April 15, 2008

Mr. David Reese
Chief Financial Officer
Arizona Department of Health Services
Division of Behavioral Health Services
150 N. 18th Avenue, Suite 200
Phoenix, AZ 85007

Final and Confidential

Subject: Behavioral Health Services State Fiscal Year 2009 Capitation Rates for the Title XIX Program

Dear Mr. Reese:

Introduction/Background

The State of Arizona Department of Health Services (ADHS), Division of Behavioral Health Services (BHS) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to develop actuarially sound capitation rates for each of its Regional Behavioral Health Authorities (RBHAs) for State Fiscal Year 2009 (SFY09). Rates were developed for the Title XIX program.

There are four RBHAs for which actuarially sound capitation rates were developed, covering six geographic service areas. They include:

RBHA	Areas Served
Community Partnership of Southern Arizona (CPSA 3 and CPSA 5)	Pima, Graham, Greenlee, Santa Cruz and Cochise Counties
Cenpatico Behavioral Health of Arizona (Cenpatico 2 and Cenpatico 4)	Yuma, LaPaz, Pinal and Gila Counties
Northern Arizona Regional Behavioral Health Authority (NARBHA)	Mohave, Coconino, Apache, Navajo and Yavapai Counties
Magellan Health Services (MHS)	Maricopa County

Overview of Rate-Setting Methodology

Mercer assisted BHS with the development of a risk-based capitation rate methodology for RBHAs that complies with the Centers for Medicare & Medicaid Services (CMS) requirements and the regulations under the Balanced Budget Act of 1997 (BBA). As it relates to the rate-setting methodology checklist and Medicaid managed care regulations (42 CFR 438.6) effective August 13, 2002, CMS requires that capitation rates be "actuarially sound." CMS defines actuarially sound rates as meeting the following criteria.

- Have been developed in accordance with generally accepted actuarial principles and practices
- Are appropriate for the populations to be covered and the services to be furnished under the contract
- Have been certified by actuaries who meet qualification standards established by the American Academy of Actuaries and the Actuarial Standards Board

Actuarially sound capitation rates were developed for the contract period July 1, 2008, through June 30, 2009, covering SFY09. Mercer has utilized actuarially sound principles and practices in the development of these capitation rates.

The goal of capitation rate development is to take experience that is available during the base period and convert that experience, using actuarial principles, into appropriate baseline data for the contract period. Once the baseline data is determined, adjustments including trend, any unusual service utilization changes and provisions for administration and underwriting profit/risk/contingency are applied in order to determine actuarially sound capitation rates. The capitation rate development process was divided into the following steps.

1. Calculate base data
   - Collect, analyze, and adjust first half of SFY08 (1HSFY08) RBHA financial statements and SFY07 RBHA-submitted encounter data and financial statements
   - Utilize actual member months from 1HSFY08 and the adjusted 1HSFY08 total claim costs to calculate 1HSFY08 per-member-per-month (PMPM) values
   - Adjust the derived 1HSFY08 PMPMs via a seasonality/trend projection factor to generate initial full year SFY08 claim cost PMPMs

2. Calculate SFY09 actuarially sound rates
   - Apply trend factors to bring Base SFY08 claims costs forward to SFY09
   - Adjust for any unusual service utilization changes (such as High Needs Children, JK Support Services, DES Families First, Arizona Department of Juvenile Corrections (ADJC), IMD Waiver and Pima County Intense Recovery Teams)
   - Apply acuity adjustment (if necessary) to account for changes in Behavioral Health penetration rates
   - Certify actuarial equivalence of the populations
   - Add provisions for administration and underwriting profit/risk/contingency

The end result of this capitation rate development process, completed jointly by BHS and Mercer, is actuarially sound capitation rates for SFY09.

Actuarially sound capitation rates were developed for each of the following population and RBHA combinations, shown in the table below.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Children – Non-CMDP	$38.74	$44.84	$48.48	$35.38	$69.32	$32.15	$37.51
Children – CMDP	$1,385.15	$1,419.15	$929.73	$1,544.46	$591.55	$879.30	$1,066.83
SMI	$46.94	$68.77	$37.32	$44.96	$50.98	$105.25	$77.21
GMH/SA	$31.30	$51.20	$53.06	$30.01	$66.37	$37.47	$40.72

The rate development schedules are shown in Attachment A.

Base Data

The base data consisted of adjusted financial statements from all current RBHAs for the July 1, 2007, through December 31, 2007, time period. In addition, RBHA-submitted encounter data was reviewed for completeness and claim cost trends. The financial statement expenses were reduced by the following factors for each RBHA and population, based on the encounter and financial data analysis.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children – Non-CMDP	0.015	0.015	0.010	0. 015	0. 010	0. 010
Children – CMDP	0.015	0.015	0. 010	0. 015	0. 010	0. 010
SMI	0.015	0. 015	0. 010	0. 015	0. 010	0. 010
GMH/SA	0.015	0. 015	0. 010	0. 015	0. 010	0. 010

BHS has periodically performed reviews of the RBHA-submitted data and has determined that the data do not include any uncovered services.

