NON-BENEFIT COSTS BID SUBMISSION – METHODOLOGY AND CERTIFICATION

This document presents the non-benefit costs proposal of Care1st Health Plan Arizona, Inc. (Care1st) for the AHCCCS Complete Care YH19-0001 solicitation. The documentation for the development of the Non-Benefit Costs Bid Proposal ("non-benefit bid") has been prepared to address the items outlined in the Actuarial Certification Requirement in Section H, Instruction to Offerors, Capitation - Non-Benefit Costs Bid Submission, and Section F, Non-Benefit Costs Bid Requirements of the Request for Proposal Solicitation.

Limitations

The information contained in this document, including the attachments, has been prepared for the Arizona Health Care Cost Containment System (AHCCCS) for the purpose of filing the Complete Care administrative and underwriting bid submission with the Agency. It is our understanding that the information contained in this document may be utilized in a public document. To the extent that the information contained in this document is provided to third parties, the document should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

The information contained in this document was prepared as documentation of the non-benefit cost proposal for the Care1st Medicaid managed care organization in the state of Arizona. The information may not be appropriate for any other purpose.

Data Reliance

The information contained in this document has been developed from data and information provided by AHCCCS through the RFP, Bidders Library, and responses to questions posed through the formal RFP question submission process. Although the data and information was reviewed for reasonableness, we have accepted the data without audit. To the extent that this data utilized by Care1st was not complete or accurate, the cost proposal presented in this document may require modification to ensure actuarial soundness.

Structure of Cost Proposals and Rate Methodology Narrative

AHCCCS' actuaries will develop the actuarially sound medical services component, reinsurance offset, and premium tax of the capitation rates. Therefore, Care1st did not develop a cost proposal for these components. Care1st developed an administrative and underwriting gain cost proposal only, for each of the three Geographic Service Areas ("GSA") individually (North, South and Central) and the three combined GSAs (North-South, North-Central and Central-South).

Non-Benefit Bid Rate Setting Methodology

Administrative Bid Rate: The administrative allowance in the non-benefit bid is developed on a per member per month (PMPM) basis for the first year of the program for each of the six GSA areas: North, Central, South, North-South, North-Central and Central-South. The administrative allowance was projected based on the AHCCCS preset member months in the non-benefit bid template: 990,000 in the North, 3,170,000 in the Central, 1,630,000 in the South, 2,620,000 in the North-South, 4,160,000 in the North-Central and 4,800,000 in the Central-South GSA. The member mix assumed in the rate development is based on the CYE 16 (10/1/2015 – 9/30/2016) member mix provided with the Data Book in Section C and summarized in the table below:

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Member Mix by GSA Area and Rate Group used for Administrative Bid Development						
Rate Group / GSA	North	Central	South	North-South	North-Central	Central-South
AGE < 1	3%	4%	3%	3%	4%	3%
AGE 1 - 20	39%	47%	41%	40%	46%	45%
AGE 21+	18%	18%	19%	19%	18%	18%
SSI without Medicare	4%	4%	4%	4%	4%	4%
Duals	8%	6%	8%	8%	6%	6%
Prop 204 Childless Adults	22%	18%	20%	20%	18%	18%
Expansion Adults	6%	5%	6%	6%	5%	5%
CYE 16 (10/1/15 - 9/30/16) Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

We expect that the distribution of members by age group and different acuity levels within the individual rate groups will impact the non-benefit rates; however, Care1st expects that this will be addressed through appropriate demographic and population adjustments to the rates.

The following items were utilized to project the administrative expense allowance:

- Historical Care1st administrative expenses related to the AHCCCS program classified by the reporting categories required in the bid submission
- Modification to historical expenses to accommodate geography differences for each of the six bid templates compared to Care1st's current markets
- Addition of new staff positions required in the RFP, taking into consideration membership volume and geography
- Incremental expenses from the plan's parent, classified by the bid reporting categories

The expenses were then classified between fixed and variable utilizing the direction provided in Section F, Rate Development Information. The organization did not include any start up expenses or premium tax within the bid.

