

Capitation Rate Ranges and Rate Setting Information

Rate Setting Assumptions Overview

The intent of this document is to provide Offerors with a general overview of the methodology and assumptions AHCCCS used when setting the capitation rate ranges. It is not intended to provide a complete description of the rate build up nor describe every assumption or step AHCCCS used when building the capitation rate ranges. The Offeror should be able to use this information in combination with the data and information in the Data Supplement to bid an appropriate rate and/or accept the rates.

The Offeror will be bidding on approved combinations of the North, South, and Central GSAs (see Instructions to Offerors page 241). Maricopa County Only assumptions and ranges are for a capped contract if one is granted. The offeror will not bid on Maricopa County Only.

AHCCCS used the historical encounter data (i.e. Data Book Information files) provided in Section C of the Data Supplement as the base data for the CYE 18 capitation rate ranges. The Data Book Information files contain fully adjudicated and paid encounter data from the 1st April 2016 encounter cycle.

When developing the nursing facility (NF), home and community based services (HCBS) and acute components of the medical portion of the capitation rates, AHCCCS will group the utilization and costs in accordance with Appendix I. Member placement is not used to group utilization and costs since a member can be placed in an HCBS or NF setting and still have costs related to acute services.

The Data Book Information files are inclusive of Acute Care Only member months, costs and utilization. These members are considered part of the “Other” placement category, along with those members who are not placed. Not placed members are members who are full long term care members, but it has not been determined if they are in an HCBS or NF placement. The Acute Care Only members are not full long term care members and they will be paid at the Acute Care Only capitation rate which will be set by AHCCCS. Table III below contains Acute Care Only member months.

The placement codes provided for the member months in the Data Book Information files do not align exactly with the member month counts by placement setting as used in capitation development. As such, when developing PMPM medical expense assumptions, the denominator for the Gross Nursing Facility expense component should be (total member months from the Data Book Information files, minus Acute Care Only member months from Table III) * (1 – HCBS Mix percentage from Section F of the Data Supplement) for the appropriate risk group and GSA. Similarly, the denominator for the Gross HCBS expense component should be (total member months from the Data Book Information files, minus Acute Care Only member months from Table III) * (HCBS Mix percentage from Section F) for the appropriate risk group and GSA. However, the

Offeror should use the total member months from the Data Book Information files for the appropriate GSA and risk group, without removing the Acute Care Only members, as the denominator for the Gross Acute Care expense component.

When setting the capitation rate ranges, AHCCCS adjusted the base data when appropriate for reasons including, but not limited to, the following:

- Completion factors
- Historical program and fee schedule changes
- Trends

Base Data

All three years of the data provided were used when building the capitation rate ranges. The CYE 15 experience was used as the base year – or the starting point for trending forward to CYE 18 – and all three years of experience were used to develop the trend assumptions by Category of Service {NF, HCBS, Acute} and risk group.

Completion Factors

Table I contains the completion factors AHCCCS will be using when setting the medical component range for the capitation rates. The completion factors were developed on a statewide basis by contract year and form type.

Table I: Completion Factors

CYE	ContractYr	Form Type					
		A	C	D	I	L	O
CYE 13	31	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
CYE 14	32	0.994506	0.998176	1.000000	0.992829	0.994169	0.994145
CYE 15	33	0.967012	0.995755	0.920459	0.831113	0.952782	0.950606

Historical Program and Fee Schedule Changes

In order to reflect the current benefit design of the program, the base data was adjusted for historical program and fee schedule changes. See Section B of the Data Supplement for historical program and fee schedule changes.

Trends

The PMPM cost trends for gross NF costs, gross HCBS costs, and gross Acute Care costs used in rate setting were developed on a statewide basis and vary by risk group. The trend development used the member months and encounter data available in the Data Book Information files and the historical Share of Cost information available in the Data Supplement. In addition, the PMPM adjustments for various program changes and the percentage Fee Schedule Changes provided in Section B of the Data Supplement were used to reflect the three years of experience in the Data Book Information files on a consistent basis with respect to program benefits and reimbursement levels. This adjusted PMPM data was used to develop the trends.