Seasonality/Trend to SFY08

The base data included adjusted RBHA financial statements received for 1HSFY08. Projection factors to account for seasonality/trend were developed by population in order to project costs forward to a full SFY08 period.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children – Non-CMDP	1.020	1.020	1.020	1.020	1.020	1.020
Children – CMDP	1.020	1.020	1.020	1.020	1.020	1.020
SMI	1.010	1.010	1.010	1.010	1.010	1.010
GMH/SA	1.030	1.030	1.030	1.030	1.030	1.030

Trend

Trend is an estimate of the change in the cost of providing a specific set of benefits over time, resulting from both unit cost (price) and utilization changes. Trend factors are used to estimate the cost of providing services in some future year (contract year) based on the cost incurred in a prior (base) year.

In order to determine actuarially sound capitation rates, Mercer projected the base data forward to reflect utilization and unit cost trend by population. Mercer calculated trends from the historical financial data and reviewed summarized encounter data. The historical data that was used as a basis for trend development did not appropriately reflect the costs related to the separate service utilization changes described below. Mercer also utilized its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs. Although the trends were developed using several years of historical data, the trend factors were applied only to the projected SFY08 base data, bringing it forward 12 months to SFY09. The following trend estimates were used for the capitation rates.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Children	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
SMI	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GMH/SA	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%

Service Utilization Changes

BHS and Mercer reviewed changes for SFY09 that would unusually affect service utilization. It was determined that due to expected changes in utilization of specific existing Covered Services, adjustments to the base data would need to be made to account for these changes. The following seven changes were accounted for in the rate development process.

High Needs Children

The High Needs Children service expansion will add additional case managers throughout the State to continue progress towards the goal of one case manager for every 15 high needs children. Of these case managers, the vast majority will be behavioral health technicians and the remainder will be behavioral health professionals. Adequate case management is required to coordinate the variety of necessary covered behavioral health services, especially for children with complex needs. There are currently not enough case managers for children with complex needs to achieve the desired ratio.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	$1.33	$1.35	$1.33	$1.07	$1.22	$0.88	$1.04
CMDP	$35.99	$36.44	$36.00	$28.83	$32.89	$23.78	$28.81

DES Families First

This program provides family-centered substance abuse and recovery support services to parents or caregivers whose substance abuse is a significant barrier to maintaining or reunifying the family or achieving self-sufficiency. The program provides an array of structured interventions to reduce or eliminate abuse of and dependence on alcohol and other drugs, and to address other adverse conditions related to substance abuse.

The PMPM increases applied to the adult GMH/SA population for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
GMH/SA	$0.17	$0.20	$0.18	$0.09	$0.17	$0.21	$0.18

Direct Support Services

The behavioral health system requires ready access to direct supports and home-based services, to effectively provide needed wraparound services for kids with complex needs and their families. This allows the child to remain at home with family instead of being placed out of home. A select list of 19 procedure codes is expected to have an increased utilization as a result of this settlement.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	$0.59	$0.60	$0.59	$0.47	$0.54	$0.39	$0.46
CMDP	$16.00	$16.19	$16.00	$12.81	$14.62	$10.57	$12.80

Arizona Department of Juvenile Corrections (ADJC)

Children in the ADJC system and in the State Hospital are Title XIX eligible. The costs for these children are currently being paid for by the State Hospital, however starting in SFY09, the RBHAs will be expected to cover the costs of these Title XIX eligible children.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	$0.00	$0.00	$0.00	$0.00	$0.00	$0.04	$0.02
CMDP	$0.00	$0.00	$0.00	$0.00	$0.00	$1.14	$0.60

IMD Waiver

The IMD waiver that was in place to allow funding for 21-64 year olds will be completely phased out after the upcoming fiscal years. The phase-out will be 50 percent FFP for October 1, 2007 to September 30, 2008. Only the portion that will be federally matched can stay in the certified capitation rates. This result is a reduction of about $4.2 million in claims for the combined SMI and GMH/SA populations.

The PMPM decrease applied to the SMI and GMH/SA populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	$0.32	$0.43	$0.27	$0.28	$0.34	$0.69	$0.50
GMH/SA	$0.21	$0.33	$0.36	$0.18	$0.42	$0.23	$0.25

In-Lieu of Services

With the phasing out of IMD services, it is expected that many of the services previously provided at an IMD facility would need to be provided at an inpatient non-specialty hospital. State approved FFS rates at inpatient non-specialty hospitals are approximately 101.5% more expensive than those provided in alternative inpatient settings, resulting in a potential increase in claims of about $4.2 million for the combined SMI and GMH/SA populations. By allowing ADHS/BHS to provide services in alternative inpatient settings that are licensed by ADHS/ALS/OBHL, in lieu of services in an inpatient non-specialty hospital, unit cost savings of may be realized.

The resulting PMPM adjustment applied to the SMI and GMH/SA populations are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	$0.32	$0.43	$0.27	$0.28	$0.34	$0.69	$0.50
GMH/SA	$0.21	$0.33	$0.36	$0.18	$0.42	$0.23	$0.25

Pima County Intense Recovery Teams (IRTs)

It has been determined that an increase to funding in Pima County for intense recovery teams is necessary for SFY09.