A baseline administrative expense template was developed utilizing the plan's current service area. The current expenses, including full time employee (FTE) compensation and benefits and other resources related to the AHCCCS program were summarized by functional area. The five functional areas used for the administrative expenses build up are:

- Operations (including claims processing, network development, general administration, human resources, member services)
- Clinical Services (medical management, quality management)
- Information Technology (IT)
- Finance (including accounting, actuarial services, health analytics, cost reporting, revenue reconciliation), and
- Pharmacy department

The expenses for each FTE and resources were assigned to Fixed or Variable cost, and also assigned to one of the bid categories. This baseline template was subsequently extrapolated for each of the six bid templates. In each of the six models, the base data was adjusted to reflect the needs of each GSA. Existing resources were removed or new resources were added to each department after a detailed survey of each of the departments was conducted. This was done in order to account for the benefit changes and staffing changes required by the new RFP. Expenses classified as variable in the models were converted to a PMPM value and applied to the AHCCCS defined membership volume for each bid template. Fixed costs in the baseline template were reviewed for reasonability and modified as needed due to differences in membership and geography in the service areas.

The final projected distribution of administrative expenses by functional area, bid category and fixed/variable cost for each GSA is summarized in Attachments 1A – 1F. The projected staffing expenses and counts by functional area and GSA are provided in Attachment 2.

The administrative bid rates represent projected costs for Care1st for the first year of the contract. The rates have not been adjusted for any future program changes or inflation dependent components of the administrative rates for subsequent years of the contract. Attachments 3A – 3F provide the details of the administrative bid for each of the six GSAs.

Underwriting Gain Bid: Care1st is proposing an underwriting (UW) gain equal to 1% of the medical rate to provide for the cost of capital and a margin for risk or contingency assumed by Care1st. These risks may include insurance, investment, inflation, and regulatory risks, as well as risks associated with social, economic, and legal environments. Although this is lower than our internal target for margin, considering the reconciliation of costs to reimbursement established with the new RFP and in the spirit of partnership and to support the RFP's goal of cost efficiencies, we are proposing 1% of the gross medical expense for each of the first three years of the contract.

Care1st has no concern with meeting the capitalization requirements with this UW gain bid. Per the most recently completed quarterly filing for the period ending September 30, 2017, Care1st, an incumbent contractor, had approximately $18.3 million of unrestricted equity. This amount, combined with the additional UW gain bid will create sufficient equity to meet the minimum AHCCCS requirement for the awarded GSA(s) which is a maximum of $22

million. In the event that this amount is insufficient to meet the minimum capitalization requirement for the awarded GSA(s), the parent company will make the needed capital infusion into Care1st within 30 days following the contract award. The organization also acknowledges the increased equity per member requirement under the AHCCCS Complete Care contract and timeframes for compliance. The organization will continue to monitor compliance with the minimum requirements and, if needed, the parent company will make the necessary capital contributions to maintain compliance.

ACTUARIAL CERTIFICATION

A signed certification is included at the end of this document (see Attachment 4 titled "Actuarial Certification").

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1/23/2018

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Date

ATTACHMENT 1A
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: NORTH GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category North GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	27.9%	7.6%	9.8%	5.0%	2.4%	52.6%
Occupancy	1.3%	0.4%	0.0%	0.3%	0.0%	1.9%
Depreciation	0.0%	0.0%	0.7%	0.0%	0.0%	0.7%
Care Management/Care Coordination	0.0%	19.6%	0.0%	0.0%	0.0%	19.6%
Professional and Outside Services	17.0%	1.6%	0.0%	1.0%	0.0%	19.5%
Office Supplies and Equipment	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
Travel	0.2%	0.0%	0.0%	0.0%	0.1%	0.4%
Repair and Maintenance	0.8%	0.0%	0.0%	0.0%	0.0%	0.8%
Bank Service Charge	0.3%	0.0%	0.0%	0.0%	0.0%	0.3%
Insurance	0.3%	0.0%	0.0%	0.5%	0.0%	0.8%
Marketing	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
Interest	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Other Administrative	2.3%	0.1%	0.1%	0.0%	0.0%	2.6%
Total	50.7%	29.4%	10.7%	6.8%	2.5%	100.0%
Fixed	65.2%	52.3%	98.4%	83.6%	66.7%	66.2%
Variable	34.8%	47.7%	1.6%	16.4%	33.3%	33.8%

