Arizona Health Care Cost Containment System

Contract Year Ending 2018
Arizona Long Term Care System
Department of Economic Security/Division of Developmental Disabilities Capitation Rate Certification

July 1, 2017 through June 30, 2018

Prepared for:
The Centers for Medicare & Medicaid Services

Prepared by:
AHCCCS Division of Health Care Management

January 1, 2018

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Introduction and Limitations

The purpose of this rate certification is to provide documentation, including the data, assumptions, and methodologies, used in the development of the retroactive adjustments to the actuarially sound capitation rates for Contract Year Ending 2018 (CYE 18) effective July 1, 2017 through December 31, 2017 and the prospective amendment to the rates effective January 1, 2018 through June 30, 2018, for the Arizona Long Term Care System (ALTCS) Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Program for compliance with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 (published May 6, 2016 and effective July 5, 2016). The CYE 18 actuarial memorandum for capitation rates as signed by Matthew C. Varitek dated April 5, 2017 will detail the original capitation rate build up. The CYE 18 actuarial memorandum for capitation rates as signed by Matthew C. Varitek dated September 9, 2017 will detail the amended capitation rate build up. All comparisons to prior rates in this certification refer to the previously submitted actuarial memorandum for capitation rates as signed by Matthew C. Varitek dated September 9, 2017. In addition to the retroactive changes to capitation rates effective July 1, 2017 through December 31, 2017, this rate certification will also provide documentation of the data, assumptions, and methodologies used to update the capitation rate effective January 1, 2018 through June 30, 2018 for compliance with the above mentioned regulation. This rate certification was prepared for the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review and approval of the actuarially sound certified capitation rates contained herein. This rate certification may not be appropriate for any other purpose. The actuarially sound capitation rates represent projections of future events. Actual results may vary from the projections.

This rate certification may also be made available publicly on the Arizona Health Care Cost Containment System (AHCCCS) website or distributed to other parties. If this rate certification is made available to third parties, then this rate certification should be provided in its entirety. Any third party reviewing this rate certification should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 of 81 FR 27497 applicable to this rate certification, the 2018 Medicaid Managed Care Rate Development Guide (2018 Guide), Actuarial Standards of Practice, and generally accepted actuarial principles and practices.

The 2018 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. This rate certification has been organized to follow the 2018 Guide to help facilitate the review of this rate certification by CMS. Sections of the 2018 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate certification as requested by CMS.

Section I Medicaid Managed Care Rates

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4 at 81 FR 27858:

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
- § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.
- § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, “Medicaid Managed Care Capitation Rate Development and Certification,” as:

> “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, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

As stated on page 2 of the 2018 Guide, CMS will also use these three principles in applying the regulation standards:

- the capitation rates are reasonable and comply with all applicable laws (statutes and regulations) for Medicaid managed care;
- the rate development process complies with all applicable laws (statutes and regulations)for the Medicaid program, including but not limited to eligibility, benefits, financing, any applicable waiver or demonstration requirements, and program integrity; and
- the documentation is sufficient to demonstrate that the rate development process meets the requirements of 42 CFR Part 438 and generally accepted actuarial principles and practices.

1. General Information

This section provides documentation for the General Information section of the 2018 Guide.

A. Rate Development Standards

i. Rating Period

The amended CYE 18 capitation rates for the ALTCS DES/DDD Program are effective for various portions of the twelve month time period from July 1, 2017 through June 30, 2018. This certification is updating the previous ALTCS DES/DDD rates that were effective from July 1, 2017 through June 30, 2018. A retroactive (to July 1, 2017) capitation rate adjustment is being made to address two issues:

- **Emerging Trend Experience**: Utilization of group homes in the last six months of CYE 17 has seen an increasing and sustained trend. At the time of the CYE 18 capitation rate development, this trend had not yet appeared in the data.
- **Augmentative and Alternative Communication (AAC):** It was discovered that encounter data related to AAC was excluded from capitation rate development. There were also two specific HCPCS codes relating to skilled nursing services in a home-based setting for which encounters were excluded because these encounters were historically paid through one DDD system and later transitioned to a different system. Due to the system change, these expenses were inadvertently overlooked.

A prospective (January 1, 2018) capitation rate adjustment is being made to address several program/reimbursement changes as described in Section I.3.B.ii.(a).

ii. Rate Certification Documentation

This rate certification includes the following items and information:

(a) Letter from Certifying Actuary

The actuarial certification letter for the CYE 18 capitation rates for the ALTCS DES/DDD Program, signed by Matthew C. Varitek, FSA, MAAA, is in Appendix 1. Mr. Varitek meets the requirements for the definition of an Actuary described at 42 CFR § 438.2 at 81 FR 27854 provided below for reference.

Actuary means an individual who meets the qualification standards established by the American Academy of Actuaries for an actuary and follows the practice standards established by the Actuarial Standards Board. In this part, Actuary refers to an individual who is acting on behalf of the State when used in reference to the development and certification of capitation rates.

Mr. Varitek certifies that the CYE 18 capitation rates for the ALTCS DES/DDD Program contained in this rate certification are actuarially sound and meet the standards within the applicable provisions of 42 CFR Part 438 of 81 FR 27497.

(b) Final and Certified Capitation Rates

The final and certified capitation rates by rate cell are located in Appendix 2. Additionally, the ALTCS DES/DDD Program contract includes the final and certified capitation rates by rate cell in accordance with 42 CFR § 438.3(c)(1)(i) at 81 FR 27856. The ALTCS DES/DDD contract uses the term risk group instead of rate cell. This rate certification will use the term rate cell to be consistent with the applicable provisions of 42 CFR Part 438 of 81 FR 27497 and the 2018 Guide.