The PMPM increases applied to the SMI population for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	$0.00	$1.32	$0.00	$0.00	$0.00	$0.00	$0.24

Behavioral Health Penetration – Acuity Adjustment

An increase in penetration in some populations of the behavioral health program has been observed and is projected in these populations. Greater proportions of those eligible are accessing the behavioral health system. These increases have contributed to the projected increase in utilization for these populations and are reflected in overall claim costs. This change, as well as any projected decrease in penetration, was applied as an acuity adjustment to the SFY09 PMPM claim costs and represents a difference due to increased or decreased penetration (those enrolled, compared to those eligible), and does not adjust for any normal unit cost or utilization trends, which are handled above.

The acuity factors that were applied are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Non-CMDP	0.981	0.975	1.009	1.022	1.023	0.971
CMDP	0.973	1.009	0.987	1.043	1.003	0.964
SMI	0.996	1.030	0.970	1.037	0.986	0.972
GMH/SA	0.994	0.987	1.019	1.040	1.023	0.997

White Mountain Apache Tribal Regional Behavioral Health Authority

The White Mountain Apache Tribe began as a Tribal Regional Behavioral Health Authority (TRBHA) October 1, 2007. NARBHA served the members that became the responsibility of the new TRBHA for the first three months of the financial data base period. The NARBHA capitation rates have been adjusted to account for differences in continuing to serve the entire population and the projected population, which excludes those eligibles that would be served by the new TRBHA. Cost, eligibility and enrollment data were reviewed for the zip codes affected by the new TRBHA. The resulting adjustment is an increase to the NARBHA capitation rates; however, total dollars projected to be paid to NARBHA are lower due to the eligibles that would no longer be served by NARBHA. The table below summarizes the adjustment to the NARBHA capitation rates by population.

	Non-CMDP	CMDP	SMI	GMH
NARBHA	$0.28	$12.85	$0.28	$0.02

Administration and Underwriting Profit/Risk/Contingency

The actuarially sound capitation rates developed include provisions for RBHA administration. Mercer used its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs in determining appropriate loads for administration and underwriting profit/risk/contingency. Mercer also reviewed current RBHA financial reports. The component for administration and underwriting profit/risk/contingency is calculated as a percentage of the final capitation rate. A 10 percent load was added across all populations, consistent with SFY08 capitation rate development.

Risk Corridors and Performance Incentive

BHS has in place a risk corridor arrangement with the RBHAs that provides motivation for the RBHAs to appropriately manage expenses, yet provides financial protection against unmanageable losses. The risk corridor provides impetus for the RBHAs to operate efficiently and generate net income, but also provides for the return of any excessive profit to the State.

The proposed SFY09 BHS risk corridor approach provides for gain/loss risk sharing symmetry around the service revenue portion of the capitation rates. This risk corridor model is designed to be cost neutral, with no net aggregate assumed impact across all payments. The RBHAs' contracts also provide for a potential one percent performance incentive. In Mercer's professional opinion, the risk corridor and performance incentive methodologies utilized by BHS are actuarially sound.

Tribal Fee-For-Service Claims Estimate

Mercer received tribal claims and membership data from BHS for SFY05 through SFY07. This data was reviewed, projected, and trended forward. BHS also provided additional information related to FFS rate increases that would affect tribal claims. Also, as discussed previously, the White Mountain Apache TRBHA began providing services October 1, 2007. This resulted in an increase in tribal FFS dollars. Based on this information, Mercer and BHS projected that Title XIX tribal claim costs for SFY09 will be approximately $38.7 million.

BHS Administration/Risk/Contingency

The Arizona Health Care Cost Containment System (AHCCCS) has placed BHS Administration at financial risk for the provision of BHS covered services for SFY09. Accordingly, the capitation rates were developed to include compensation to BHS for the cost of ensuring the delivery of all BHS covered services. The capitation rates paid to BHS include a 3.82 percent load, which was negotiated between AHCCCS and BHS Administration. The load represents the BHS costs of ensuring the efficient delivery of services in a managed care environment.

Development of Statewide Capitation Rates

Statewide capitation rates were developed by blending the SFY09 capitation rates for each RBHA using projected SFY09 member months, the estimated dollar amount of SFY09 tribal claims, and the administrative percentage add-on component for BHS.

The statewide capitation rates are shown in Attachment B.

Certification of Final Rates

Mercer certifies that the above and attached rates were developed in accordance with generally accepted actuarial practices and principles by actuaries meeting the qualification standards of the American Academy of Actuaries for the populations and services covered under the managed care contract. Rates developed by Mercer are actuarial projections of future contingent events. Actual RBHA costs will differ from these projections. Mercer has developed these rates on behalf of BHS to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable law and regulations.

If you have any questions concerning our rate setting methodology, please feel free to contact me at 602 522 6510.