ATTACHMENT 1B
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: CENTRAL GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category Central GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	26.0%	16.3%	4.7%	3.4%	2.5%	52.9%
Occupancy	2.2%	0.6%	0.0%	0.4%	0.0%	3.2%
Depreciation	0.0%	0.0%	0.8%	0.0%	0.0%	0.8%
Care Management/Care Coordination	0.0%	11.8%	0.0%	0.0%	0.0%	11.8%
Professional and Outside Services	22.3%	1.8%	0.0%	1.3%	0.0%	25.3%
Office Supplies and Equipment	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%
Travel	0.2%	0.0%	0.0%	0.0%	0.0%	0.3%
Repair and Maintenance	0.4%	0.0%	0.0%	0.0%	0.0%	0.4%
Bank Service Charge	0.4%	0.0%	0.0%	0.0%	0.0%	0.4%
Insurance	0.5%	0.0%	0.0%	0.7%	0.0%	1.3%
Marketing	0.7%	0.0%	0.0%	0.0%	0.0%	0.7%
Interest	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Other Administrative	2.2%	0.1%	0.2%	0.0%	0.0%	2.5%
Total	55.2%	30.7%	5.7%	5.8%	2.6%	100.0%
Fixed	39.1%	29.5%	88.0%	54.9%	34.1%	39.7%
Variable	60.9%	70.5%	12.0%	45.1%	65.9%	60.3%

ATTACHMENT 1C
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: SOUTH GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category South GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	27.1%	14.9%	7.4%	4.4%	2.5%	56.4%
Occupancy	1.7%	0.5%	0.0%	0.3%	0.0%	2.5%
Depreciation	0.0%	0.0%	0.8%	0.0%	0.0%	0.8%
Care Management/Care Coordination	0.0%	12.8%	0.0%	0.0%	0.0%	12.8%
Professional and Outside Services	18.9%	1.7%	0.0%	1.1%	0.0%	21.7%
Office Supplies and Equipment	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
Travel	0.2%	0.0%	0.0%	0.0%	0.1%	0.3%
Repair and Maintenance	0.6%	0.0%	0.0%	0.0%	0.0%	0.6%
Bank Service Charge	0.4%	0.0%	0.0%	0.0%	0.0%	0.4%
Insurance	0.4%	0.0%	0.0%	0.6%	0.0%	1.0%
Marketing	0.6%	0.0%	0.0%	0.0%	0.0%	0.6%
Interest	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Other Administrative	2.3%	0.1%	0.2%	0.0%	0.0%	2.6%
Total	52.4%	30.1%	8.4%	6.5%	2.6%	100.0%
Fixed	52.3%	41.6%	95.1%	71.4%	47.9%	53.8%
Variable	47.7%	58.4%	4.9%	28.6%	52.1%	46.2%

ATTACHMENT 1D
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: NORTH - CENTRAL GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category North - Central GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	25.4%	16.3%	3.8%	3.0%	2.5%	50.9%
Occupancy	2.6%	0.7%	0.0%	0.4%	0.0%	3.7%
Depreciation	0.0%	0.0%	0.8%	0.0%	0.0%	0.8%
Care Management/Care Coordination	0.0%	11.8%	0.0%	0.0%	0.0%	11.8%
Professional and Outside Services	23.6%	1.8%	0.0%	1.3%	0.0%	26.7%
Office Supplies and Equipment	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%
Travel	0.2%	0.0%	0.0%	0.0%	0.0%	0.3%
Repair and Maintenance	0.3%	0.0%	0.0%	0.0%	0.0%	0.3%
Bank Service Charge	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
Insurance	0.6%	0.0%	0.0%	0.8%	0.0%	1.3%
Marketing	0.8%	0.0%	0.0%	0.0%	0.0%	0.8%
Interest	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%
Other Administrative	2.2%	0.1%	0.2%	0.0%	0.0%	2.5%
Total	56.2%	30.9%	4.8%	5.5%	2.6%	100.0%
Fixed	34.2%	26.3%	83.9%	47.6%	28.1%	34.7%
Variable	65.8%	73.7%	16.1%	52.4%	71.9%	65.3%

