

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 rates and 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 rates and 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.

AHCCCS used historical encounter data (i.e. Data Book Files) provided in Section C of the Data Supplement as the base data for the rebase of the CYE 14 capitation rates. The Data Book Files contain fully adjudicated and paid encounter data. The costs included in the Data Book Files are actual costs reported by the Contractor unless the Contractor has a sub-capitated or block purchasing arrangement. This type of arrangement would be noted by the sub-capitation code on the encounter. If there is a sub-capitated arrangement in the Acute Care or CRS programs and the “Health Plan Paid Amount” is zero, the lesser of the “AHCCCS Allowed Amount” or “Billed Amount” is used in place of the zero. For behavioral health encounters, the “Health Plan Paid Amount” is used if available. If there is no “Health Plan Paid Amount” then the “Health Plan Approved Amount” is used. If neither field is available, the lesser of “AHCCCS Allowed” or “Billed Amount” is used to populate the cost field. No other adjustments were made to the data.

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

- Completion factors
- Seasonality factors
- True-up factors
- Historical program and fee schedule changes
- Trends

Base Data

- All four years of the data provided (three complete years plus one partial year) were used when building the Acute Care capitation rate ranges, and for the acute care component of the CRS capitation rates.
 - Each year was given a weight of 25%
- For the behavioral health care component and the CRS specialty care component of the CRS capitation rates, the base data consisted of encounter data for CYE 09, CYE 10 and CYE 11.
 - The weights were 16.67%, 33.33% and 50%, respectively
 - CYE 12 data was excluded from the behavioral health care component, consistent with the methodology AHCCCS used when developing the Maricopa RBHA capitation rates
 - Concerns with completeness of the CRS specialty care data triggered the decision to exclude the CYE 12 data when building the specialty care component of the CRS capitation rate

Completion Factors

Table I contains the Acute Care completion factors by form type, geographical service area (GSA) and contract year (used for both the Acute Care ranges and the CRS acute care services). Table II contains the behavioral health care completion factors by form type and contract year. Table III contains the CRS specialty care completion factors by form type and contract year. These are the completion factors that AHCCCS used when setting the medical components for the capitation rate ranges and/or capitation rates.

Table I: Acute Care Completion Factors

CYE 12 (10/01/11 – 03/31/12)

Form Type	I	O	A	C	D	L
GSA 2 (Yuma, LaPaz)	85.06%	84.19%	91.70%	96.93%	98.93%	91.50%
GSA 4 (Apache, Coconino, Mohave, Navajo)	85.84%	94.29%	91.38%	99.54%	98.63%	87.29%
GSA 6 (Yavapai)	84.51%	87.39%	93.02%	95.17%	93.10%	84.27%
GSA 8 (Gila, Pinal)	88.57%	94.19%	93.47%	98.50%	94.90%	82.95%
GSA 10 (Pima, Santa Cruz)	87.26%	89.29%	92.04%	97.73%	96.29%	89.94%
GSA 12 (Maricopa)	86.77%	91.91%	93.24%	97.46%	96.91%	88.31%
GSA 14 (Cochise, Graham, Greenlee)	87.07%	93.62%	92.55%	98.46%	94.94%	86.87%

CYE 11 (10/01/10 – 09/30/11)

Form Type	I	O	A	C	D	L
GSA 2 (Yuma, LaPaz)	97.70%	97.09%	98.98%	99.44%	99.88%	98.45%
GSA 4 (Apache, Coconino, Mohave, Navajo)	97.54%	99.08%	98.82%	99.96%	99.75%	97.41%
GSA 6 (Yavapai)	97.26%	96.46%	97.81%	99.07%	98.36%	95.73%
GSA 8 (Gila, Pinal)	98.16%	94.19%	99.20%	99.83%	99.28%	98.14%
GSA 10 (Pima, Santa Cruz)	97.68%	97.77%	99.01%	99.70%	99.52%	98.31%
GSA 12 (Maricopa)	97.89%	98.58%	99.09%	99.71%	99.48%	98.40%
GSA 14 (Cochise, Graham, Greenlee)	97.83%	99.17%	99.10%	99.91%	99.22%	98.85%