Sincerely,

Michael E. Nordstrom ASA, MAAA

Michael E. Nordstrom, ASA, MAAA

Copy:
Cynthia Layne, ADHS
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Enclosures

Attachment A
SFY09 DBHS Capitation Rates
Title XIX
Non-CMDP Children

	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	Magellan	Total
1. 1HSFY08 Adjusted BHS Service Expenses	$ 3,411,544	$ 14,704,154	$ 4,842,618	$ 10,265,516	$ 7,280,507	$ 38,801,776	$ 79,306,114
2. 1HSFY08 Member Months	111,678	410,476	129,016	385,169	135,241	1,500,230	2,671,810
3. 1HSFY08 PMPM	$ 30.55	$ 35.82	$ 37.54	$ 26.65	$ 53.83	$ 25.86	$ 29.68
4. SFY08 Projection Factor	1.020	1.020	1.020	1.020	1.020	1.020	1.020
5. SFY08 Initial Projected Claim Cost	$ 31.16	$ 36.54	$ 38.29	$ 27.19	$ 54.91	$ 26.38	$ 30.28
6. Relational Modeling Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. SFY08 Adjusted Claim Cost	$ 31.16	$ 36.54	$ 38.29	$ 27.19	$ 54.91	$ 26.38	$ 30.28
8. Claim Cost Trend Factor	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
9. SFY09 Trended Base Claim Cost	$ 33.62	$ 39.43	$ 41.31	$ 29.33	$ 59.25	$ 28.47	$ 32.67
10. High Need Kids Case Managers	$ 1.33	$ 1.35	$ 1.33	$ 1.07	$ 1.22	$ 0.88	$ 1.04
11. Direct Support Services	$ 0.59	$ 0.60	$ 0.59	$ 0.47	$ 0.54	$ 0.39	$ 0.46
12. ADJC	$ -	$ -	$ -	$ -	$ -	$ 0.04	$ 0.02
13. SFY09 Claim Cost With Service Utilization Increases	$ 35.55	$ 41.37	$ 43.24	$ 30.88	$ 61.01	$ 29.78	$ 34.19
14. Acuity Factor	0.981	0.975	1.009	1.022	1.023	0.971	0.986
15. WMA Tribal Adjustment	$ -	$ -	$ -	$ 0.28	$ -	$ -	$ 0.04
16. Base SFY09 Claim Costs	$ 34.87	$ 40.35	$ 43.64	$ 31.84	$ 62.39	$ 28.93	$ 33.76
17. Administrative Load and Underwriting Profit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
18. SFY09 Capitation Rates	$ 38.74	$ 44.84	$ 48.48	$ 35.38	$ 69.32	$ 32.15	$ 37.51
19. SFY08 Current Rates	$ 37.32	$ 45.44	$ 39.89	$ 29.60	$ 57.34	$ 31.41	$ 35.27
20. % Change	3.8%	-1.3%	21.5%	19.5%	20.9%	2.4%	6.3%

Attachment A
SFY09 DBHS Capitation Rates
Title XIX
CMDP Children

	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	Magellan	Total
1. 1HSFY08 Adjusted BHS Service Expenses	$ 2,184,961	$ 14,915,729	$ 1,004,094	$ 5,895,801	$ 2,011,845	$ 20,736,295	$ 46,748,726
2. 1HSFY08 Member Months	1,956	13,537	1,388	5,076	4,582	29,052	55,591
3. 1HSFY08 PMPM	$ 1,117.06	$ 1,101.85	$ 723.41	$ 1,161.51	$ 439.08	$ 713.76	$ 840.94
4. SFY08 Projection Factor	1.020	1.020	1.020	1.020	1.020	1.020	1.020
5. SFY08 Initial Projected Claim Cost	$ 1,139.40	$ 1,123.89	$ 737.88	$ 1,184.74	$ 447.86	$ 728.04	$ 857.76
6. Relational Modeling Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. SFY08 Adjusted Claim Cost	$ 1,139.40	$ 1,123.89	$ 737.88	$ 1,184.74	$ 447.86	$ 728.04	$ 857.76
8. Claim Cost Trend Factor	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
9. SFY09 Trended Base Claim Cost	$ 1,229.41	$ 1,212.67	$ 796.17	$ 1,278.33	$ 483.24	$ 785.56	$ 925.52
10. High Need Kids Case Managers	$ 35.99	$ 36.44	$ 36.00	$ 28.83	$ 32.89	$ 23.78	$ 28.81
11. Direct Support Services	$ 16.00	$ 16.19	$ 16.00	$ 12.81	$ 14.62	$ 10.57	$ 12.80
12. ADJC	$ -	$ -	$ -	$ -	$ -	$ 1.14	$ 0.60
13. SFY09 Claim Cost With Service Utilization Increases	$ 1,281.40	$ 1,265.30	$ 848.17	$ 1,319.98	$ 530.75	$ 821.05	$ 967.73
14. Acuity Factor	0.973	1.009	0.987	1.043	1.003	0.964	0.991
15. WMA Tribal Adjustment	$ -	$ -	$ -	$ 12.85	$ -	$ -	$ 1.17
16. Base SFY09 Claim Costs	$ 1,246.63	$ 1,277.24	$ 836.76	$ 1,390.01	$ 532.40	$ 791.37	$ 960.15
17. Administrative Load and Underwriting Profit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
18. SFY09 Capitation Rates	$ 1,385.15	$ 1,419.15	$ 929.73	$ 1,544.46	$ 591.55	$ 879.30	$ 1,066.83
19. SFY08 Current Rates	$ 1,112.31	$ 1,346.61	$ 829.35	$ 1,283.35	$ 794.54	$ 811.30	$ 994.42
20. % Change	24.5%	5.4%	12.1%	20.3%	-25.5%	8.4%	7.3%