(c) Final and Certified Capitation Rate Ranges

Not Applicable. Rate ranges were not developed for the amended CYE 18 capitation rates for the ALTCS DES/DDD Program.

(d) Program Information

(i) Summary of Program

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(ii) Rating Period Covered

The updated CYE 18 capitation rates for ALTCS DES/DDD are effective for the twelve month time period from July 1, 2017 through June 30, 2018. There are different capitation rates in effect for the three month time period between July 1, 2017 and September 30, 2017, the three month time period between October 1, 2017 and December 31, 2017 and the six month period beginning January 1, 2018 through June 30, 2018 due to the prospective changes effective January 1, 2018.

(iii) Covered Populations

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(iv) Eligibility or Enrollment Criteria Impacts

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(v) Summary of Special Contract Provisions Related to Payment

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(vi) Retroactive Capitation Rate Adjustments

This rate certification includes a retroactive capitation rate adjustment to the rates submitted September 9, 2017 for July 1, 2017 to June 30, 2018. The retroactive capitation adjustment has an annualized impact of $28.0 million.

(A) Rationale for Adjustment

The rationale for the retroactive capitation adjustments is described in Section I.1.A.i. The annualized impact to medical expenses of the emerging trend experience is $17.34 million and the annualized impact of AAC is $9.83 million.

(B) Data, Assumptions, Methodologies Used to Develop Magnitude of Adjustment

For the emerging trend experience, the actuary developed the adjustment by revising the annualized trends applied to project the expenses for Habilitative Residential Per Diem and Day Treatment subcategories within the HCBS category of service. The actuary pulled encounter data for HCBS services with dates of service between July 1, 2014, and June 30, 2017 paid through October 2017. At the time of the initial setting of CYE 18 capitation rates this trend had not yet appeared in the data since the trends were developed using encounters with dates of service between July 1, 2013 through June 30, 2016 paid through April 2017.

For AAC, the actuary adjusted the SFY 16 base data to include additional expenses and then trended the adjusted SFY 16 base data forward to SFY 18. Three categories of service (COS) were impacted: Nursing, Therapy/Evaluations, and Miscellaneous. The Nursing COS was impacted by adding the SFY 16 expenses PMPM for the specific HCPCS codes for nursing services whose providers are now reimbursed through ALTCS DES/DDD. The Therapy/Evaluations and Miscellaneous COS were impacted by adding the SFY 16 expenses PMPM for the specific HCPCS codes associated with augmented communication devices.

iii. Rate Development Standards and Federal Financial Participation

Proposed differences among the CYE 18 capitation rates for the ALTCS DES/DDD Program are based on valid rate development standards and are not based on the rate of Federal Financial Participation for the populations covered under the ALTCS DES/DDD Program.

iv. Rate Cell Cross-subsidization

The capitation rates were developed at the rate cell level. Payments from rate cells do not cross-subsidize payments of other rate cells.

v. Effective Dates of Changes

The effective dates of changes to the ALTCS DES/DDD Program are consistent with the assumptions used to develop the amended CYE 18 capitation rates for the DES/DDD Program.

vi. Generally Accepted Actuarial Principles and Practices

(a) Reasonable, Appropriate, and Attainable Costs

In the actuary's judgement, all adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate and attainable costs. To the actuary's knowledge, all reasonable, appropriate and attainable costs have been included in the rate certification.

(b) Rate Setting Process

Adjustments to the rates or rate ranges that are performed outside of the rate setting process described in the rate certification are not considered actuarially sound under 42 CFR §438.4. There are no adjustments to the rates performed outside the rate setting process.

(c) Contracted Rates

Consistent with 42 CFR §438.7(c), the final contracted rates in each cell must either match the capitation rates or be within the rate ranges in the rate certification. This is required in total and for each and every rate cell. The CYE 18 capitation rates certified in this report represent the contracted rates by rate cell.

vii. Rates from Previous Rating Periods

Not Applicable. Capitation rates from previous rating periods are not used in the development of the CYE 18 capitation rates for the ALTCS DES/DDD Program.

viii. Rate Certification Procedures

(a) CMS Rate Certification Requirement for Rate Change

This is an updated rate certification that documents the ALTCS DES/DDD Program capitation rates will be changing retroactively effective July 1, 2017 and October 1, 2017, as well as prospectively effective January 1, 2018.

(b) CMS Rate Certification Requirement for No Rate Change

Not Applicable. This rate certification will retroactively change the previously submitted ALTCS DES/DDD Program capitation rates effective July 1, 2017 through June 30, 2018. This rate certification will also prospectively change the ALTCS DES/DDD Program capitation rates effective January 1, 2018.

(c) CMS Rate Certification Circumstances

This section of the 2018 Guide provides information on when CMS would not require a new rate certification, and is not applicable to this certification.

(d) CMS Contract Amendment Requirement

A contract amendment will be submitted to CMS to reflect the ALTCS DES/DDD Program capitation rates changing effective July 1, 2017, October 1, 2017 and January 1, 2018.

B. Appropriate Documentation

i. Elements

This rate certification documents all the elements (data, assumptions, and methodologies) used to develop the amended CYE 18 capitation rates for the ALTCS DES/DDD Program.

ii. Rate Certification Index

The table of contents that follows the cover page within this rate certification serves as the index. The table of contents includes the relevant section numbers from the 2018 Guide. Sections of the 2018 Guide that do not apply will be marked as "Not Applicable" and will be included in this rate certification as requested by CMS.

iii. Differences in Federal Medical Assistance Percentage

The covered populations under the ALTCS DES/DDD Program receive the regular FMAP. ALTCS DES/DDD Program receives some Children's Health Insurance Program (CHIP) funding for TCM for those acute enrolled members who are TXXI.

iv. Rate Ranges

Not Applicable. Rate ranges were not developed for the CYE 18 capitation rates for the ALTCS DES/DDD Program.

v. Rate Range Development

Not Applicable. Rate ranges were not developed for the CYE 18 capitation rates for the ALTCS DES/DDD Program.

