

**STATE OF TEXAS  
MEDICAID MANAGED CARE  
RATE SETTING  
PHARMACY CARVE-IN  
MARCH 1, 2012**

Prepared for:  
Texas Health and Human Services Commission

Prepared by:  
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## I. Introduction

Effective March 1, 2012, the Texas Health and Human Services Commission (HHSC) is implementing pharmacy carve-in for all its Medicaid and CHIP managed care programs. Heretofore, the Managed Care Organizations (MCOs) were not financially responsible for the provision of outpatient prescription drug services under the programs. Those services have been carved out and remained the financial responsibility of HHSC directly, provided under the agency's Vendor Drug Program (VDP). Effective with this change, the premium amount paid to the MCOs will include provision for prescription drug services and the MCO will be financially responsible for those services.

Rudd and Wisdom, Inc. has been retained by HHSC to develop the pharmacy carve-in premium rates for the period March 1, 2012 through August 31, 2012 for those MCOs participating in the Texas Medicaid and CHIP managed care programs. This report presents the rating methodology and assumptions used in developing the pharmacy carve-in premium rates.

Rudd and Wisdom has provided actuarial services to the Texas Medicaid program for over 25 years. We have participated in the state's managed care rating process since its inception in 1993. This year, as in previous years, we have worked closely with HHSC in developing the premium rates documented in this report.

Rudd and Wisdom has relied on the following data sources as provided by HHSC, its subcontractors, participating MCOs and their Pharmacy Benefit Managers (PBMs):

- Monthly detailed enrollment files for the period September 2007 through August 2011. These files (provided by HHSC) include member identification number, health plan code, ZIP Code, risk group and date of birth for all Medicaid and CHIP members.
- Projected monthly enrollment by program, service area and risk group for the period March 2012 through August 2012. These projections were prepared by HHSC System Forecasting staff.
- Monthly pharmacy claim files for the period September 2007 through October 2011 provided by HHSC and its subcontractor. These files included detailed claims information on all Medicaid and CHIP pharmacy claims paid during the applicable month.
- Summary pharmacy claim reports provided by HHSC and its subcontractor which included monthly paid claim amounts. These reports were used to confirm that all pharmacy claims were included in our analysis.
- Pharmacy claim reports provided by the MCOs which include monthly incurred by program, service area and risk group for the period September 2007 through August 2011. These reports were used to confirm that all pharmacy claims were included in our analysis.
- Information from HHSC regarding recent changes in covered prescription drug services and pharmacy reimbursement under the VDP.

- Information from HHSC regarding anticipated future changes in pharmacy reimbursement under the VDP.
- Information from MCOs regarding administrative cost, pharmacy reimbursement and other provisions included in their PBM contracts.
- Information from HHSC, their subcontractor, several MCOs and their PBMs regarding the anticipated impact of pharmacy carve-in on prescription drug utilization and cost.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

## II. Overview of the Rate Setting Methodology

The actuarial model used to derive the March 1, 2012 through August 31, 2012 (rating period) HMO pharmacy carve-in premium rates relies primarily on VDP claims experience. The historical claims experience for each program, service area and risk group was analyzed and estimates for the base period (March 1, 2011 through August 31, 2011) were developed. These estimates were then projected forward to the rating period using assumed trend rates. Additional adjustments were made to the historical experience to reflect programmatic changes in covered services, member cost sharing and pharmacy reimbursement. Administrative expenses, risk margin and premium tax were added to the claims component in order to project the total rating period cost under the MCOs. These projected total cost rates were then used to produce a set of community rates for each program and service area.

The Medicaid and CHIP managed care programs included in this analysis are as follows:

- STAR
- STAR+PLUS
- STAR Health
- CHIP
- CHIP Perinatal

The managed care service areas included in the analysis were as follows:

- Bexar County Service Area– STAR, STAR+PLUS and CHIP
- Dallas County Service Area – STAR, STAR+PLUS and CHIP
- El Paso County Service Area – STAR, STAR+PLUS and CHIP
- Harris County Service Area – STAR, STAR+PLUS and CHIP
- Hidalgo County Service Area – STAR and STAR+PLUS
- Jefferson County Service Area – STAR, STAR+PLUS and CHIP
- Lubbock County Service Area – STAR, STAR+PLUS and CHIP
- Nueces County Service Area – STAR, STAR+PLUS and CHIP
- Tarrant County Service Area – STAR, STAR+PLUS and CHIP
- Travis County Service Area – STAR, STAR+PLUS and CHIP
- MRSA Central Service Area – STAR only
- MRSA Northeast Service Area – STAR only
- MRSA West Service Area – STAR only
- EPO Service Area - CHIP only

The risk groups included in the analysis are as follows:

### STAR Program

- TANF Children Over Age One Year
- TANF Children Under Age One Year
- TANF Adults
- Pregnant Women
- Newborns
- Expansion Children Over Age One Year

- Expansion Children Under Age One Year
- Federal Mandate Children
- Disabled and Blind (MRSA service areas only)

#### STAR+PLUS Program

- Medicaid Only – Other Community Care (OCC)
- Medicaid Only – Community-based Alternatives (CBA)

#### CHIP Program

- Under Age 1
- Ages 1 through 5
- Ages 6 through 14
- Ages 15 through 18

#### CHIP Perinatal Program

- Perinate Under 185% FPL
- Perinate Between 185% and 200% FPL
- Newborns Under 185% FPL
- Newborns Between 185% and 200% FPL

The STAR Health program is a statewide program with no separately-rated service areas or risk groups.

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the detailed claim files provided by VDP, (ii) summary paid claims reports provided by HHSC and (iii) claim lag reports provided by the HMOs. There was satisfactory consistency between the three claims data sources.

We projected the rating period cost for each program, service area and risk group by estimating their base period average per-capita claims cost and then applying trend and other adjustment factors (described in Section III below). We added a reasonable provision for administrative expenses, risk margin and premium tax.

Effective September 1, 2011, several of the existing STAR and STAR+PLUS regions experienced an expansion in their service areas. Our rating analysis included the enrollment and claims experience for those clients residing in the expansion counties and expected to move to managed care. In the STAR program, the expansion area clients included in the analysis were those clients residing in the expansion counties and enrolled in PCCM. In the STAR+PLUS program, expansion area clients were assumed to come from both PCCM and FFS. An adjustment was made to the anticipated STAR+PLUS enrollment for the expansion counties to recognize that SSI children are much less likely to voluntarily enroll in STAR+PLUS as compared to their participation rates in PCCM and STAR.