Attachment A
SFY09 DBHS Capitation Rates
Title XIX
Combined Children (For Informational Purposes Only)

	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	Magellan	Total
1. 1HSFY08 Adjusted BHS Service Expenses	$ 5,596,505	$ 29,619,883	$ 5,846,711	$ 16,161,318	$ 9,292,352	$ 59,538,071	$ 126,054,840
2. 1HSFY08 Member Months	113,634	424,013	130,404	390,245	139,823	1,529,282	2,727,401
3. 1HSFY08 PMPM	$ 49.25	$ 69.86	$ 44.84	$ 41.41	$ 66.46	$ 38.93	$ 46.22
4. SFY08 Projection Factor	1.020	1.020	1.020	1.020	1.020	1.020	1.020
5. SFY08 Initial Projected Claim Cost	$ 50.24	$ 71.25	$ 45.73	$ 42.24	$ 67.79	$ 39.71	$ 47.14
6. Relational Modeling Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. SFY08 Adjusted Claim Cost	$ 50.24	$ 71.25	$ 45.73	$ 42.24	$ 67.79	$ 39.71	$ 47.14
8. Claim Cost Trend Factor	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
9. SFY09 Trended Base Claim Cost	$ 54.20	$ 76.88	$ 49.34	$ 45.58	$ 73.14	$ 42.85	$ 50.87
10. High Need Kids Case Managers	$ 1.93	$ 2.47	$ 1.70	$ 1.43	$ 2.26	$ 1.32	$ 1.60
11. Direct Support Services	$ 0.86	$ 1.10	$ 0.76	$ 0.64	$ 1.00	$ 0.58	$ 0.71
12. ADJC	$ -	$ -	$ -	$ -	$ -	$ 0.06	$ 0.04
13. SFY09 Claim Cost With Service Utilization Increases	$ 56.99	$ 80.45	$ 51.80	$ 47.64	$ 76.40	$ 44.81	$ 53.22
14. Acuity Factor	0.978	0.992	1.005	1.030	1.018	0.969	0.988
15. WMA Tribal Adjustment	$ -	$ -	$ -	$ 0.44	$ -	$ -	$ 0.06
16. Base SFY09 Claim Costs	$ 55.73	$ 79.84	$ 52.08	$ 49.51	$ 77.79	$ 43.41	$ 52.64
17. Administrative Load and Underwriting Profit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
18. SFY09 Capitation Rates	$ 61.92	$ 88.71	$ 57.86	$ 55.01	$ 86.44	$ 48.24	$ 58.49
19. SFY08 Current Rates	$ 55.82	$ 86.98	$ 48.29	$ 45.91	$ 81.50	$ 46.22	$ 54.82
20. % Change	10.9%	2.0%	19.8%	19.8%	6.1%	4.4%	6.7%

Attachment A
SFY09 DBHS Capitation Rates
Title XIX
SMI

	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	Magellan	Total
1. 1HSFY08 Adjusted BHS Service Expenses	$ 5,292,181	$ 24,208,118	$ 4,408,076	$ 16,767,406	$ 6,090,754	$ 103,260,961	$ 160,027,497
2. 1HSFY08 Member Months	133,276	440,276	136,025	462,392	139,902	1,132,161	2,444,032
3. 1HSFY08 PMPM	$ 39.71	$ 54.98	$ 32.41	$ 36.26	$ 43.54	$ 91.21	$ 65.48
4. SFY08 Projection Factor	1.010	1.010	1.010	1.010	1.010	1.010	1.010
5. SFY08 Initial Projected Claim Cost	$ 40.11	$ 55.53	$ 32.73	$ 36.62	$ 43.97	$ 92.12	$ 66.13
6. Relational Modeling Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. SFY08 Adjusted Claim Cost	$ 40.11	$ 55.53	$ 32.73	$ 36.62	$ 43.97	$ 92.12	$ 66.13
8. Claim Cost Trend Factor	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
9. SFY09 Trended Base Claim Cost	$ 42.43	$ 58.75	$ 34.63	$ 38.75	$ 46.52	$ 97.46	$ 69.97
10. IMD Waiver	$ (0.32)	$ (0.43)	$ (0.27)	$ (0.28)	$ (0.34)	$ (0.69)	$ (0.50)
11. In-Lieu of Services	$ 0.32	$ 0.43	$ 0.27	$ 0.28	$ 0.34	$ 0.69	$ 0.50
12. Pima County IRT		$ 1.32					$ 0.24
13. SFY09 Claim Cost With Service Utilization Increases	$ 42.43	$ 60.07	$ 34.63	$ 38.75	$ 46.52	$ 97.46	$ 70.20
14. Acuity Factor	0.996	1.030	0.970	1.037	0.986	0.972	0.989
15. WMA Tribal Adjustment	$ -	$ -	$ -	$ 0.28	$ -	$ -	$ 0.05
16. Base SFY09 Claim Costs	$ 42.24	$ 61.89	$ 33.59	$ 40.46	$ 45.88	$ 94.73	$ 69.49
17. Administrative Load and Underwriting Profit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
18. SFY09 Capitation Rates	$ 46.94	$ 68.77	$ 37.32	$ 44.96	$ 50.98	$ 105.25	$ 77.21
19. SFY08 Current Rates	$ 51.05	$ 64.25	$ 44.09	$ 40.39	$ 55.81	$ 99.72	$ 73.84
20. % Change	-8.1%	7.0%	-15.3%	11.3%	-8.7%	5.5%	4.6%