2. Data

This section provides documentation for the Data section of the 2018 Guide.

A. Rate Development Standards

i. Compliance with 42 CFR § 438.5(c)

This section of the 2018 Guide provides information related to base data.

B. Appropriate Documentation

i. Data Request

Since AHCCCS employs their own actuaries, a formal data request was not needed between the AHCCCS Division of Health Care Management (DHCM) Actuarial Team and the State. The AHCCCS DHCM Actuarial Team worked with the appropriate teams at AHCCCS and ALTCS DES/DDD to obtain the primary sources of data in accordance with 42 CFR § 438.5(c) at 81 FR 27858.

ii. Data Used for Rate Development

(a) Description of Data

(i) Types of Data Used

For the retroactive update effective July 1, 2017, AHCCCS relied on adjudicated and approved HCBS encounter data and member month data for ALTCS DES/DDD members.

For all other components of the rate not specifically updated by this certification, please see the prior certifications signed April 5, 2017 and September 9, 2017.

(ii) Age of Data

For the retroactive AAC update effective July 1, 2017, the base data revision incorporated encounter data for services incurred during SFY 16 (July 1, 2015 through June 30, 2016) and paid through April 2017. The trends for the three COS impacted by the AAC data were revised using the original base data with the incorporation of the additional AAC encounters over the time frame from July 1, 2013 through June 30, 2016.

For the purposes of analyzing emerging trends for the Habilitative Residential Per Diem and Day Treatment COS, AHCCCS also reviewed encounter data from SFY 15, SFY 16, and SFY 17, paid through October 2017. The historical enrollment data for ALTCS DES/DDD aligned with the encounter data time periods of SFY 15, SFY 16, and SFY 17.

Data used for prospective adjustments effective January 1, 2018, is described in Section I.3.B.ii.

(iii) Sources of Data

The enrollment data for ALTCS DES/DDD (which includes all American Indian Health Plan (AIHP) members who are eligible for services through ALTCS DES/DDD) and the encounter data for ALTCS DES/DDD were provided from the AHCCCS PMMIS mainframe.

(iv) Sub-capitated Arrangements

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(b) Availability and Quality of the Data

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(c) Appropriate Data for Rate Development

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(d) Use of a Data Book

Not applicable. The AHCCCS DHCM Actuarial Team did not rely on a data book to develop the amended CYE 18 capitation rates.

iii. Adjustments to the Data

Adjustments were made to the data to estimate completion and to normalize historical encounters to current provider reimbursement levels.

(a) Credibility of the Data

No credibility adjustment was necessary.

(b) Completion Factors

Adjustments were made to reflect the level of completion for the encounter data used to revise trends for the Habilitative Residential Per Diem and Day Treatment categories of service. AHCCCS calculated these completion factors using the development method with monthly encounter data from October 1, 2013 through June 30, 2017, paid through November 2017. The monthly completion factors were applied to the encounter data used to revise trends for the Habilitative Residential Per Diem and Day Treatment categories of service on a monthly basis. Within the trend development for the Habilitative Residential Per Diem and Day Treatment categories of service, the aggregate SFY 16 completion factor is 99.96% and the aggregate SFY 17 completion factor is 99.26%. The adjustments to the base for the Nursing, Therapy/Evaluations, and Miscellaneous COS were developed from the data pulled for the original CYE 18 rate setting, and applied the completion factors provided in the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(c) Errors Found in the Data

No errors were found in the data. Thus, no data adjustments were made for errors.

(d) Changes in the Program

All historical changes applied to the SFY 15, SFY 16, and SFY 17 data for the trend revisions are provided in Table 1.

Table 1: Historical Reimbursement Adjustments Applied

Category of Service	Oct-2015 Reimb Increase	Jul-2016 Reimb Increase	Jan-2017 Prop206 Increase	Jul-2017 Prop206 Increase
Day Treatment	0.03%	1.00%	0.00%	0.00%
Hab Res Per Diem	0.33%	0.96%	5.79%	1.23%

(e) Exclusions of Payments or Services

Not applicable.

3. Projected Benefit Costs and Trends

This section provides documentation for the Projected Benefit Costs and Trends section of the 2018 Guide.

A. Rate Development Standards

i. Compliance with 42 CFR § 438.3(c)(1)(ii) and § 438.3(e)

The final capitation rates are based only upon services allowed under 42 CFR § 438.3(c)(1)(ii) at 81 FR 27856 and 42 CFR § 438.3(e) at 81 FR 27861.

ii. Variations in Assumptions

Any variation in assumptions for covered populations is based upon valid rate development standards and is not based upon the rate of federal financial participation associated with the covered populations.

iii. Projected Benefit Cost Trend Assumptions

Projected benefit cost trend assumptions are developed in accordance with generally accepted actuarial principles and practices. The actual experience of the covered populations was the primary data source used to develop the projected benefit cost trend assumptions.

iv. In-Lieu-Of Services

This is not applicable because in-lieu-of services, as defined in 42 CFR § 438.3(e)(2) at 81 FR 27856, were not used in developing the CYE 18 capitation rates for ALTCS DES/DDD

Program. The ALTCS DES/DDD Program does not have in-lieu-of services. All services provided are covered under the 1115 Waiver, and thus are considered State Plan Services.

v. Institution for Mental Disease

Institution for mental disease (IMD) payments in accordance with 42 CFR § 438.6(e) at 81 FR 27861 are for enrollees aged 21 to 64. This is not applicable to the ALTCS DES/DDD Program, since there was no utilization of IMDs for enrollees aged 21 to 64 in the encounter data used for the development of the capitation rate.

vi. Section 12002 of the 21st Century Cures Act (P.L. 114-255)

This is not applicable to the ALTCS DES/DDD Program, since there was no utilization of IMDs for enrollees aged 21 to 64 in the encounter data used for the development of the capitation rate.