Effective March 1, 2012, several new service areas will be added to STAR (Hidalgo,

Jefferson and the three MRSA areas) and STAR+PLUS (El Paso, Hidalgo, Jefferson and Lubbock). As discussed above for expansion counties, the rating analysis included the enrollment and claims experience for those clients residing in the new service areas and expected to move to managed care. In the STAR program, the new service area clients included in the analysis were those clients residing in the new service area counties and enrolled in PCCM. In the STAR+PLUS program, new service area clients were assumed to come from STAR (in those areas served by STAR), PCCM and FFS. An adjustment was made to the anticipated STAR+PLUS enrollment for the expansion counties to recognize that SSI children are less likely to voluntarily enroll in STAR+PLUS as compared to PCCM and STAR.

HHSC has utilized a community rating methodology in setting the initial pharmacy carve-in premium rates. The premium rates vary by program, service area and risk group but are the same for each MCO in a service area. Attachment 2 presents the summary community rating exhibit for each program and service area along with a description of the analysis.

### III. Adjustment Factors

This section contains a description of the adjustment factors used in the March 1, 2012 through August 31, 2012 (rating period) pharmacy carve-in premium rate setting process.

#### *Trend Factors*

The rating methodology uses assumed trend factors to adjust the base period (March 1, 2011 through August 31, 2011) claims cost to the rating period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The trend rate assumptions were developed by the actuary based on an analysis of recent VDP experience under the various Medicaid and CHIP programs. The trend rate assumption varied by program and risk group but was the same for all service areas.

The trend analysis included a review of HMO claims experience data paid through October 31, 2011. Based on this information, estimates of monthly incurred claims were determined through August 2011. The per-capita claims cost and trend experience was reviewed separately by program, service area and risk group. The service area trends were then combined into a statewide average using a weighted average formula with current enrollment as the weights.

The rating period trend assumptions were developed using the following formula:

Rating period trend rate equals one-sixth of the actual FY2009 trend plus two-sixths of the actual FY2010 trend plus three-sixths of the actual FY2011 trend. This formula was used in developing the trend assumptions for all programs and risk groups. The trend assumption for STAR Disabled and Blind clients (in the MRSA service areas only) was developed based on STAR+PLUS Medicaid Only experience. A single trend assumption was developed for the two STAR+PLUS risk groups and a single trend assumption was developed for all CHIP and CHIP Perinatal risk groups.

Attachment 3 is a summary of the cost trend analysis. The chart below presents the assumed annual trend rates for the rating period.

	Rating Period Trend Assumption
<u>STAR</u>	
TANF Children Over Age 1	3.3 %
TANF Children Under Age 1	3.3 %
TANF Adults	4.4 %
Pregnant Women	1.6 %
Newborns	2.5 %
Expansion Children Over Age 1	0.2 %
Expansion Children Under Age 1	0.2 %

Federal Mandate Children	3.0 %
Disabled and Blind	3.9 %

STAR+PLUS

Medicaid Only OCC	3.9 %
Medicaid Only CBA	3.9 %

STAR Health

All Clients	1.6 %
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CHIP and CHIP Perinatal

All Clients	3.5 %
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***Dispensing Fee Adjustment Factor – September 1, 2011***

Effective September 1, 2011, HHSC reduced the dispensing fee paid to pharmacies under the VDP. The fixed component of the dispensing fee is now \$6.50 and the variable component is 1.96%. The experience period claims were re-processed using this revised dispensing fee formula and resulting adjustment factors developed. This issue impacted all programs, service areas and risk groups. Attachment 4 presents a summary of the dispensing fee adjustment factor analysis.

***Unlimited Prescriptions Adjustment***

Adults (clients age 21 and over) in Medicaid FFS/PCCM have a three prescription per month limit while those adult clients in STAR and STAR+PLUS have unlimited prescriptions. In order to recognize the increase in benefit (and cost) for adult clients moving from FFS/PCCM to managed care, we developed adjustment factors for adult clients in STAR (TANF Adults, Pregnant Women and Disabled and Blind adults) and STAR+PLUS (Medicaid Only adults).

Texas Medicaid Healthcare Partnership (TMHP) conducted an analysis to evaluate the historical cost of unlimited prescriptions for adults in managed care. The intent of TMHP’s analysis was to determine what the prescription drug utilization and cost would have been for those adult clients had they been limited to three prescriptions per month. Their analysis considered the order of prescription purchases (in a three prescription limit scenario, the more expensive drugs would likely be among the first three purchased) and the different maximum days supply rules that apply to limited and unlimited prescription clients.

The unlimited prescriptions adjustment applied to adults in STAR and STAR+PLUS expansion counties and new service areas. The adjustment did not impact existing STAR and STAR+PLUS counties, STAR Health, CHIP or CHIP Perinatal. Attachment 5

presents a summary of the unlimited prescriptions adjustment factor analysis.

### ***Copayment Change Adjustment***

Effective March 1, 2012, HHSC will implement a pharmacy cost sharing increase for CHIP clients over 150% FPL. The copayment will increase from \$8 to \$10 for generic drugs and from \$25 to \$35 for brand drugs. We re-priced the base period claims (for the applicable CHIP clients) using these revised copayment amounts and determined the resulting adjustment factors. Attachment 6 presents a summary of the copayment change adjustment factor analysis.

### ***Family Planning Adjustment***

Some of the MCOs that participate in the STAR, CHIP and CHIP Perinatal programs are not able to provide family planning services. HHSC provided us with a listing of those drugs that will not be provided by these MCOs. Using base period claims experience, we determined the percentage of claims cost expected to be represented by these family planning drugs. The pharmacy carve-in premium rates for these MCOs have been reduced to reflect the reduced services provided. Attachment 7 presents a summary of the family planning adjustment factor analysis.

### ***Managed Care Efficiency Factor***

The pharmacy reimbursement methodology under pharmacy carve-in will be significantly different from that under the current carve-out arrangement. The dispensing fee under the current VDP program averages approximately \$8.00 per prescription (after the September 1, 2011 dispensing fee reduction discussed above) while the dispensing fee under carve-in is expected to average around \$1.50 per prescription (assumed average for all MCOs combined).