Capitation Rate Ranges

The methodology described above was used to develop the midpoint of the ranges for the capitation bid. The capitation rate ranges are equivalent to the bottom half of the actuarially sound rate ranges, from minimum to the midpoint. The ranges represent the “published ranges” within which all bids must fall or be scored zero points. Thus a bid submitted below the minimum or above the midpoint will be considered outside the rate range and scored zero points.

Capitation Rates Set by AHCCCS

AHCCCS will set the prior period coverage (PPC) rate and the Acute Care Only capitation rates. These rates will be published by AHCCCS prior to October 1, 2017. Historical PPC and Acute Care Only capitation rates can be found in the actuarial certifications which are located on the AHCCCS website at:
<https://azahcccs.gov/PlansProviders/RatesAndBilling/ManagedCare/capitationrates.html>

Table II contains the PPC member months by GSA for CYE 13 (10/01/12 – 09/30/13), CYE 14 (10/01/13 – 09/30/14) and CYE 15 (10/01/14 – 09/30/15). The PPC population is reconciled.

Table II: PPC Member Months

CYE	Contract Yr	North	South	Central
CYE 13	31	1,545	2,225	7,129
CYE 14	32	1,532	2,372	7,118
CYE 15	33	1,432	2,279	7,117

Table III contains the Acute Only members months by GSA and risk group for CYE 13 (10/01/12 – 09/30/13), CYE 14 (10/01/13 – 09/30/14) and CYE 15 (10/01/14 – 09/30/15).

Table III: Acute Care Only Member Months

CYE	ContractYr	Dual		Dual	NonDual		NonDual
		North	South	Central	North	South	Central
CYE 13	31	194	363	1,267	80	489	2,254
CYE 14	32	177	356	1,329	101	522	2,147
CYE 15	33	153	516	1,407	115	559	2,104

Capitation Rate Components Set by AHCCCS

AHCCCS sets three components of the capitation rate ranges: Share of Cost (SOC) Amounts, HCBS/NF Mix Percentages and Reinsurance Offsets.

The Offeror should not include SOC offset amounts in the bids. Prior to October 1, 2017, AHCCCS will release the SOC amounts. SOC applies only to prospective dual and non-dual members who receive long-term care services. The NF expenses in the Data Book Information files are net of SOC. Thus historical SOC payments by contract year, GSA, and risk group are provided in Section J of the Data Supplement. The Offeror can properly develop the Gross Nursing Facility expense PMPM by adding the historical SOC payments to the NF expenses in the Data Book Information files.

AHCCCS is using actual July through September 2016 HCBS/NF mix percentages to set the HCBS/NF mix percentages to be used in the bid capitation rates. These can be found in Section F of the Data Supplement. Prior to October 1, 2017, AHCCCS will adjust these percentages based on updated information.

AHCCCS will also set the reinsurance offset of the capitation rates. The Offeror should not include a reinsurance offset in the bids. The reinsurance offsets will apply to the prospective dual, non-dual, and Acute Care Only rates. Prior to October 1, 2017, AHCCCS will release the reinsurance offsets.

Likewise, the Offeror should not consider risk contingency or premium tax in the bids. Risk contingency will be set by AHCCCS at 1% and premium tax will be set at 2% of the final rates. These components will be factored into the final capitation rates released prior to October 1, 2017.

Case Management

Table IV contains the Institutional/Alternative HCBS/HCBS (home) placement mix percentage assumptions that Offerors must use to develop the PMPM bid amounts for Case Management expenses. AHCCCS provides a Case Management Model Template for optional use by Offerors in Section F of the data supplement. This template is not required to be used or submitted as part of an offer. The required Institutional/Alternative HCBS/HCBS (home) mix percentages to be used in any model or template utilized are provided by GSA and risk group, and may be blended as appropriate if an Offeror wishes to use the same Case Management PMPM for multiple rate cells. However, an Offeror may not alter the Case Management PMPM by assuming different Institutional/Alternative HCBS/HCBS (home) mix percentages than those provided in this document. The case weights for each placement setting must not exceed what is listed in AHCCCS AMPM Policy 1630 Chapter 1600.