B. Appropriate Documentation

i. Projected Benefit Costs

See Appendix 4 for final projected benefit costs.

ii. Projected Benefit Cost Development

This section provides information on the projected benefit costs included in the amended CYE 18 capitation rates for the ATLCS DES/DDD Program.

(a) Description of the Data, Assumptions, and Methodologies

The data described in Section I.2.B.ii.(a) was adjusted to reflect assumed completion, benefits, program requirements, and provider reimbursement levels as described in Section I.2.B.iii. The per-member-per-month (PMPM) expenditures for each COS in the base year were trended forward to the midpoint of the effective period of the capitation rates by applying assumed annual utilization and unit cost trends for each COS, using the methodology described below in I.3.B.iii.(a).

DRG Reimbursement Rate Changes

AHCCCS will transition from version 31 to version 34 of the All Patient Refined Diagnostic Related Groups (APR-DRG) payment classification system on January 1, 2018. AHCCCS has used v31 APR-DRG national weights published by 3M since the initial implementation of the system on October 1, 2014 until present. To make the APR-DRG grouper fully ICD-10 code compliant, AHCCCS will rebase the inpatient system and update to APR-DRG v34 effective January 1, 2018. Rebasing involves updating the DRG grouper version, relative weights and DRG base rates via payment simulation modeling using more recent data.

Navigant Consulting did the rebase of AHCCCS DRG system. Their modeling approach: “Rebasing calculations included updated base rates (both standardized amounts and wage indices), relative weights, and addition and change of policy adjusters. Outlier identification and payment methodology has not changed nor has any other underlying claim pricing calculation (notwithstanding the above noted changes to factors, indices, and statewide standardized base rate).

To affect a budget neutral payment system change, Navigant first repriced the FFY 2016 claims under current APR-DRG v31 FFS rates, including changes to the payment system which have occurred since the FFY 2016 claims period (such as the removal of the transition factor, coding improvement factor, and the increase of the high acuity pediatric adjuster to 1.945). Navigant then repriced the same claims set using the APR-DRG v34 grouper and weights and calculated a statewide standardized amount (adjusted to each facility's labor cost using CMS's published FFY 2017 Final Rule Wage Indices). The statewide standardized amount was calculated to result in total simulated rebased payments equal to current system payments.

The next modeling step was to increase select policy adjusters to meet program funding goals, as determined by AHCCCS. These adjustments included an increase of the high acuity pediatric policy adjuster to 2.30, the addition of a service policy adjuster for burn cases (as identified by APR-DRG groups 841-844) of 2.70, the increase of the policy adjuster for other adult services to 1.025, and the increase of the existing High Volume Hold Harmless adjuster to 1.11."

The PMPM adjustments to apply to each rate cell were then developed as the total simulated APR-DRG rebased payments with the new policy adjuster factors applied to each inpatient hospital admission during FFY 16 by members in each rate cell and GSA, minus the total actual payments associated with those admissions, divided by the FFY 16 member months for each rate cell and GSA.

The AHCCCS DHCM Actuarial Team relied upon Navigant and AHCCCS DHCM Rates & Reimbursement Team of the reasonableness of these assumptions. The estimated six month impact to inpatient medical expenditures is approximately $0.66 million, and the impact to reinsurance payments approximately $0.22 million (see section I.4.C.ii.(c) for additional information), for a combined impact of $0.44 million to medical expenditures net of reinsurance. Table 2 below provides the PMPM impact of increases to inpatient expenditures, increases to the reinsurance offsets and net impact to medical expenditures.

Table 2: PMPM Impact (1/1/18-6/30/18) to Inpatient (IP) Expenditures and Reinsurance (RI) Offsets

Rate Cell	Projected CYE 18 (Jan-Jun) Member Months	Increase to IP Expenses PMPM	Increase to RI Offset PMPM	Net Impact to Medical Expenses PMPM
Regular DDD	189,673	$3.46	-$1.14	$2.32

Proposition 206 Reimbursement Rate Changes

AHCCCS is adjusting CYE 18 capitation rates effective January 1, 2018 to address the increase in labor costs resulting from the Arizona minimum wage increase and employee benefit provisions as approved by voters as Proposition 206 on November 8, 2016.

AHCCCS increased fee schedule rates for select HCBS codes, all NF codes and all alternative living facility services codes to address the increased labor costs. This assures that payments are consistent with efficiency, economy and quality of care and are sufficient to enlist enough providers so that care and services are available to the general population in the geographic area. Through continued discussion with ALTCS DES/DDD, AHCCCS knows the increased rates are similarly adopted by ALTCS DES/DDD.

The actuary used encounter data for the specific procedure codes impacted by the wage increase with dates of service (DOS) from October 1, 2015 through September 30, 2016. No adjustment for completion was applied to this encounter data, since the sole purpose of this data was to establish the percentages of Institutional and HCBS services that were subject to the labor increases. Applying completion factors to the data would not have affected that calculation. The actuary then applied the appropriate increases by code (1.4% increase for select HCBS codes and 0.7% increase for SNF codes) to the encounter data to develop PMPM adjustments to apply to projected NF and HCBS medical expenses for the rating period.