On the ingredient cost side, it is anticipated that the MCOs will pay the pharmacies more than VDP currently pays. For brand drugs we have assumed that the mean Average Wholesale Price (AWP) discount under carve-in will be 16% while the current VDP discount is around 18.3%. For generic drug ingredient cost, we have assumed that the MCOs will pay the pharmacies around 10% more than VDP. These assumptions are based on our analysis of VDP claims experience, pharmacy reimbursement information provided by the MCOs and current Maximum Allowable Cost (MAC) schedules used under several large Texas commercial plans. Please note that the above assumptions are assumed to be applicable to overall pharmacy carve-in experience, not necessarily to any one individual MCO specifically.

Based on the above analysis we have established a 5% managed care discount factor for all programs and service areas except the Hidalgo service area in STAR. The 5% assumption was developed assuming that overall pharmacy reimbursement under carve-in would be 4% lower than that under VDP and that the MCOs will have a positive impact on utilization representing 1% of prescription drug cost.

Prescription drug utilization for children in the Hidalgo service area is around 80% higher than that for the remainder of the state. Based on this information it was determined that the opportunity for cost reduction under pharmacy carve-in was greater in the Hidalgo service area than in other service areas. The MCOs are expected to reduce pharmacy cost through more cost-effective professional provider contracting and increased management of both the medical and prescription drug benefit.

The managed care efficiency factors for STAR Hidalgo were determined by assuming that the MCOs would reduce the excess pharmacy cost (defined as excess of Hidalgo cost over the average of the other STAR service areas) by one-quarter. For example, the pharmacy claims cost for Expansion Children in the Hidalgo service area is 112% higher than that for the remainder of the state. We have assumed that the MCOs will reduce the prescription drug cost by 28%. It is anticipated that the opportunities for reducing cost will increase over time. However, given implementation of managed care in a new service area and the authorization of service limitations placed on the MCOs by HHSC, it is our opinion that a lower managed care efficiency factor is reasonable and appropriate.

Attachment 8 presents a summary of the managed care efficiency factor analysis for the Hidalgo service area.

#### ***Small Sample Size Adjustments***

Both the CHIP and CHIP Perinatal programs contain risk groups that are too small to set rates on an individual service area basis. These risk groups are the Under Age One risk group in CHIP and the Perinate Between 185% and 200% FPL, Newborns Under 185% FPL and Newborns Between 185% and 200% FPL risk groups in CHIP Perinatal. In those cases we have developed a statewide premium rate which applies to all MCOs in all service areas.

#### ***Other Adjustments***

Risk Adjustment - The current risk adjustment analysis available to HHSC was not developed for prescription drug cost. Therefore, no acuity risk adjustment has been applied to the pharmacy carve-in premium rates.

Rebates - The prescription drug cost analysis presented in this report includes the gross pharmacy cost, i.e., it has not been reduced to reflect formulary rebates. HHSC will retain the rebate management function for both federal and supplemental rebates.

#### IV. Administrative Fees and Risk Margin

The pharmacy carve-in rating methodology includes an explicit provision for administrative services. The amount allocated for administrative expenses is \$1.80 per member per month. This amount is intended to provide for all administrative services performed by the MCO and its subcontractors.

The premium rates also include an amount for premium tax (1.75% of premium) and a risk margin (2.0% of premium).

## V. Summary

Attachment 1 presents the results of the March 1, 2012 through August 31, 2012 pharmacy carve-in rating analysis for each of the Medicaid and CHIP managed care programs.

## VI. Actuarial Certification of March 1, 2012 Pharmacy Carve-in Premium Rates

I, David G. Wilkes, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

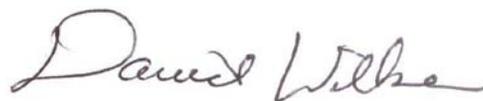
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their pharmacy carve-in rate-setting methodology, assumptions and resulting premium rates and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c). The initial premium rates for the new pharmacy carve-in program are effective for the period March 1, 2012 through August 31, 2012.

I certify that the pharmacy carve-in premium rates developed by HHSC and Rudd and Wisdom satisfy the following:

- (a) The premium rates have been developed in accordance with generally accepted actuarial principals and practices;
- (b) The premium rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rates are actuarially sound as defined in the regulations.

We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). Any health plan contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



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David G. Wilkes, F.S.A., M.A.A.A.

## VII. Attachments

***Attachment 1***

Summary of Pharmacy Carve-in Rating Analysis

The attached exhibit presents the resulting pharmacy carve-in premium rates effective for March 1, 2012 through August 31, 2012. The exhibit includes premium rates by risk group for the STAR, STAR+PLUS STAR Health, CHIP and CHIP Perinatal programs.

**STAR Program**

Service Area	TANF Children 1+	TANF Children <1	TANF Adults	Pregnant Women	Newborns	Expansion Children 1+	Expansion Children <1	Federal Mandate Children	Disabled & Blind
Bexar	\$ 35.61	\$ 30.35	\$ 110.35	\$ 43.41	\$ 24.90	\$ 23.89	\$ 30.64	\$ 36.32	
Dallas	35.50	23.63	70.07	42.82	22.02	26.09	32.15	34.67	
El Paso	30.61	42.55	93.82	30.04	38.31	26.46	43.24	34.27	
Harris	32.24	23.56	97.46	45.35	25.00	26.28	34.06	31.89	
Hidalgo	46.63	56.70	108.20	47.66	43.93	41.55	55.17	45.49	
Jefferson	49.63	36.46	91.56	37.70	34.87	32.29	42.32	44.24	
Lubbock	33.36	31.23	93.49	39.93	29.08	21.26	27.09	32.66	
Nueces (Standard)	47.14	35.78	106.80	45.84	33.51	35.38	35.41	47.81	
Nueces (no Family Planning)	46.75	35.78	104.70	42.60	33.51	35.38	35.41	47.33	
Tarrant	31.08	23.99	103.86	44.76	18.64	20.64	29.57	32.84	
Travis (Standard)	25.58	22.45	91.36	37.48	15.94	18.92	19.63	25.97	
Travis (no Family Planning)	25.24	22.45	89.05	35.34	15.94	18.92	19.63	25.62	
MRSA - Central	32.97	18.66	69.80	33.63	17.94	21.46	21.74	33.55	274.27
MRSA - Northeast	39.44	25.40	96.32	42.75	28.75	29.01	33.66	40.10	286.70
MRSA - West	34.07	24.05	89.10	33.41	23.69	22.49	23.57	35.03	307.60

