

Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Updated Actuarial Memorandum for CYE 2011

I. Purpose

This memorandum presents a discussion of the revision to the capitation rates for the Developmentally Disabled (DD) population of the Arizona Long Term Care System (ALTCs) program, for the period April 1, 2011 to June 30, 2011. This update to the rates is required as a result of changes to provider reimbursement via rate reductions effective April 1, 2011.

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

In response to significant fiscal challenges facing the State of Arizona, AHCCCS is reducing inpatient and outpatient hospital reimbursement and other provider type fee schedules effective April 1, 2011. The provider rates impacted, and their reductions, include:

Reduced 5%:

- Inpatient hospital rates
- Cost to Charge ratios used to qualify and pay inpatient outliers
- Outpatient hospital rates
- Dental rates
- Physician fee schedule rates
 - excluding the Physician Drug Schedule
- Dialysis center composite rates
- ADHS Transportation rates
- Non-ADHS Transportation rates
- Behavioral Health rates (including AHCCCS inpatient psychiatric tiered per diem rates and bed holds) with the exception of:
 - 1) All other Acute Care Hospital/Level 1 Hospitalization
 - 2) All Level 1 Sub Acute Facilities
 - 3) All Level 1 Residential Treatment Centers

The overall impact to the DDD program of these changes is approximately \$1 million.

III. Proposed Revised Capitation Rates and Their Impact

Table I below summarizes the changes from the current approved CYE11 capitation rates and the estimated budget impact, effective for the period April 1, 2011 through June 30, 2011 on a statewide basis.

Table I: Proposed Statewide Capitation Rates and Budget Impact

Rate Cell	Based on Projected Member Months April 1, 2011 - June 30, 2011		Based on Projected Member Months April 1, 2011 - June 30, 2011		
	CYE11 Current Rate	CYE11 Updated Rate	Estimated CYE11 Current Capitation	Estimated CYE11 Updated Capitation	
DDD	72,404	\$ 3,366.99	\$ 3,353.14	\$ 243,784,180	\$ 242,781,382
Behavioral Health	72,404	\$ 101.92	\$ 99.72	\$ 7,379,435	\$ 7,220,146
Targeted Case Management	13,998	\$ 106.60	\$ 106.60	\$ 1,492,215	\$ 1,492,215
Total				\$ 252,655,830	\$ 251,493,743
Total impact on CY estimated current capitation				\$ (1,162,087)	
Percentage impact on CY estimated current capitation				-0.46%	

DDD rate reflect full premium tax

BH does not reflect premium tax

IV. Actuarial Certification of the Capitation Rates:

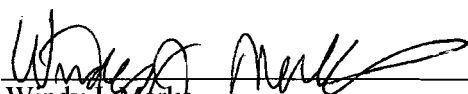
I, Windy J. Marks, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards 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 three month period beginning April 1, 2011.

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 current 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

01/20/11
Date

Fellow of the Society of Actuaries
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