Table 3 contains the PMPM adjustments by COS. The statewide estimated six month impact to the ALTCS DES/DDD program is an increase of approximately $6.7 million.

Table 3: PMPM Adjustments to Projected Expenditures for Prop 206

Category of Service	Prop206 Adj
Attendant Care	$3.77
Respite	$3.83
Hab Res Per Diem	$13.12
Hab Res Per 15 mins	$4.52
Day Treatment	$4.17
Self Care Home	$0.12
Therapy and Evaluations	$1.86
Transportation	$0.68
Nursing	$1.85
Employment	$1.15
Miscellaneous	$0.01
Institutional - Encounters	$0.37

Hepatitis C (HCV) Treatment

The AHCCCS Pharmacy and Therapeutics (P&T) Committee reviewed the HCV Direct Acting Antiviral Agents (DAA) and recommended Mavyret as the sole preferred agent to treat HCV based on both clinical efficacy and cost effectiveness. AHCCCS has accepted the P&T's recommendation.

The AHCCCS Policy Committee (APC) reviewed the AHCCCS Medical Policy Manual, Policy 320 N, Hepatitis C Prior Authorization Requirements for Direct Acting Antiviral Medication and removed the fibrosis level requirements that were previously necessary in order to access treatment. The APC also removed the one treatment per lifetime limitation from the policy and added retreatment guidelines. These changes are effective January 1, 2018.

The actuary extracted data for encounters and enrollment for dates of service from October 1, 2016 through June 30, 2017. It was assumed that the encounter data required no adjustment for completion given historical run out patterns specific to HCV DAAs. The actuary then applied the anticipated unit cost for Mavyret treatment as provided by AHCCCS, in conjunction with the P&T Committee, to the encounter data to calculate a revised expenditure for the existing utilization. The actuary inflated the expected Mavyret utilization by 50%, relying on an assumption from the P&T Committee regarding the impact of removing the liver fibrosis requirement, to calculate a revised expenditure for the time period of encounter data and used the enrollment data from the time period of the encounter data to convert to the PMPM. The adjustment to ALTCS DES/DDD capitation rates is therefore the calculated PMPM expenditure using the new assumptions less the observed PMPM expenditure from encounter data, which equals a decrease of $0.19 PMPM. The statewide estimated six month impact to the ALTCS DES/DDD program is a decrease of approximately $36,000.

Medication-Assisted Treatment (MAT)

Effective, January 1, 2018, the Contractor shall reimburse PCPs who are providing medication management of opioid use disorder (OUD) within their scope of practice. The PCP must refer the member to a behavioral health provider for the psychological and/or behavioral therapy component of the medication assisted treatment (MAT) model and coordinate care with the behavioral health provider. The Contractor shall include the AHCCCS preferred drugs on the Contractor's drug list for the treatment of OUD.

To develop the FFY 18 projected costs, the numbers of members on the Program with primary diagnosis of opioid dependence was determined by the AHCCCS Clinical Quality Management Team based off of historical encounter experience. The AHCCCS Clinical Quality Management Team also determined the current MAT utilization and projected increase in MAT utilization due to allowing Contractors to reimburse PCPs for MAT. The AHCCCS Clinical Quality Management Team then projected the costs based of the increases in members using MAT, the average treatment and average cost to develop the FFY 18 projected costs. The AHCCCS DHCM Actuarial Team relied upon the AHCCCS Clinical Quality Management Team for the reasonableness for these assumptions.

The calculated impact to the ALTCS DES/DDD Program of the MAT change was immaterial at approximately $0.04 PMPM. As such, no adjustment was made to the ALTCS DES/DDD capitation for this benefit.

(b) Material Changes to the Data, Assumptions, and Methodologies

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

iii. Projected Benefit Cost Trends

In accordance with 42 CFR § 438.7(b)(2) at 81 FR 27861, this section provides documentation on the projected benefit cost trends.

(a) Requirements

(i) Projected Benefit Cost Trends Data

Please see Section I.2.B.ii.(a) for the types of data that AHCCCS relied upon for developing the projected benefit cost trends for the amended CYE 18 capitation rates for the ALTCS DES/DDD Program.

All data used was specific to the ALTCS DES/DDD population.

(ii) Projected Benefit Cost Trends Methodologies

Historical utilization, unit cost and PMPM data was organized by month, and category of service for the various COS, bolded in Table 4 below, for which trend assumptions were revised for the retroactive adjustment. The three state fiscal years of data were adjusted for completion by month and normalized for historical program and fee schedule changes. Trend rates were developed to adjust the base data (midpoint of January 1, 2016) forward 24 months to the midpoint of the contract period (January 1, 2018).

(iii) Projected Benefit Cost Trends Comparisons

All revised PMPM trend assumptions for the affected COS were compared to similar assumptions made in CYE 18 for ALTCS DES/DDD capitation rates and judged reasonable to assume for projection to CYE 18.

(b) Projected Benefit Cost Trends by Component

(i) Changes in Price and Utilization

Table 4 contains the previously submitted and revised trend rates by COS. The table includes both utilization and unit cost trends, as well as the combined PMPM trend. As noted in Section I.1.A.i, the trend assumptions were revised only for the COS that were affected by emerging trend experience or by AAC.