**STAR+PLUS Program**

Service Area	Medicaid Only OCC	Medicaid Only CBA
Bexar	\$ 387.06	\$ 717.24
Dallas	319.73	701.47
El Paso	342.87	732.14
Harris	366.33	771.96
Hidalgo	369.87	749.59
Jefferson	296.79	595.42
Lubbock	317.26	683.54
Nueces	399.58	722.01
Tarrant	390.42	835.26
Travis	386.62	887.88

**STAR Health Program** \$ 159.50

**CHIP Program**

Service Area	CHIP				CHIP Perinatal			
	Age <1	Age 1-5	Age 6-14	Age 15-18	Perinate <185%	Perinate 185%+	Newborn <185%	Newborn 185%+
Bexar	\$ 14.94	\$ 17.06	\$ 27.89	\$ 26.47	\$ 11.23	\$ 21.56	\$ 10.83	\$ 8.77
Dallas	14.94	17.24	25.37	22.09	4.61	21.56	10.83	8.77
El Paso	14.94	21.45	23.89	34.88	11.75	21.56	10.83	8.77
Harris	14.94	17.27	24.38	24.85	21.26	21.56	10.83	8.77
Jefferson	14.94	22.84	31.95	30.58	13.77	21.56	10.83	8.77
Lubbock	14.94	15.03	25.65	26.46	13.92	21.56	10.83	8.77
Nueces (Standard)	14.94	22.67	34.63	28.58	21.48	21.56	10.83	8.77
Nueces (no Family Planning)	14.94	22.67	34.58	27.96	21.48	21.56	10.83	8.77
Tarrant	14.94	15.13	27.38	29.12	24.75	21.56	10.83	8.77
Travis (Standard)	14.94	12.01	21.88	28.54	12.38	21.56	10.83	8.77
Travis (no Family Planning)	14.94	12.01	21.87	28.23	12.38	21.56	10.83	8.77
EPO	14.94	23.52	29.16	15 26.77	20.05	21.56	10.83	8.77

## *Attachment 2*

### Community Experience Analysis

The following exhibits present a summary of the experience analysis performed for each Medicaid and CHIP managed care program and service area. HHSC utilizes a community rating methodology in setting the pharmacy carve-in premium rates. The community rates by risk group vary by service area but are the same for each MCO in a service area.

Below is a brief description of the exhibits contained in this attachment. The exhibits present the derivation of the March 1, 2012 through August 31, 2012 (rating period) pharmacy carve-in community premium rates for the programs listed below. Each exhibit contains the rate derivation for each service area and risk group included in the program.

Exhibit A – STAR Program

Exhibit B – STAR+PLUS Program

Exhibit C – STAR Health Program

Exhibit D – CHIP Program

Exhibit E – CHIP Perinatal Program

The actuarial model used to derive the premium rates relies primarily on VDP claims experience. The historical claims experience for each program, service area and risk group was analyzed and estimates for the base period (March 1, 2011 through August 31, 2011) were developed. The top portion of the attached exhibits show summary base period enrollment and claims experience and projected rating period enrollment. The base period per capita claims cost estimates were then projected forward to the rating period using assumed trend rates. Additional adjustments were made to the historical experience to reflect programmatic changes in covered services, member cost sharing and pharmacy reimbursement. Administrative expenses (\$1.80 pmpm), risk margin (2.0%) and premium tax (1.75%) were added to the claims component in order to project the total rating period cost.

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Bexar Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	116,937		7,518		38,007		55,187		100,688	
Estimated Incurred Claims	3,908,269	33.42	212,454	28.26	4,041,657	106.34	2,325,892	42.15	2,318,434	23.03
Projected 3/12-8/12 Member Months	148,095		10,310		44,955		56,954		116,715	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9901		0.9885		0.9890		0.9828		0.9888	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0010		1.0001		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	4,809,230	32.47	282,642	27.41	4,693,820	104.41	2,277,214	39.98	2,587,609	22.17
Administrative Expenses	266,571	1.80	18,559	1.80	80,919	1.80	102,517	1.80	210,087	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	5,273,559	35.61	312,936	30.35	4,960,767	110.35	2,472,449	43.41	2,906,697	24.90

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Bexar Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	337,590		6,201		495,218		1,157,346	
Estimated Incurred Claims	7,611,500	22.55	182,360	29.41	16,925,318	34.18	37,525,884	32.42
Projected 3/12-8/12 Member Months	345,499		5,453		510,620		1,238,600	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9877		0.9891		0.9915			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	7,323,915	21.20	150,977	27.69	16,931,342	33.16	39,056,750	31.53
Administrative Expenses	621,897	1.80	9,815	1.80	919,115	1.80	2,229,479	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	8,255,390	23.89	167,057	30.64	18,545,929	36.32	42,894,784	34.63

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Dallas Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	95,239		7,654		24,043		75,731		152,490	
Estimated Incurred Claims	3,174,128	33.33	166,079	21.70	1,614,009	67.13	3,147,461	41.56	3,085,593	20.23
Projected 3/12-8/12 Member Months	114,518		10,009		50,020		80,051		149,331	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9896		0.9835		0.9859		0.9825		0.9842	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	3,706,538	32.37	209,621	20.94	3,283,358	65.64	3,155,043	39.41	2,895,857	19.39
Administrative Expenses	206,133	1.80	18,017	1.80	90,036	1.80	144,092	1.80	268,795	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	4,065,113	35.50	236,508	23.63	3,504,825	70.07	3,427,673	42.82	3,287,951	22.02

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Dallas Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	651,496		23,588		883,101		1,913,342	
Estimated Incurred Claims	16,215,968	24.89	734,059	31.12	28,779,858	32.59	56,917,155	29.75
Projected 3/12-8/12 Member Months	669,712		19,363		917,414		2,010,419	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9841		0.9838		0.9900			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	15,615,269	23.32	564,314	29.14	28,962,753	31.57	58,392,753	29.05
Administrative Expenses	1,205,481	1.80	34,854	1.80	1,651,346	1.80	3,618,755	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	17,476,104	26.09	622,512	32.15	31,806,856	34.67	64,427,541	32.05

