 (Maricopa)	Mercy Care	\$2,952.02	\$532.43	\$903.73