Table 4: Assumed Trends by COS

Detail COS	Data Source	Submitted Annual Utilization Trend Rate	Submitted Annual Unit Cost Trend Rate	Submitted Annual PMPM Trend Rate	Revised Annual Utilization Trend Rate	Revised Annual Unit Cost Trend Rate	Revised Annual PMPM Trend Rate
Institutional	Encounters	0.0%	1.1%	1.1%	0.0%	1.1%	1.1%
ATPC, ICF/IID	DDD Supplemental Information	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Attendant Care	Encounters	3.2%	2.0%	5.3%	3.2%	2.0%	5.3%
Respite	Encounters	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hab Res Per Diem	**Encounters**	**0.0%**	**0.7%**	**0.7%**	**0.0%**	**2.6%**	**2.6%**
Hab Res Per 15 mins	Encounters	0.7%	0.1%	0.8%	0.7%	0.1%	0.8%
Day Treatment	**Encounters**	**0.0%**	**0.0%**	**0.0%**	**0.5%**	**1.0%**	**1.5%**
Self Care Home	Encounters	0.0%	3.9%	3.9%	0.0%	3.9%	3.9%
Therapy and Evals	**Encounters**	**2.0%**	**1.6%**	**3.7%**	**2.0%**	**2.1%**	**4.2%**
Transportation	Encounters	1.5%	0.0%	1.5%	1.5%	0.0%	1.5%
Nursing	**Encounters**	**0.0%**	**5.3%**	**5.3%**	**0.0%**	**6.3%**	**6.3%**
Employment	Encounters	0.9%	1.5%	2.4%	0.9%	1.5%	2.4%
Misc	**Encounters**	**0.0%**	**9.7%**	**9.7%**	**0.0%**	**10.0%**	**10.0%**
SOGH	DDD Supplemental Information	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%

(ii) Alternative Methods

Not applicable.

(iii) Other Components

No other components were used in the development of the annualized trend assumptions provided in the table in I.3.B.iii.(b).(i).

(c) Variation in Trend

Projected benefit cost trends do not vary except by category of service.

(d) Any Other Material Adjustments

No other material adjustments were made to the trend assumptions.

(e) Any Other Adjustments

No other adjustments were made to the trend assumptions.

iv. Mental Health Parity and Addiction Equity Act Compliance

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

v. In-Lieu-Of Services

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

vi. Retrospective Eligibility Periods

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

vii. Impact of All Material Changes

This section of the 2018 Guide provides information on what must be documented for all material changes to covered benefits or services since the last rate certification.

(a) Covered Benefits

Material adjustments related to covered benefits are discussed in Section I.3.B.ii of this rate certification.

(b) Recoveries of Overpayments

No adjustments were made to reflect recoveries of overpayments made to providers by health plans in accordance with 42 CFR §438.608(d) at 81 FR 27892. The AHCCCS DHCM Actuarial Team will be working with the AHCCCS Office of Inspector General (OIG) Team to collect historical and current recoveries of overpayments to determine if adjustments will need to be included in future rate development processes.

(c) Provider Payment Requirements

Adjustments related to provider reimbursement changes are discussed in Section I.3.B.ii.(a).

(d) **Applicable Waivers**

There were no material changes since the last rate certification related to waiver requirements or conditions.

(e) **Applicable Litigation**

There were no material changes since the last rate certification related to litigation.

viii. Impact of All Material and Non-Material Changes

Documentation regarding all changes for this rate revision, whether material and non-material, has been provided above in Section I.3.B.ii. The aggregate impact of all non-material items not included as an adjustment to the capitation rates is 0.001% of capitation rates.

4. Special Contract Provisions Related to Payment

A. Incentive Arrangements

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

B. Withhold Arrangements

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

C. Risk-Sharing Mechanisms

i. Rate Development Standards

This section of the 2018 Guide provides information on the requirements for risk-sharing mechanisms.

ii. Appropriate Documentation

(a) **Description of Risk-Sharing Mechanisms**

See section on reinsurance I.4.C.ii.(c) below.

(b) **Description of Medical Loss Ratio**

The contract does not include a remittance/payment requirement for being above/below a specified medical loss ratio (MLR). This section is not applicable.

(c) **Description of Reinsurance Requirements**

(i) **Reinsurance Requirements**

AHCCCS provides a reinsurance program to ALTCS DES/DDD for the partial reimbursement of covered medical services incurred during the contract year. This reinsurance program is similar to what is seen in commercial reinsurance programs with a few differences. The deductible is lower than a standard commercial reinsurance program. AHCCCS has different reinsurance case types - with the majority of the reinsurance cases falling into the regular reinsurance case type. Regular reinsurance cases cover partial reimbursement of inpatient facility medical services. Most of the other reinsurance cases fall under catastrophic, including reinsurance for biotech drugs. Additionally, rather than ALTCS DES/DDD paying a premium, the capitation rates are instead adjusted by subtracting the reinsurance offset from the gross medical. One could view the reinsurance offset as a premium. Historical reinsurance experience is the basis of the reinsurance offset.

The AHCCCS reinsurance program has been in place for more than twenty years and is funded with General Fund for State Match and Federal Matching authority. AHCCCS is self-insured for the reinsurance program, which is characterized by an initial deductible level and a subsequent coinsurance percentage. The coinsurance percentage is the rate at which AHCCCS reimburses ALTCS DES/DDD for covered services incurred above the deductible. The deductible is the responsibility of ALTCS DES/DDD. There has been no change to the deductible or coinsurance factors since the last rate setting period.

The actual reinsurance case amounts are paid to ALTCS DES/DDD whether the actual amount is above or below the reinsurance offset in the capitation rates. This can result in a loss or gain by ALTCS DES/DDD based on actual reinsurance payments versus expected reinsurance payments.

The revised reinsurance offset effective January 1, 2018 represents $5.0 million for six months of CYE 18, and thus 0.70% of the total amended capitation rates. These reinsurance offsets were revised due to the DRG reimbursement rebase effective January 1, 2018.

For additional information, including all deductibles and coinsurance amounts, on the reinsurance program refer to the Reinsurance section of the ALTCS DES/DDD Program contract.