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 El Paso Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	88,320		5,577		23,190		25,958		44,955	
Estimated Incurred Claims	2,519,179	28.52	224,876	40.32	2,089,227	90.09	743,718	28.65	1,635,502	36.38
Projected 3/12-8/12 Member Months	110,282		7,432		26,186		27,497		48,326	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9884		0.9894		0.9902		0.9805		0.9901	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0003		1.0001		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	3,051,130	27.67	290,952	39.15	2,317,531	88.50	745,631	27.12	1,695,051	35.08
Administrative Expenses	198,507	1.80	13,377	1.80	47,134	1.80	49,494	1.80	86,987	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	3,376,247	30.61	316,186	42.55	2,456,795	93.82	826,104	30.04	1,851,468	38.31

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 El Paso Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	169,835		5,125		292,528		655,488	
Estimated Incurred Claims	4,285,205	25.23	216,410	42.23	9,414,022	32.18	21,128,139	32.23
Projected 3/12-8/12 Member Months	175,080		4,275		303,230		702,308	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9854		0.9906		0.9902			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	4,143,667	23.67	170,225	39.82	9,455,061	31.18	21,869,249	31.14
Administrative Expenses	315,144	1.80	7,695	1.80	545,815	1.80	1,264,154	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	4,632,531	26.46	184,853	43.24	10,390,521	34.27	24,034,704	34.22

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Jefferson Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	55,326		3,802		19,813		18,270		31,808	
Estimated Incurred Claims	2,614,738	47.26	130,670	34.37	1,634,834	82.51	650,200	35.59	1,051,127	33.05
Projected 3/12-8/12 Member Months	50,772		4,413		23,631		18,938		38,570	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9911		0.9872		0.9895		0.9813		0.9871	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0660		1.0230		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	2,333,809	45.97	146,937	33.30	2,039,902	86.32	653,048	34.48	1,225,108	31.76
Administrative Expenses	91,390	1.80	7,943	1.80	42,536	1.80	34,089	1.80	69,426	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	2,519,687	49.63	160,914	36.46	2,163,572	91.56	713,909	37.70	1,344,970	34.87

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Jefferson Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	107,086		2,376		150,247		388,728	
Estimated Incurred Claims	3,336,619	31.16	98,438	41.43	6,316,167	42.04	15,832,793	40.73
Projected 3/12-8/12 Member Months	106,972		1,876		156,839		402,011	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9873		0.9873		0.9913			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	3,132,452	29.28	73,043	38.94	6,395,400	40.78	15,999,698	39.80
Administrative Expenses	192,550	1.80	3,377	1.80	282,310	1.80	723,621	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	3,454,547	32.29	79,398	42.32	6,937,881	44.24	17,374,877	43.22

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Harris Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	171,354		14,312		43,852		122,252		264,933	
Estimated Incurred Claims	5,159,060	30.11	309,133	21.60	4,107,452	93.67	5,393,232	44.12	6,147,397	23.20
Projected 3/12-8/12 Member Months	202,968		18,774		83,691		131,622		261,411	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9892		0.9850		0.9881		0.9824		0.9851	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0023		1.0005		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	5,932,139	29.23	391,969	20.88	7,699,861	92.00	5,508,621	41.85	5,818,454	22.26
Administrative Expenses	365,342	1.80	33,792	1.80	150,643	1.80	236,919	1.80	470,541	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	6,542,837	32.24	442,350	23.56	8,156,368	97.46	5,969,392	45.35	6,534,020	25.00

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Harris Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	1,048,052		31,332		1,418,580		3,114,667	
Estimated Incurred Claims	26,285,135	25.08	1,035,314	33.04	42,328,289	29.84	90,765,012	29.14
Projected 3/12-8/12 Member Months	1,070,988		25,517		1,463,785		3,258,755	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9843		0.9849		0.9895			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	25,166,955	23.50	790,505	30.98	42,289,337	28.89	93,597,841	28.72
Administrative Expenses	1,927,778	1.80	45,931	1.80	2,634,813	1.80	5,865,760	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	28,150,372	26.28	869,025	34.06	46,674,442	31.89	103,338,806	31.71

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Hidalgo Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	230,833		15,817		50,465		60,948		133,005	
Estimated Incurred Claims	12,579,018	54.49	1,056,948	66.82	4,692,366	92.98	2,709,175	44.45	7,828,648	58.86
Projected 3/12-8/12 Member Months	341,296		23,574		49,130		63,153		133,441	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9876		0.9865		0.9920		0.9844		0.9868	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0660		1.0230		1.0000	
Managed Care Discount Factor	0.7750		0.7750		0.9970		0.9690		0.6800	
Projected Incurred Claims	14,704,938	43.09	1,244,128	52.78	5,028,166	102.34	2,783,146	44.07	5,402,186	40.48
Administrative Expenses	614,333	1.80	42,434	1.80	88,433	1.80	113,675	1.80	240,194	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	15,916,125	46.63	1,336,687	56.70	5,315,948	108.20	3,009,685	47.66	5,862,213	43.93

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Hidalgo Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	523,787		20,233		877,948		1,913,036	
Estimated Incurred Claims	28,302,781	54.03	1,466,247	72.47	40,745,062	46.41	99,380,245	51.95
Projected 3/12-8/12 Member Months	529,095		16,306		886,304		2,042,298	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9853		0.9868		0.9891			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.7160		0.7160		0.8880			
Projected Incurred Claims	20,209,561	38.20	836,567	51.30	37,211,671	41.99	87,420,363	42.80
Administrative Expenses	952,370	1.80	29,351	1.80	1,595,347	1.80	3,676,136	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	21,986,422	41.55	899,654	55.17	40,318,980	45.49	94,645,713	46.34

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Lubbock Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	57,138		3,713		18,415		20,009		33,465	
Estimated Incurred Claims	1,783,007	31.21	108,217	29.15	1,618,385	87.88	766,070	38.29	909,581	27.18
Projected 3/12-8/12 Member Months	67,395		5,063		22,982		20,294		39,346	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9896		0.9880		0.9892		0.9835		0.9895	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0228		1.0080		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	2,042,405	30.30	143,086	28.26	2,026,755	88.19	743,475	36.63	1,030,424	26.19
Administrative Expenses	121,312	1.80	9,114	1.80	41,368	1.80	36,529	1.80	70,823	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	2,248,017	33.36	158,130	31.23	2,148,699	93.49	810,394	39.93	1,144,153	29.08