Attachment A
SFY09 DBHS Capitation Rates
Title XIX
GMH/SA

	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	Magellan	Total
1. 1HSFY08 Adjusted BHS Service Expenses	$ 3,391,974	$ 18,476,427	$ 5,736,822	$ 10,794,663	$ 7,354,399	$ 34,366,484	$ 80,120,769
2. 1HSFY08 Member Months	133,276	440,276	136,025	462,392	139,902	1,132,161	2,444,032
3. 1HSFY08 PMPM	$ 25.45	$ 41.97	$ 42.17	$ 23.35	$ 52.57	$ 30.35	$ 32.78
4. SFY08 Projection Factor	1.030	1.030	1.030	1.030	1.030	1.030	1.030
5. SFY08 Initial Projected Claim Cost	$ 26.21	$ 43.22	$ 43.44	$ 24.05	$ 54.15	$ 31.27	$ 33.77
6. Relational Modeling Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. SFY08 Adjusted Claim Cost	$ 26.21	$ 43.22	$ 43.44	$ 24.05	$ 54.15	$ 31.27	$ 33.77
8. Claim Cost Trend Factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
9. SFY09 Trended Base Claim Cost	$ 28.18	$ 46.47	$ 46.70	$ 25.85	$ 58.21	$ 33.61	$ 36.30
10. DES Families First	$ 0.17	$ 0.20	$ 0.18	$ 0.09	$ 0.17	$ 0.21	$ 0.18
11. IMD Waiver	$ (0.21)	$ (0.33)	$ (0.36)	$ (0.18)	$ (0.42)	$ (0.23)	$ (0.25)
12. In-Lieu of Services	$ 0.21	$ 0.33	$ 0.36	$ 0.18	$ 0.42	$ 0.23	$ 0.25
13. SFY09 Claim Cost With Service Utilization Increases	$ 28.36	$ 46.66	$ 46.88	$ 25.94	$ 58.38	$ 33.82	$ 36.48
14. Acuity Factor	0.994	0.987	1.019	1.040	1.023	0.997	1.004
15. WMA Tribal Adjustment	$ -	$ -	$ -	$ 0.02	$ -	$ -	$ 0.00
16. Base SFY09 Claim Costs	$ 28.17	$ 46.08	$ 47.76	$ 27.01	$ 59.73	$ 33.72	$ 36.64
17. Administrative Load and Underwriting Profit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
18. SFY09 Capitation Rates	$ 31.30	$ 51.20	$ 53.06	$ 30.01	$ 66.37	$ 37.47	$ 40.72
19. SFY08 Current Rates	$ 29.33	$ 46.29	$ 46.83	$ 26.00	$ 56.93	$ 36.92	$ 37.82
20. % Change	6.7%	10.6%	13.3%	15.4%	16.6%	1.5%	7.6%

Statewide TXIX Rate for Non-CMDP Children

RBHA	Col. 1 Projected SFY09 Member Months	Best Estimate Col. 2 Proposed Rates	Best Estimate Col. 1 x Col. 2 Total Dollars	Low End of Rate Range Col. 2 Proposed Rates	Low End of Rate Range Col. 1 x Col. 2 Total Dollars	High End of Rate Range Col. 2 Proposed Rates	High End of Rate Range Col. 1 x Col. 2 Total Dollars
CPSA 3	232,009	$ 38.74	$ 8,989,110	$ 38.36	$ 8,899,219	$ 39.13	$ 9,079,001
CPSA 5	875,333	$ 44.84	$ 39,248,433	$ 44.39	$ 38,855,949	$ 45.29	$ 39,640,917
Cenpatico 2	256,491	$ 48.48	$ 12,435,550	$ 48.00	$ 12,311,194	$ 48.97	$ 12,559,905
NARBHA	813,933	$ 35.38	$ 28,796,595	$ 35.03	$ 28,508,629	$ 35.73	$ 29,084,561
Cenpatico 4	276,611	$ 69.32	$ 19,175,292	$ 68.63	$ 18,983,539	$ 70.02	$ 19,367,045
Magellan	3,321,583	$ 32.15	$ 106,772,636	$ 31.82	$ 105,704,909	$ 32.47	$ 107,840,362
Tribes			$ 30,421,411		$ 30,421,411		$ 30,421,411
Subtotal	5,775,960		$ 245,839,027		$ 243,684,850		$ 247,993,202
BHS Administration/R/C of 3.82%			$ 9,776,668		$ 9,690,999		$ 9,862,336
Total with BHS Administration/R/C			$ 255,615,695		$ 253,375,849		$ 257,855,538
Statewide Capitation Rate			$ 44.26		$ 43.87		$ 44.64