(ii) Effect on Development of Capitation Rates

The reinsurance offset (expected PMPM of reinsurance payments for the rate setting period) is subtracted from the gross medical PMPM calculated for the rate setting period. It is a separate calculation, and does not affect the methodologies for development of the gross medical capitation PMPM rate.

(iii) Development in Accordance with Generally Accepted Actuarial Principles and Practices

Projected reinsurance offsets are developed in accordance with generally accepted actuarial principles and practices.

(iv) Data, Assumptions, Methodology to Develop the Reinsurance Offset

The data used to develop the adjustment to the previously submitted CYE 18 reinsurance offset are the repriced FFY 16 inpatient admissions as described in Section I.3.B.(ii).(a). The actuary calculated expected reinsurance payments associated with the actual health plan paid amount for each admission, and expected reinsurance payments associated with the repriced amount for each admission. The sums of the expected and repriced payments by rate cell were converted into PMPMs using FFY 16 member months by rate cell, and the arithmetic differences in the PMPMs represent the adjustments applied to the previously submitted reinsurance offsets PMPM by rate cell. The previously submitted and revised reinsurance offsets PMPM by rate cell are shown in Appendix 4.

D. Delivery System and Provider Payment Initiatives

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

E. Pass-Through Payments

Not applicable. There are no pass-through payments in the CYE 18 capitation rates for the ALTCS DES/DDD Program.

5. Projected Non-Benefit Costs

A. Rate Development Standards

This section of the 2018 Guide provides information on the non-benefit component of the capitation rates.

B. Appropriate Documentation

i. Description of the Development of Projected Non-Benefit Costs

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

ii. Projected Non-Benefit Costs by Category

The projected non-benefit costs for each of the listed categories of costs in the 2018 Guide are shown in Appendix 4 for all submitted and revised CYE 18 capitation rates.

(a) Administrative Costs

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(b) Taxes and Other Fees

The CYE 18 capitation rates for the ALTCS DES/DDD Program include a provision for premium tax of 2.0% of capitation. The premium tax is applied to the total capitation.

(c) Contribution to Reserves, Risk Margin, and Cost of Capital

The amended CYE 18 capitation rate for the ALTCS DES/DDD Program includes a provision of 1% for risk margin (i.e. underwriting gain).

(d) Other Material Non-Benefit Costs

No other material or non-material non-benefit costs are reflected in the amended CYE 18 capitation rates for the ALTCS DES/DDD Program.

iii. Health Insurance Provider's Fee

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(a) Address if in Rates

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(b) Data Year or Fee Year

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(c) Description of how Fee was Determined

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(d) Address if not in Rates

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

(e) Summary of Benefits Under 26 CFR § 57.2(h)(2)(ix)

The portion of the amended CYE 18 capitation rates for the ALTCS DES/DDD Program attributable to nursing facility services, and related home and community based services, is shown in Table 5.

Table 5: NF and HCBS Expenditures

PMPMs for Nursing Facilities and Home and Community Based Services	Submitted Jul-17 Capitation Rate PMPM[1]	Submitted Oct-17 Capitation Rate PMPM[1]	Revised Jul-17 Capitation Rate PMPM	Revised Oct-17 Capitation Rate PMPM	Revised Jan-18 Capitation Rate PMPM
Nursing Facilities and HCBS provided by ALTCS DDD/DES	$2,795.18	$2,795.36	$2,867.52	$2,867.71	$2,903.14
Nursing Facilities and HCBS provided by acute subcontractors	$ 2.65	$ 2.23	$ 2.65	$ 2.23	$ 2.23
Nursing Facilities and HCBS Total	$2,797.82	$2,797.59	$2,870.17	$2,869.94	$2,905.37

1. The Submitted Capitation Rates represent the CYE 18 capitation rates from the DDD actuarial certification dated September 9, 2017.

6. Risk Adjustment and Acuity Adjustments

This section of the 2018 Guide is not applicable to the ALTCS DES/DDD Program. The ALTCS DES/DDD Program does not have risk adjustments or acuity adjustments. This is not anticipated to change.

Section II Medicaid Managed Care Rates with Long-Term Services and Supports

Section II of the 2018 Guide is applicable to the ALTCS DES/DDD Program because the CYE 18 capitation rates for ALTCS DES/DDD are subject to the applicable "actuarial soundness" provisions from 42 CFR § 438.4 at 81 FR 27858 and the ALTCS DES/DDD Program includes managed long-term services and supports (MLTSS).

For more information, please refer to the Contract Year Ending 2018 ALTCS DES/DDD Program Rate Certification dated September 9, 2017.

Section III New Adult Group Capitation Rates

Section III of the 2018 Guide is not applicable to the ALTCS DES/DDD Program.

Appendix 1: Actuarial Certification

I, Matthew C. Varitek, 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 by the Actuarial Standards Board.

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4 at 81 FR 27858:

- § 438.4 (a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4 (b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4 (b) (1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with the covered populations.
- § 438.4 (b) (2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4 (b) (5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4 (b) (6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4 (b) (7) Meet any applicable special contract provisions as specified in § 438.6.
- § 438.4(b) (8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, "Medicaid Managed Care Capitation Rate Development and Certification," as:

> "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, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to,

expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."

The data, assumptions, and methodologies used to develop the amended CYE 18 capitation rates for the ALTCS DES/DDD Program have been documented according to the guidelines established by CMS in the 2018 Guide. The amended CYE 18 capitation rates for the ALTCS DES/DDD Program are effective for the twelve month time period from July 1, 2017 through June 30, 2018.