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Lubbock Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	112,900		2,390		148,363		396,393	
Estimated Incurred Claims	2,244,118	19.88	61,737	25.83	4,534,626	30.56	12,025,741	30.34
Projected 3/12-8/12 Member Months	115,948		1,927		153,506		426,462	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9864		0.9873		0.9908			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	2,164,011	18.66	46,772	24.28	4,548,707	29.63	12,745,633	29.89
Administrative Expenses	208,706	1.80	3,468	1.80	276,311	1.80	767,631	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	2,465,161	21.26	52,197	27.09	5,013,006	32.66	14,039,756	32.92

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Nueces Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	46,559		3,001		15,505		21,959		36,520	
Estimated Incurred Claims	2,089,409	44.88	101,493	33.82	1,593,159	102.75	979,082	44.59	1,159,587	31.75
Projected 3/12-8/12 Member Months	60,856		3,927		24,585		22,915		44,051	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9893		0.9833		0.9889		0.9823		0.9848	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0022		1.0012		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	2,651,389	43.57	128,150	32.63	2,483,050	101.00	969,849	42.32	1,341,295	30.45
Administrative Expenses	109,540	1.80	7,068	1.80	44,253	1.80	41,247	1.80	79,292	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	2,868,498	47.14	140,486	35.78	2,625,770	106.80	1,050,489	45.84	1,475,934	33.51
No Family Planning Adjustment Factor	0.9918		1.0000		0.9803		0.9293		1.0000	
Adjusted Rates for No Family Planning		46.75		35.78		104.70		42.60		33.51

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Nueces Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	119,283		1,698		179,140		423,665	
Estimated Incurred Claims	4,099,127	34.36	58,607	34.52	8,169,663	45.60	18,250,127	43.08
Projected 3/12-8/12 Member Months	121,710		1,411		183,373		462,827	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9860		0.9826		0.9909			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	3,925,597	32.25	45,548	32.28	8,108,444	44.22	19,653,322	42.46
Administrative Expenses	219,077	1.80	2,540	1.80	330,071	1.80	833,088	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	4,306,155	35.38	49,962	35.41	8,767,288	47.81	21,284,582	45.99
No Family Planning Adjustment Factor	1.0000		1.0000		0.9900			
Adjusted Rates for No Family Planning		35.38		35.41		47.33		

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Tarrant Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	52,086		4,122		13,485		58,970		107,714	
Estimated Incurred Claims	1,509,328	28.98	90,834	22.04	1,350,211	100.13	2,568,094	43.55	1,814,934	16.85
Projected 3/12-8/12 Member Months	62,638		5,535		34,952		62,724		110,063	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9888		0.9844		0.9885		0.9820		0.9836	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000		1.0000		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	1,761,309	28.12	117,830	21.29	3,431,064	98.16	2,589,059	41.28	1,776,211	16.14
Administrative Expenses	112,749	1.80	9,963	1.80	62,914	1.80	112,903	1.80	198,113	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	1,947,074	31.08	132,772	23.99	3,630,107	103.86	2,807,233	44.76	2,051,245	18.64

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Tarrant Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	388,658		11,426		516,337		1,152,798	
Estimated Incurred Claims	7,489,966	19.27	324,389	28.39	15,874,221	30.74	31,021,977	26.91
Projected 3/12-8/12 Member Months	399,790		9,384		538,112		1,223,198	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9850		0.9864		0.9908			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	7,223,901	18.07	250,151	26.66	16,039,049	29.81	33,188,574	27.13
Administrative Expenses	719,622	1.80	16,891	1.80	968,601	1.80	2,201,757	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	8,253,011	20.64	277,446	29.57	17,670,286	32.84	36,769,175	30.06

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Travis Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	127,540		9,683		42,403		27,640		54,919	
Estimated Incurred Claims	2,998,154	23.51	197,880	20.44	3,721,715	87.77	1,001,011	36.22	774,472	14.10
Projected 3/12-8/12 Member Months	154,987		12,603		47,099		28,212		52,645	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9893		0.9877		0.9889		0.9804		0.9861	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0006		1.0002		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	3,537,149	22.82	249,647	19.81	4,056,872	86.14	967,042	34.28	712,870	13.54
Administrative Expenses	278,976	1.80	22,686	1.80	84,777	1.80	50,782	1.80	94,761	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	3,964,805	25.58	282,944	22.45	4,303,013	91.36	1,057,479	37.48	839,097	15.94
No Family Planning Adjustment Factor	0.9868		1.0000		0.9747		0.9429		1.0000	
Adjusted Rates for No Family Planning		25.24		22.45		89.05		35.34		15.94

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Travis Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011								
Member Months	213,826		7,773		262,175		745,959	
Estimated Incurred Claims	3,731,260	17.45	141,643	18.22	6,272,668	23.93	18,838,803	25.25
Projected 3/12-8/12 Member Months	218,061		6,059		269,462		789,128	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %			
Provider Reimbursement Adjustments								
Dispensing Fee Reduction 9/1/2011	0.9880		0.9855		0.9909			
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500			
Projected Incurred Claims	3,578,666	16.41	103,575	17.09	6,250,990	23.20	19,456,811	24.66
Administrative Expenses	392,510	1.80	10,906	1.80	485,031	1.80	1,420,430	1.80
Risk Margin	2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %			
Projected Total Cost	4,125,897	18.92	118,942	19.63	6,998,464	25.97	21,690,640	27.49
No Family Planning Adjustment Factor	1.0000		1.0000		0.9866			
Adjusted Rates for No Family Planning		18.92		19.63		25.62		

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA Central Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	104,337		7,187		37,165		27,350		54,416	
Estimated Incurred Claims	3,212,754	30.79	120,135	16.72	2,321,856	62.47	861,668	31.51	876,870	16.11
Projected 3/12-8/12 Member Months	142,522		10,892		54,098		27,600		60,312	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9907		0.9853		0.9898		0.9828		0.9856	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0660		1.0230		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	4,266,663	29.94	176,045	16.16	3,536,781	65.38	843,813	30.57	932,737	15.47
Administrative Expenses	256,540	1.80	19,606	1.80	97,376	1.80	49,680	1.80	108,561	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	4,699,432	32.97	203,274	18.66	3,775,747	69.80	928,304	33.63	1,081,868	17.94