Statewide TXIX Rate for CMDP Children

RBHA	Col. 1 Projected SFY09 Member Months	Best Estimate Col. 2 Proposed Rates	Best Estimate Col. 1 x Col. 2 Total Dollars	Low End of Rate Range Col. 2 Proposed Rates	Low End of Rate Range Col. 1 x Col. 2 Total Dollars	High End of Rate Range Col. 2 Proposed Rates	High End of Rate Range Col. 1 x Col. 2 Total Dollars
CPSA 3	2,508	$ 1,385.15	$ 3,473,951	$ 1,371.30	$ 3,439,212	$ 1,399.00	$ 3,508,691
CPSA 5	25,620	$ 1,419.15	$ 36,358,676	$ 1,404.96	$ 35,995,089	$ 1,433.34	$ 36,722,263
Cenpatico 2	2,096	$ 929.73	$ 1,948,720	$ 920.44	$ 1,929,233	$ 939.03	$ 1,968,208
NARBHA	9,873	$ 1,544.46	$ 15,248,424	$ 1,529.01	$ 15,095,940	$ 1,559.90	$ 15,400,908
Cenpatico 4	9,924	$ 591.55	$ 5,870,591	$ 585.64	$ 5,811,885	$ 597.47	$ 5,929,296
Magellan	55,734	$ 879.30	$ 49,006,799	$ 870.51	$ 48,516,731	$ 888.09	$ 49,496,867
Tribes			$ 1,926,596		$ 1,926,596		$ 1,926,596
Subtotal	105,755		$ 113,833,757		$ 112,714,686		$ 114,952,829
BHS Administration/R/C of 3.82%			$ 4,527,006		$ 4,482,502		$ 4,571,510
Total with BHS Administration/R/C			$ 118,360,763		$ 117,197,188		$ 119,524,339
Statewide Capitation Rate			$ 1,119.20		$ 1,108.20		$ 1,130.20

Statewide TXIX Rate for SMI

RBHA	Col. 1 Projected SFY09 Member Months	Best Estimate Col. 2 Proposed Rates	Best Estimate Col. 1 x Col. 2 Total Dollars	Low End of Rate Range Col. 2 Proposed Rates	Low End of Rate Range Col. 1 x Col. 2 Total Dollars	High End of Rate Range Col. 2 Proposed Rates	High End of Rate Range Col. 1 x Col. 2 Total Dollars
CPSA 3	287,662	$ 46.94	$ 13,501,986	$ 46.47	$ 13,366,966	$ 47.41	$ 13,637,006
CPSA 5	988,142	$ 68.77	$ 67,952,404	$ 68.08	$ 67,272,879	$ 69.46	$ 68,631,928
Cenpatico 2	279,449	$ 37.32	$ 10,430,381	$ 36.95	$ 10,326,077	$ 37.70	$ 10,534,685
NARBHA	1,032,692	$ 44.96	$ 46,430,930	$ 44.51	$ 45,966,621	$ 45.41	$ 46,895,239
Cenpatico 4	306,883	$ 50.98	$ 15,644,252	$ 50.47	$ 15,487,810	$ 51.49	$ 15,800,695
Magellan	2,602,819	$ 105.25	$ 273,958,873	$ 104.20	$ 271,219,284	$ 106.31	$ 276,698,461
Tribes			$ 5,101,920		$ 5,101,920		$ 5,101,920
Subtotal	5,497,647		$ 433,020,746		$ 428,741,557		$ 437,299,934
BHS Administration/R/C of 3.82%			$ 17,220,617		$ 17,050,440		$ 17,390,794
Total with BHS Administration/R/C			$ 450,241,363		$ 445,791,997		$ 454,690,728
Statewide Capitation Rate			$ 81.90		$ 81.09		$ 82.71

Statewide TXIX Rate for GMH/SA

RBHA	Col. 1 Projected SFY09 Member Months	Best Estimate Col. 2 Proposed Rates	Best Estimate Col. 1 x Col. 2 Total Dollars	Low End of Rate Range Col. 2 Proposed Rates	Low End of Rate Range Col. 1 x Col. 2 Total Dollars	High End of Rate Range Col. 2 Proposed Rates	High End of Rate Range Col. 1 x Col. 2 Total Dollars
CPSA 3	287,662	$ 31.30	$ 9,004,451	$ 30.99	$ 8,914,407	$ 31.62	$ 9,094,496
CPSA 5	988,142	$ 51.20	$ 50,589,409	$ 50.68	$ 50,083,515	$ 51.71	$ 51,095,303
Cenpatico 2	279,449	$ 53.06	$ 14,828,873	$ 52.53	$ 14,680,585	$ 53.60	$ 14,977,162
NARBHA	1,032,692	$ 30.01	$ 30,989,072	$ 29.71	$ 30,679,181	$ 30.31	$ 31,298,963
Cenpatico 4	306,883	$ 66.37	$ 20,366,746	$ 65.70	$ 20,163,078	$ 67.03	$ 20,570,413
Magellan	2,602,819	$ 37.47	$ 97,526,181	$ 37.09	$ 96,550,919	$ 37.84	$ 98,501,443
Tribes			$ 1,212,597		$ 1,212,597		$ 1,212,597
Subtotal	5,497,647		$ 224,517,329		$ 222,284,282		$ 226,750,377
BHS Administration/R/C of 3.82%			$ 8,928,734		$ 8,839,929		$ 9,017,539
Total with BHS Administration/R/C			$ 233,446,063		$ 231,124,211		$ 235,767,916
Statewide Capitation Rate			$ 42.46		$ 42.04		$ 42.89