Table IV: Placement Mix Percentages

Mix Percentages of Member Placement	Dual North	Dual South	Dual Central	NonDual North	NonDual South	NonDual Central
Institutional Mix %	31.00%	28.00%	23.75%	24.39%	25.50%	24.14%
Alternative HCBS Mix %	23.67%	21.92%	26.47%	10.26%	10.59%	10.75%
HCBS (own home) Mix %	45.33%	50.08%	49.79%	65.34%	63.91%	65.11%

ALTCS EPD RFP CYE '18
Section F – Bid Submission Information
Document – Capitation Rate Ranges and Rate Setting Information

Appendix I: Service Matrix

SVC #	SVC-DESC	MAJOR RATE CATEGORY
01	NURSING FACILITY LEVEL 1	NURSING FACILITY
02	NURSING FACILITY LEVEL 2	NURSING FACILITY
03	NURSING FACILITY LEVEL 3	NURSING FACILITY
04	NURSING FACILITY ALL OTHER LEVELS	NURSING FACILITY
05	LEAVE OF ABSENCE (LOA) BED HOLD DAYS	NURSING FACILITY
07	ASSISTED LIVING HOME LEVEL 1	HCBS
08	ASSISTED LIVING HOME LEVEL 2	HCBS
10	ASSISTED LIVING CENTER LEVEL 1	HCBS
11	ASSISTED LIVING CENTER LEVEL 2	HCBS
12	ASSISTED LIVING CENTER LEVEL 3	HCBS
14	ADULT FOSTER CARE LEVEL 1	HCBS
15	ADULT FOSTER CARE LEVEL 2	HCBS
16	ADULT FOSTER CARE LEVEL 3	HCBS
18	ADULT DAY HEALTH CARE	HCBS
19	HOME DELIVERED MEALS	HCBS
20	HOME HEALTH AIDE	HCBS
21	HOME HEALTH NURSE	HCBS
22	HOMEMAKER	HCBS
23	PERSONAL CARE	HCBS
24	RESPIRE CARE (NON-INSTITUTIONAL)	HCBS
25	GROUP RESPIRE CARE	HCBS
26	RESPIRE CARE-CONT IN-HOME	HCBS
27	RESPIRE CARE (INSTITUTIONAL)	NURSING FACILITY
28	ATTENDANT CARE	HCBS
29	SELF DIRECTED ATTENDANT CARE (SDAC)	HCBS
30	SDAC TRAINING	HCBS
31	SDAC FEA (FISCAL AND EMPLOYER AGENT) PER EVENT	HCBS
32	HABILITATION SERVICES	HCBS
33	OTHER HCBS	HCBS
35	HOSPITAL DAYS	ACUTE
37	EMERGENCY FACILITY VISITS	ACUTE
38	OUTPATIENT FACILITY VISITS	ACUTE
39	LAB/RADIOLOGY SERVICES	ACUTE
40	SURGERY SERVICES	ACUTE
41	PRIMARY CARE SERVICES	ACUTE
42	OTHER PROFESSIONAL SERVICES - PHYSICIAN, HOSPITAL, CLINIC	ACUTE
43	FQHC/RHC VISIT ENCOUNTER	ACUTE
44	THERAPY SERVICES	ACUTE
45	HOSPICE FACILITY SERVICES	ACUTE
46	TRANSPORTATION - EMERGENCY TRIPS	ACUTE
47	TRANSPORTATION - NON EMERGENCY TRIPS	ACUTE
48	DME AND MEDICAL SUPPLIES - RENTAL	ACUTE
49	DME AND MEDICAL SUPPLIES - PURCHASE	ACUTE
50	PHARMACY	ACUTE
51	BEHAVIORAL HEALTH - INPATIENT	ACUTE
52	BEHAVIORAL HEALTH - NON-INPATIENT	ACUTE
53	DENTAL	ACUTE