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA Central Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>		<u>Disabled and Blind</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	177,537		4,622		239,850		652,464		78,066	
Estimated Incurred Claims	3,556,365	20.03	94,095	20.36	7,535,468	31.42	18,579,211	28.48	17,954,064	229.99
Projected 3/12-8/12 Member Months	181,382		3,890		243,483		724,178		81,276	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %				3.9 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9887		0.9868		0.9918				0.9953	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000				1.1604	
Managed Care Discount Factor	0.9500		0.9500		0.9500				0.9500	
Projected Incurred Claims	3,419,531	18.85	74,391	19.12	7,423,755	30.49	20,673,715	28.55	21,309,123	262.18
Administrative Expenses	326,487	1.80	7,002	1.80	438,269	1.80	1,303,521	1.80	146,297	1.80
Risk Margin	2.0 %		2.0 %		2.0 %				2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %				1.75 %	
Projected Total Cost	3,891,966	21.46	84,565	21.74	8,168,336	33.55	22,833,492	31.53	22,291,346	274.27

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA Northeast Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	100,261		7,215		33,130		38,068		75,012	
Estimated Incurred Claims	3,729,101	37.19	169,042	23.43	2,876,053	86.81	1,540,819	40.48	2,019,940	26.93
Projected 3/12-8/12 Member Months	107,299		7,808		41,211		39,971		84,856	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9907		0.9850		0.9905		0.9846		0.9868	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0660		1.0230		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	3,880,009	36.16	176,839	22.65	3,746,460	90.91	1,572,842	39.35	2,195,670	25.88
Administrative Expenses	193,138	1.80	14,055	1.80	74,179	1.80	71,947	1.80	152,741	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	4,231,841	39.44	198,332	25.40	3,969,495	96.32	1,708,871	42.75	2,439,907	28.75

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA Northeast Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>		<u>Disabled and Blind</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	254,994		7,160		346,350		862,190		125,104	
Estimated Incurred Claims	7,082,379	27.77	233,111	32.56	13,127,998	37.90	30,778,443	35.70	30,062,952	240.30
Projected 3/12-8/12 Member Months	263,265		5,833		359,163		909,405		132,328	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %				3.9 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9881		0.9874		0.9920				0.9951	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000				1.1615	
Managed Care Discount Factor	0.9500		0.9500		0.9500				0.9500	
Projected Incurred Claims	6,877,562	26.12	178,504	30.60	13,214,382	36.79	31,842,268	35.01	36,277,619	274.15
Administrative Expenses	473,877	1.80	10,500	1.80	646,493	1.80	1,636,929	1.80	238,191	1.80
Risk Margin	2.0 %		2.0 %		2.0 %				2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %				1.75 %	
Projected Total Cost	7,637,859	29.01	196,367	33.66	14,400,909	40.10	34,783,582	38.25	37,938,504	286.70

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA West Area

	<u>TANF Children 1+</u>		<u>TANF Children &lt;1</u>		<u>TANF Adults</u>		<u>Pregnant Women</u>		<u>Newborns</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	94,345		5,873		31,167		41,914		76,181	
Estimated Incurred Claims	3,009,837	31.90	129,798	22.10	2,498,688	80.17	1,312,542	31.32	1,666,018	21.87
Projected 3/12-8/12 Member Months	97,132		6,600		32,199		42,934		88,477	
Annual Trend Assumption	3.3 %		3.3 %		4.4 %		1.6 %		2.5 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9899		0.9842		0.9905		0.9819		0.9863	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0660		1.0230		1.0000	
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500		0.9500	
Projected Incurred Claims	3,010,234	30.99	140,874	21.35	2,703,340	83.96	1,303,504	30.36	1,858,323	21.00
Administrative Expenses	174,837	1.80	11,879	1.80	57,959	1.80	77,281	1.80	159,259	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %		2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %		1.75 %	
Projected Total Cost	3,309,164	34.07	158,705	24.05	2,868,882	89.10	1,434,581	33.41	2,096,190	23.69

STAR Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 MRSA West Area

	<u>Expansion Children 1+</u>		<u>Expansion Children &lt;1</u>		<u>Federal Mandate Children</u>		<u>Total</u>		<u>Disabled and Blind</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	228,628		5,495		317,880		801,483		88,731	
Estimated Incurred Claims	4,825,476	21.11	122,331	22.26	10,456,718	32.90	24,021,408	29.97	23,008,522	259.31
Projected 3/12-8/12 Member Months	244,045		4,107		339,639		855,132		94,957	
Annual Trend Assumption	0.2 %		0.2 %		3.0 %				3.9 %	
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9877		0.9856		0.9915				0.9954	
Unlimited Scripts Adjustment	1.0000		1.0000		1.0000				1.1550	
Managed Care Discount Factor	0.9500		0.9500		0.9500				0.9500	
Projected Incurred Claims	4,842,797	19.84	85,783	20.89	10,839,344	31.91	24,784,199	28.98	27,942,077	294.26
Administrative Expenses	439,280	1.80	7,393	1.80	611,350	1.80	1,539,238	1.80	170,922	1.80
Risk Margin	2.0 %		2.0 %		2.0 %				2.0 %	
Premium Tax	1.75 %		1.75 %		1.75 %				1.75 %	
Projected Total Cost	5,487,872	22.49	96,807	23.57	11,896,824	35.03	27,349,025	31.98	29,208,311	307.60

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Bexar Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	122,119		7,670		129,789	
Estimated Incurred Claims	46,132,913	377.77	5,381,038	701.58	51,513,951	396.90
Projected 3/12-8/12 Member Months	126,074		7,826		133,899	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9930		0.9930			
Unlimited Scripts Adjustment	1.0013		1.0013			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	46,741,609	370.75	5,388,330	688.54	52,129,939	389.32
Administrative Expenses	226,933	1.80	14,086	1.80	241,019	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	48,798,485	387.06	5,612,900	717.24	54,411,385	406.36

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Dallas Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	148,759		4,504		153,263	
Estimated Incurred Claims	46,438,350	312.17	3,094,592	687.08	49,532,942	323.19
Projected 3/12-8/12 Member Months	157,568		4,778		162,346	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9929		0.9929			
Unlimited Scripts Adjustment	1.0000		1.0000			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	48,206,558	305.94	3,217,287	673.36	51,423,845	316.75
Administrative Expenses	283,622	1.80	8,600	1.80	292,223	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	50,379,408	319.73	3,351,571	701.47	53,730,979	330.97