Attachment C
SFY09 DBHS Capitation Rates
Projection of Expenditures
Title XIX

Note: This section uses SFY09 Projected Member Months applied to both SFY08 and SFY09 Rates.

	Statewide Rates SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	SFY09 Projected MMs	Total Projected Expenditures SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	Percent Change Best	Percent Change Low	Percent Change High
TXIX												
Children	$ 60.82	$ 63.58	$ 63.00	$ 64.16	5,881,715	$ 357,747,566	$ 373,976,458	$ 370,573,037	$ 377,379,877	4.5%	3.6%	5.5%
SMI	$ 78.09	$ 81.90	$ 81.09	$ 82.71	5,497,647	$ 429,299,196	$ 450,241,363	$ 445,791,997	$ 454,690,728	4.9%	3.8%	5.9%
GMH/SA	$ 39.84	$ 42.46	$ 42.04	$ 42.89	5,497,647	$ 219,024,740	$ 233,446,063	$ 231,124,211	$ 235,767,916	6.6%	5.5%	7.6%
Total						**$ 1,006,071,502**	**$ 1,057,663,884**	**$ 1,047,489,245**	**$ 1,067,838,521**	**5.1%**	**4.1%**	**6.1%**

	Statewide Rates SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	SFY09 Projected MMs	Total Projected Expenditures SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	Percent Change Best	Percent Change Low	Percent Change High
TXIX Children												
Non-CMDP Children	$ 42.82	$ 44.26	$ 43.87	$ 44.64	5,775,960	$ 247,324,858	$ 255,615,695	$ 253,375,849	$ 257,855,538	3.4%	2.4%	4.3%
CMDP Children	$ 1,044.14	$ 1,119.20	$ 1,108.20	$ 1,130.20	105,755	$ 110,422,708	$ 118,360,763	$ 117,197,188	$ 119,524,339	7.2%	6.1%	8.2%
Total	**$ 60.82**	**$ 63.58**	**$ 63.00**	**$ 64.16**	**5,881,715**	**$ 357,747,566**	**$ 373,976,458**	**$ 370,573,037**	**$ 377,379,877**	**4.5%**	**3.6%**	**5.5%**

Note: This section uses SFY08 Actual/Projected Member Months applied to SFY08 Rates, and SFY09 Projected Member Months applied to SFY09 Rates.

	Statewide Rates SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	SFY08 Actual/ Projected MMs	Total Projected Expenditures SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	Percent Change Best	Percent Change Low	Percent Change High
TXIX												
Children	$ 62.73	$ 63.58	$ 63.00	$ 64.16	5,533,114	$ 347,117,229	$ 373,976,458	$ 370,573,037	$ 377,379,877	7.7%	6.8%	8.7%
SMI	$ 78.09	$ 81.90	$ 81.09	$ 82.71	5,000,489	$ 390,477,218	$ 450,241,363	$ 445,791,997	$ 454,690,728	15.3%	14.2%	16.4%
GMH/SA	$ 39.84	$ 42.46	$ 42.04	$ 42.89	5,000,489	$ 199,218,103	$ 233,446,063	$ 231,124,211	$ 235,767,916	17.2%	16.0%	18.3%
Total						**$ 936,812,550**	**$ 1,057,663,884**	**$ 1,047,489,245**	**$ 1,067,838,521**	**12.9%**	**11.8%**	**14.0%**

SFY09 Projected MMs
5,881,715
5,497,647
5,497,647

	Statewide Rates SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	SFY08 Actual/ Projected MMs	Total Projected Expenditures SFY08	SFY09 Best Estimate	SFY09 Low	SFY09 High	Percent Change Best	Percent Change Low	Percent Change High
TXIX Children												
Non-CMDP Children	$ 42.82	$ 44.26	$ 43.87	$ 44.64	5,423,068	$ 232,214,129	$ 255,615,695	$ 253,375,849	$ 257,855,538	10.1%	9.1%	11.0%
CMDP Children	$ 1,044.14	$ 1,119.20	$ 1,108.20	$ 1,130.20	110,046	$ 114,903,100	$ 118,360,763	$ 117,197,188	$ 119,524,339	3.0%	2.0%	4.0%
Total	**$ 62.73**	**$ 63.58**	**$ 63.00**	**$ 64.16**	**5,533,114**	**$ 347,117,229**	**$ 373,976,458**	**$ 370,573,037**	**$ 377,379,877**	**7.7%**	**6.8%**	**8.7%**

SFY09 Projected MMs
5,775,960
105,755
5,881,715