ATTACHMENT 1E
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: NORTH - SOUTH GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category North - South GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	26.4%	16.5%	5.3%	3.8%	2.6%	54.5%
Occupancy	2.1%	0.5%	0.0%	0.4%	0.0%	3.0%
Depreciation	0.0%	0.0%	0.8%	0.0%	0.0%	0.8%
Care Management/Care Coordination	0.0%	12.4%	0.0%	0.0%	0.0%	12.4%
Professional and Outside Services	20.4%	1.7%	0.0%	1.2%	0.0%	23.4%
Office Supplies and Equipment	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%
Travel	0.2%	0.0%	0.0%	0.0%	0.1%	0.3%
Repair and Maintenance	0.4%	0.0%	0.0%	0.0%	0.0%	0.4%
Bank Service Charge	0.4%	0.0%	0.0%	0.0%	0.0%	0.4%
Insurance	0.5%	0.0%	0.0%	0.7%	0.0%	1.2%
Marketing	0.7%	0.0%	0.0%	0.0%	0.0%	0.7%
Interest	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Other Administrative	2.2%	0.1%	0.2%	0.0%	0.0%	2.5%
Total	53.5%	31.4%	6.3%	6.1%	2.6%	100.0%
Fixed	42.4%	36.9%	90.4%	60.3%	38.7%	44.7%
Variable	57.6%	63.1%	9.6%	39.7%	61.3%	55.3%

ATTACHMENT 1F
DISTRIBUTION OF ADMINISTRATIVE EXPENSES: CENTRAL - SOUTH GSA

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program Distribution of Administrative Expenses by Functional Area and Bid Category Central - South GSA						
Bid categories \ Functional Areas	Operations	Clinical Services	IT	Finance	Pharmacy	Total
Compensation	25.4%	16.4%	3.4%	2.8%	2.5%	50.5%
Occupancy	2.5%	0.6%	0.0%	0.4%	0.0%	3.5%
Depreciation	0.0%	0.0%	0.9%	0.0%	0.0%	0.9%
Care Management/Care Coordination	0.0%	11.8%	0.0%	0.0%	0.0%	11.8%
Professional and Outside Services	24.1%	1.8%	0.0%	1.3%	0.0%	27.2%
Office Supplies and Equipment	0.0%	0.2%	0.0%	0.0%	0.0%	0.2%
Travel	0.2%	0.1%	0.0%	0.0%	0.0%	0.3%
Repair and Maintenance	0.3%	0.0%	0.0%	0.0%	0.0%	0.3%
Bank Service Charge	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
Insurance	0.6%	0.0%	0.0%	0.8%	0.0%	1.4%
Marketing	0.8%	0.0%	0.0%	0.0%	0.0%	0.8%
Interest	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%
Other Administrative	2.2%	0.1%	0.2%	0.0%	0.0%	2.5%
Total	56.7%	30.9%	4.4%	5.4%	2.6%	100.0%
Fixed	32.7%	23.9%	81.5%	43.5%	25.2%	32.5%
Variable	67.3%	76.1%	18.5%	56.5%	74.8%	67.5%