The actuarially sound capitation rates are based on projections of future events. Actual results may vary from the projections. In developing the actuarially sound capitation rates, I have relied upon data and information provided by AHCCCS and ALTCS DES/DDD. I have relied upon AHCCCS and the ALTCS DES/DDD Program for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness and consistency.

SIGNATURE ON FILE	January 1, 2018
Matthew C. Varitek	Date

Fellow, Society of Actuaries
Member, American Academy of Actuaries

Appendix 2: Certified Capitation Rates

Rate Cell	Rating Period	Projected Member Months	Submitted CYE 18 Capitation Rate[1]	Revised CYE 18 Capitation Rate	Percentage Impact
Regular DDD	7/1/2017 - 9/30/2017	92,501	$ 3,675.11	$ 3,749.67	2.03%
Regular DDD	10/1/2017 - 12/31/2017	93,435	$ 3,691.33	$ 3,765.89	2.02%
Regular DDD	1/1/2018 - 6/30/2018	189,673	$ 3,691.33	$ 3,804.90	3.08%
Targeted Case Management	7/1/2017 - 6/30/2018	58,603	$ 160.11	$ 160.11	0.00%

[1]. The Submitted Capitation Rate represents the CYE 18 capitation rate from the DDD actuarial certification dated September 9, 2017.

Appendix 3: Fiscal Impact Summary

Rate Cell	Rating Period	Projected Member Months	Submitted CYE 18 Capitation Rate[1]	Revised CYE 18 Capitation Rate	PMPM Change
Regular DDD	7/1/2017 - 9/30/2017	92,501	$ 3,675.11	$ 3,749.67	$ 74.56
Regular DDD	10/1/2017 - 12/31/2017	93,435	$ 3,691.33	$ 3,765.89	$ 74.56
Regular DDD	1/1/2018 - 6/30/2018	189,673	$ 3,691.33	$ 3,804.90	$ 113.57
Targeted Case Management	7/1/2017 - 6/30/2018	58,603	$ 160.11	$ 160.11	$ -

Rate Cell	Rating Period	Submitted CYE 18 Projected Expenditures	Revised CYE 18 Projected Expenditures	Dollar Impact	Percentage Impact
Regular DDD	7/1/2017 - 9/30/2017	$339,952,990	$346,849,894	$6,896,904	2.03%
Regular DDD	10/1/2017 - 12/31/2017	$344,900,372	$351,866,913	$6,966,541	2.02%
Regular DDD	1/1/2018 - 6/30/2018	$700,143,598	$721,684,467	$21,540,869	3.08%
Targeted Case Management	7/1/2017 - 6/30/2018	$9,383,164	$9,383,164	$0	0.00%
Total		**$1,394,380,124**	**$1,429,784,438**	**$35,404,314**	**2.54%**

1. The Submitted Capitation Rate represents the CYE 18 capitation rate from the DDD actuarial certification dated September 9, 2017.

Appendix 4: Projected Benefit and Non-Benefit Costs

DES/DDD Capitation Rate	Submitted Jul-17 Capitation Rate PMPM[1]	Submitted Oct-17 Capitation Rate PMPM[1]	Revised Jul-17 Capitation Rate PMPM	Revised Oct-17 Capitation Rate PMPM	Revised Jan-18 Capitation Rate PMPM
Claim Costs					
Institutional Services	$ 113.23	$ 113.42	$ 113.23	$ 113.42	$ 113.78
Home and Community Based Services	$ 2,681.95	$ 2,681.95	$ 2,754.29	$ 2,754.29	$ 2,789.36
Acute Services	$ 426.21	$ 443.67	$ 426.21	$ 443.67	$ 447.05
Total Claim Costs	**$ 3,221.39**	**$ 3,239.04**	**$ 3,293.73**	**$ 3,311.38**	**$ 3,350.19**
Share of Cost	$ (4.70)	$ (4.70)	$ (4.70)	$ (4.70)	$ (4.70)
Acute Services Reinsurance	$ (21.19)	$ (25.48)	$ (21.19)	$ (25.48)	$ (26.60)
Total Net Claim Costs	**$ 3,195.50**	**$ 3,208.86**	**$ 3,267.85**	**$ 3,281.21**	**$ 3,318.90**
Non-Benefit Costs					
Case Management	$ 170.74	$ 170.74	$ 170.74	$ 170.74	$ 170.74
Administration	$ 201.45	$ 203.80	$ 201.45	$ 203.80	$ 203.95
Underwriting Gain	$ 33.92	$ 34.10	$ 34.64	$ 34.82	$ 35.21
Premium Tax	$ 73.50	$ 73.83	$ 74.99	$ 75.32	$ 76.10
Total Non-Benefit Costs	**$ 479.61**	**$ 482.47**	**$ 481.82**	**$ 484.68**	**$ 486.00**
DES/DDD Capitation Rate	**$ 3,675.11**	**$ 3,691.33**	**$ 3,749.67**	**$ 3,765.89**	**$ 3,804.90**

Targeted Case Management (TCM)	Submitted Jul-17 Capitation Rate PMPM[1]	Submitted Oct-17 Capitation Rate PMPM[1]	Revised Jul-17 Capitation Rate PMPM	Revised Oct-17 Capitation Rate PMPM	Revised Jan-18 Capitation Rate PMPM
Non-Benefit Costs					
Case Management	$ 156.91	$ 156.91	$ 156.91	$ 156.91	$ 156.91
Premium Tax	$ 3.20	$ 3.20	$ 3.20	$ 3.20	$ 3.20
Targeted Case Management Rate	**$ 160.11**	**$ 160.11**	**$ 160.11**	**$ 160.11**	**$ 160.11**

1. The Submitted Capitation Rates represent the CYE 18 capitation rates from the DDD actuarial certification dated September 9, 2017.