CYE 10 (10/01/09 – 09/30/10)

Form Type	I	O	A	C	D	L
GSA 2 (Yuma, LaPaz)	99.98%	99.97%	99.98%	99.98%	99.99%	99.98%
GSA 4 (Apache, Coconino, Mohave, Navajo)	99.97%	100.00%	99.98%	100.00%	99.98%	99.79%
GSA 6 (Yavapai)	99.99%	99.82%	99.85%	100.00%	99.66%	99.73%
GSA 8 (Gila, Pinal)	99.99%	100.00%	99.99%	100.00%	99.96%	99.92%
GSA 10 (Pima, Santa Cruz)	99.97%	99.97%	99.98%	99.99%	99.98%	99.93%
GSA 12 (Maricopa)	99.96%	99.97%	99.98%	99.99%	99.98%	99.96%
GSA 14 (Cochise, Graham, Greenlee)	99.98%	99.98%	99.99%	100.00%	99.97%	100.00%

CYE 09 (10/01/08 – 09/30/09)

Form Type	I	O	A	C	D	L
GSA 2 (Yuma, LaPaz)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 4 (Apache, Coconino, Mohave, Navajo)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 6 (Yavapai)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 8 (Gila, Pinal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 10 (Pima, Santa Cruz)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 12 (Maricopa)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
GSA 14 (Cochise, Graham, Greenlee)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table II: Behavioral Health Care Completion Factors

Form Type	I	O	A	C	D	L
CYE 12 (10/01/11 - 03/31/12)	N/A	N/A	N/A	N/A	N/A	N/A
CYE 11 (10/01/10 - 09/30/11)	97.02%	97.25%	98.95%	99.45%	N/A	N/A
CYE 10 (10/01/09 - 09/30/10)	99.97%	99.95%	99.99%	99.99%	N/A	N/A
CYE 09 (10/01/08 - 09/30/09)	100.00%	100.00%	100.00%	100.00%	N/A	N/A

Table III: CRS Specialty Care Completion Factors

Form Type	I	O	A	C	D	L
CYE 12 (10/01/11 - 03/31/12)	N/A	N/A	N/A	N/A	N/A	N/A
CYE 11 (10/01/10 - 09/30/11)	94.88%	98.63%	98.72%	96.29%	99.83%	N/A
CYE 10 (10/01/09 - 09/30/10)	99.93%	99.99%	99.98%	99.97%	100.00%	N/A
CYE 09 (10/01/08 - 09/30/09)	100.00%	100.00%	100.00%	100.00%	100.00%	N/A

Seasonality Factors

Table IV contains the seasonality factors applied to the CYE 12 data that was used in developing the rate ranges for the Acute Care capitation rates. Seasonality factors were developed by reviewing past historical relationships comparing the first half of CYE 09, CYE 10 and CYE 11 to the full year. Limits were applied to the final factors that were used in the rate setting development.

The seasonality factor used in developing the acute care component of the CRS rates was 94.3%.

AHCCCS multiplied these factors by the CYE 12 adjusted encounter data. For example, if the encounter data (with appropriate adjustments [i.e. completion factors, trends, etc.]) was \$100.00 and the seasonality factor was 98%, the data after seasonality factor was applied would be \$98.00 (\$100.00 * 0.98).