ATTACHMENT 2
FULL TIME EMPLOYEE (FTE) COUNT AND AVERAGE COMPENSATION

Care1st Health Plan Arizona, Inc AHCCCS Complete Care Managed Care Program FTE Counts and Average Compensation and Benefits by Functional Area and GSA							
Functional Area / GSA		North	Central	South	North - Central	North - South	Central - South
Operations	FTE Count	123	272	167	340	236	381
	Avg. Comp.	$68,916	$61,064	$65,089	$59,076	$62,312	$58,876
Clinical Services	FTE Count	115	196	152	298	213	333
	Avg. Comp.	$72,209	$91,665	$72,889	$75,038	$75,817	$74,882
IT	FTE Count	17	22	19	22	22	22
	Avg. Comp.	$175,495	$135,609	$157,021	$135,609	$135,609	$135,609
Finance	FTE Count	14	25	17	29	23	31
	Avg. Comp.	$110,560	$87,585	$101,625	$81,753	$91,256	$79,212
Pharmacy	FTE Count	8	21	12	26	18	29
	Avg. Comp.	$93,446	$79,088	$88,391	$76,969	$80,802	$76,000
Total	FTE Count	276	536	367	715	512	797
	Avg. Comp.	$79,599	$77,242	$75,531	$69,641	$73,020	$69,111

ATTACHMENT 3A
NON-BENEFIT COST PROPOSAL: NORTH GSA

North GSA		
Member Months to Use for Bidding		990,000
Administrative Bid Component		
Total Admin PMPM (All Admin Expenses)	$	31.27
% of Admin PMPM that is Fixed		66.25%
% of Admin PMPM that is Variable		33.75%
Detail Admin Break Out		
Compensation	$	16.24
Occupancy	$	0.60
Depreciation	$	0.22
Care Management/Care Coordination	$	6.23
Professional and Outside Services	$	6.26
Office Supplies and Equipment	$	0.03
Travel	$	0.11
Repair and Maintenance	$	0.24
Bank Service Charge	$	0.09
Insurance	$	0.26
Marketing	$	0.15
Interest	$	0.03
Other Administrative	$	0.81
Total Admin PMPM	$	31.27

Underwriting Gain Component	Year 1	Year 2	Year 3
Underwriting Gain	1.00%	1.00%	1.00%

ATTACHMENT 3B
NON-BENEFIT COST PROPOSAL: CENTRAL GSA

Central GSA				
Member Months to Use for Bidding		3,170,000		
Administrative Bid Component				
Total Admin PMPM (All Admin Expenses)	$	20.17		
% of Admin PMPM that is Fixed		39.70%		
% of Admin PMPM that is Variable		60.30%		
Detail Admin Break Out				
Compensation	$	10.54		
Occupancy	$	0.64		
Depreciation	$	0.17		
Care Management/Care Coordination	$	2.52		
Professional and Outside Services	$	5.11		
Office Supplies and Equipment	$	0.03		
Travel	$	0.06		
Repair and Maintenance	$	0.08		
Bank Service Charge	$	0.09		
Insurance	$	0.26		
Marketing	$	0.15		
Interest	$	0.03		
Other Administrative	$	0.51		
Total Admin PMPM	$	20.17		
Underwriting Gain Component				
		Year 1	Year 2	Year 3
Underwriting Gain		1.00%	1.00%	1.00%

ATTACHMENT 3C
NON-BENEFIT COST PROPOSAL: SOUTH GSA

South GSA		
Member Months to Use for Bidding		1,630,000
Administrative Bid Component		
Total Admin PMPM (All Admin Expenses)	$	25.07
% of Admin PMPM that is Fixed		53.78%
% of Admin PMPM that is Variable		46.22%
Detail Admin Break Out		
Compensation	$	13.95
Occupancy	$	0.61
Depreciation	$	0.19
Care Management/Care Coordination	$	3.30
Professional and Outside Services	$	5.59
Office Supplies and Equipment	$	0.03
Travel	$	0.08
Repair and Maintenance	$	0.15
Bank Service Charge	$	0.09
Insurance	$	0.26
Marketing	$	0.15
Interest	$	0.03
Other Administrative	$	0.64
Total Admin PMPM	$	25.07

Underwriting Gain Component	Year 1	Year 2	Year 3
Underwriting Gain	1.00%	1.00%	1.00%

ATTACHMENT 3D
NON-BENEFIT COST PROPOSAL: NORTH-CENTRAL GSA

North and Central GSAs				
Member Months to Use for Bidding		4,160,000		
Administrative Bid Component				
Total Admin PMPM (All Admin Expenses)	$	19.07		
% of Admin PMPM that is Fixed		34.69%		
% of Admin PMPM that is Variable		65.31%		
Detail Admin Break Out				
Compensation	$	9.58		
Occupancy	$	0.70		
Depreciation	$	0.16		
Care Management/Care Coordination	$	2.39		
Professional and Outside Services	$	5.09		
Office Supplies and Equipment	$	0.03		
Travel	$	0.05		
Repair and Maintenance	$	0.06		
Bank Service Charge	$	0.09		
Insurance	$	0.26		
Marketing	$	0.15		
Interest	$	0.03		
Other Administrative	$	0.48		
Total Admin PMPM	$	19.07		
Underwriting Gain Component				
		Year 1	Year 2	Year 3
Underwriting Gain		1.00%	1.00%	1.00%

ATTACHMENT 3E
NON-BENEFIT COST PROPOSAL: NORTH-SOUTH GSA

North and South GSAs				
Member Months to Use for Bidding		2,620,000		
Administrative Bid Component				
Total Admin PMPM (All Admin Expenses)	$	21.80		
% of Admin PMPM that is Fixed		44.67%		
% of Admin PMPM that is Variable		55.33%		
Detail Admin Break Out				
Compensation	$	11.71		
Occupancy	$	0.64		
Depreciation	$	0.17		
Care Management/Care Coordination	$	2.80		
Professional and Outside Services	$	5.23		
Office Supplies and Equipment	$	0.04		
Travel	$	0.07		
Repair and Maintenance	$	0.09		
Bank Service Charge	$	0.09		
Insurance	$	0.26		
Marketing	$	0.15		
Interest	$	0.03		
Other Administrative	$	0.54		
Total Admin PMPM	$	21.80		
Underwriting Gain Component				
		Year 1	Year 2	Year 3
Underwriting Gain		1.00%	1.00%	1.00%

ATTACHMENT 3F
NON-BENEFIT COST PROPOSAL: CENTRAL-SOUTH GSA

Central and South GSAs				
Member Months to Use for Bidding		4,800,000		
Administrative Bid Component				
Total Admin PMPM (All Admin Expenses)	$	17.92		
% of Admin PMPM that is Fixed		32.53%		
% of Admin PMPM that is Variable		67.47%		
Detail Admin Break Out				
Compensation	$	8.93		
Occupancy	$	0.64		
Depreciation	$	0.16		
Care Management/Care Coordination	$	2.30		
Professional and Outside Services	$	4.77		
Office Supplies and Equipment	$	0.03		
Travel	$	0.05		
Repair and Maintenance	$	0.05		
Bank Service Charge	$	0.09		
Insurance	$	0.26		
Marketing	$	0.15		
Interest	$	0.03		
Other Administrative	$	0.46		
Total Admin PMPM	$	17.92		
Underwriting Gain Component				
		Year 1	Year 2	Year 3
Underwriting Gain		1.00%	1.00%	1.00%

ATTACHMENT 4
ACTUARIAL CERTIFICATION

I, Irena Andreevska, am a Senior Director and Actuary of WellCare Health Plans, Inc. I am a Member of the American Academy of Actuaries and an Associate of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established by the Actuarial Standards Board, including ASOP 49.

The non-benefit rates were developed in compliance with the CMS requirements under 42 CFR 438.5(e) and are in accordance with applicable laws and regulations. They 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.

I certify to the best of my knowledge and judgment that the non-benefit cost proposals are actuarially sound subject to the limitations of Section F Non-Benefit Costs Bid Requirements, which requires exclusion of any start-up expenses and premium tax. The actuarial soundness of the non-benefit bid rates is based on a subset of the definition of actuarial soundness from ASOP 49, relevant to non-benefit expenses:

"Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, governmental risk adjustment cash flows and investment income. For purposes of this definition, costs include, but are not limited to, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."

I further certify that the administrative rates are projected to provide for all reasonable, appropriate, and attainable administrative costs during the twelve-month period beginning October 1, 2018.

Irena Andreevska

1/23/2018

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Date