Table IV: Acute Care Seasonality Factors

	TANF < 1	TANF 1-13	TANF 14-	TANF 14-	TANF 45+	SSI w/Med	SSI w/o Med	AHCCCS	Delivery
			44 F	44 M				Care	Supplement
GSA 2 (Yuma, LaPaz)	97.5%	98.1%	102.5%	102.5%	102.5%	98.0%	100.5%	101.6%	102.5%
GSA 4 (Apache, Coconino, Mohave, Navajo)	97.5%	97.5%	101.7%	102.0%	99.3%	99.1%	101.8%	99.7%	101.7%
GSA 6 (Yavapai)	97.5%	97.8%	102.5%	101.9%	99.6%	97.5%	102.5%	100.1%	102.5%
GSA 8 (Gila, Pinal)	97.5%	97.6%	101.1%	100.0%	102.5%	97.5%	99.8%	101.0%	101.1%
GSA 10 (Pima, Santa Cruz)	97.5%	97.5%	101.4%	99.1%	100.5%	97.5%	100.3%	99.3%	101.4%
GSA 12 (Maricopa)	97.5%	97.5%	100.6%	102.2%	100.4%	97.5%	100.2%	100.1%	100.6%
GSA 14 (Cochise, Graham, Greenlee)	97.5%	99.3%	100.9%	101.2%	98.2%	99.8%	98.5%	100.2%	100.9%

True-up Factors

True-up factors were used when building the rates for the behavioral health and specialty care components of the CRS program. The behavioral health component true-up impacted all categories of service due to differences between behavioral health encounter data and financial statement data, whereas the specialty care component true-up only impacted the clinic fees category.

The behavioral health component true-up was based on the differences between total behavioral health encounter data versus total behavioral health financial statement data, since behavioral health financial statement data specific to CRS members is not available. A blend factor was used to increase the encounter data expenditures.

Clinic fee expenditures for CRS specialty care services have been included in encounter data since January 2011. Because earlier years lack this data, and because the clinic fee encounter data appears low compared to financial statement data, AHCCCS elected to use clinic fee expenditures from the financial statement data.

No other true-up factors were applied.

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. Please note that the SSIW category was not adjusted for most fee schedule changes since that population’s expenses are mostly related to copays and coinsurance.

Trends

The trends were developed based on projected changes to the AHCCCS fee schedules and tier rates. Historical trend rates were developed from the adjusted base data and trends in the marketplace such as National Health Expenditures (NHEs).

For all categories of service, when applicable, utilization and unit cost trends were limited to exclude abnormally high or low utilization or unit cost trends.

For unit cost impacts effective October 1, 2013, forward, AHCCCS is assuming fee schedules will remain frozen for all service categories except Hospice, Pharmacy and CRS Clinic Fees. If this assumption changes, AHCCCS will adjust the awarded capitation rates prior to October 1, 2013.

Acute Care Capitation Rate Ranges

The methodology described above was used to develop the midpoint of the ranges for the Acute Care capitation bid. The capitation rate ranges are equivalent to the bottom half of the actuarially sound rate ranges, from an adjusted minimum to the midpoint. The minimum of each published range was increased by 1% to account for the Payment Reform capitation withhold of at least 1%. The 1% was added to ensure that, after capitation rates are reduced by the 1% withhold, those rates remain within the actuarially sound rate ranges. The ranges using the adjusted minimum represent the “published ranges” within which all bids must fall or be scored zero points. Thus a bid submitted below the adjusted minimum will be considered outside the rate range and scored zero points. The adjustment was calculated by taking the minimum of the range and dividing by 0.99, in order to ensure that when 1% of the adjusted minimum rate is removed the result is still within the range. Example: Minimum of range = \$99.00, Adjusted Minimum = $\$99.00 / (1 - 0.01) = \100.00 . Published range: \$100.00 to midpoint. A bid of \$99.00 is below the published range and would be scored zero points while a bid of \$100.00 is within the published range and therefore would earn a positive score greater than zero.

Capitation Rates and Components Set by AHCCCS

AHCCCS will set the Acute Care prior period coverage (PPC), the SOBRA Family Planning Extension Program (SFPEP) and the state only transplants capitation rates. These rates will be published by AHCCCS prior to October 1, 2013. Historical PPC and SFPEP capitation rates can be found on the AHCCCS website at the following link:

<http://www.azahcccs.gov/commercial/ContractorResources/capitation/capitationrates.aspx#>

AHCCCS will also set the reinsurance offset of the capitation rates. The Offeror should not include a reinsurance offset in the bids. Prior to October 1, 2013, 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, 2013.