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 El Paso Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	76,682		2,846		79,528	
Estimated Incurred Claims	23,477,729	306.17	1,865,922	655.68	25,343,651	318.68
Projected 3/12-8/12 Member Months	41,165		2,264		43,429	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9942		0.9942			
Unlimited Scripts Adjustment	1.0924		1.0924			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	13,510,988	328.21	1,591,103	702.89	15,102,091	347.74
Administrative Expenses	74,097	1.80	4,075	1.80	78,172	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	14,114,374	342.87	1,657,328	732.14	15,771,702	363.16

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Jefferson Area

	<u>MO OCC</u>		<u>MO CBA</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	51,464		2,521		53,985	
Estimated Incurred Claims	12,431,197	241.55	1,225,493	486.13	13,656,690	252.97
Projected 3/12-8/12 Member Months	48,596		2,672		51,268	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9949		0.9949			
Unlimited Scripts Adjustment	1.1967		1.1967			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	13,794,661	283.86	1,526,643	571.29	15,321,303	298.85
Administrative Expenses	87,473	1.80	4,810	1.80	92,283	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	14,422,996	296.79	1,591,120	595.42	16,014,115	312.36

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Harris Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	262,074		13,088		275,161	
Estimated Incurred Claims	93,467,830	356.65	9,862,613	753.59	103,330,443	375.53
Projected 3/12-8/12 Member Months	272,184		14,124		286,308	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9933		0.9933			
Unlimited Scripts Adjustment	1.0032		1.0032			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	95,479,193	350.79	10,468,564	741.21	105,947,757	370.05
Administrative Expenses	489,932	1.80	25,423	1.80	515,354	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	99,708,182	366.33	10,902,843	771.96	110,611,025	386.34

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Hidalgo Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	128,786		6,250		135,036	
Estimated Incurred Claims	38,827,390	301.49	3,828,810	612.58	42,656,200	315.89
Projected 3/12-8/12 Member Months	125,972		9,064		135,036	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9946		0.9946			
Unlimited Scripts Adjustment	1.1967		1.1967			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	44,618,726	354.20	6,523,197	719.68	51,141,923	378.73
Administrative Expenses	226,749	1.80	16,315	1.80	243,065	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	46,592,702	369.87	6,794,299	749.59	53,387,001	395.35

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Lubbock Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	46,518		1,898		48,416	
Estimated Incurred Claims	12,936,703	278.10	1,140,557	601.07	14,077,260	290.76
Projected 3/12-8/12 Member Months	31,027		1,706		32,733	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9937		0.9937			
Unlimited Scripts Adjustment	1.1129		1.1129			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	9,418,584	303.56	1,119,416	656.11	10,538,000	321.94
Administrative Expenses	55,848	1.80	3,071	1.80	58,919	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	9,843,565	317.26	1,166,220	683.54	11,009,786	336.35

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Nueces Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	47,304		3,934		51,238	
Estimated Incurred Claims	18,330,046	387.49	2,760,336	701.63	21,090,382	411.61
Projected 3/12-8/12 Member Months	51,283		4,629		55,913	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9928		0.9928			
Unlimited Scripts Adjustment	1.0081		1.0081			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	19,631,132	382.80	3,208,813	693.13	22,839,945	408.49
Administrative Expenses	92,310	1.80	8,333	1.80	100,643	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	20,491,888	399.58	3,342,489	722.01	23,834,377	426.28

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Tarrant Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	84,228		2,934		87,162	
Estimated Incurred Claims	32,118,524	381.33	2,401,628	818.55	34,520,152	396.05
Projected 3/12-8/12 Member Months	89,575		3,112		92,687	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9936		0.9928			
Unlimited Scripts Adjustment	1.0000		1.0000			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	33,499,438	373.98	2,496,332	802.13	35,995,770	388.36
Administrative Expenses	161,235	1.80	5,602	1.80	166,837	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	34,972,128	390.42	2,599,412	835.26	37,571,540	405.36

STAR+PLUS Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Travis Area

	MO OCC		MO CBA		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011						
Member Months	49,492		2,009		51,501	
Estimated Incurred Claims	18,643,374	376.70	1,742,711	867.46	20,386,085	395.84
Projected 3/12-8/12 Member Months	50,599		2,243		52,842	
Annual Trend Assumption	3.9 %		3.9 %			
Provider Reimbursement Adjustments						
Dispensing Fee Reduction 9/1/2011	0.9939		0.9939			
Unlimited Scripts Adjustment	1.0021		1.0021			
Adjustment Factor #3	1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500			
Projected Incurred Claims	18,738,009	370.33	1,912,822	852.79	20,650,831	390.80
Administrative Expenses	91,078	1.80	4,037	1.80	95,115	1.80
Risk Margin	2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %			
Projected Total Cost	19,562,687	386.62	1,991,542	887.88	21,554,230	407.90

STAR Health Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 All Areas

	<u>STAR Health</u>	
	<u>Amount</u>	<u>pmpm</u>
Estimated VDP Experience 3/1/2011 - 8/31/2011		
Member Months	203,442	
Estimated Incurred Claims	32,184,966	158.20
Projected 3/12-8/12 Member Months	203,946	
Annual Trend Assumption	1.6 %	
Provider Reimbursement Adjustments		
Dispensing Fee Reduction	0.9936	
Unlimited Scripts Adjustment 9/1/2011	1.0000	
Adjustment Factor #3	1.0000	
Managed Care Discount Factor	0.9500	
Projected Incurred Claims	30,942,580	151.72
Administrative Expenses	367,103	1.80
Risk Margin	2.0 %	
Premium Tax	1.75 %	
Projected Total Cost	32,529,540	159.50

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Bexar Area

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	532		40,773		163,971		62,440		267,716	
Estimated Incurred Claims	5,008	9.41	638,841	15.67	4,277,855	26.09	1,538,998	24.65	6,460,702	24.13
Projected 3/12-8/12 Member Months	480		41,700		168,132		64,350		274,662	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9797		0.9870		0.9921		0.9917			
Copayment Change Adjustment	0.9827		0.9617		0.9841		0.9851			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	4,277	8.91	609,785	14.62	4,210,833	25.04	1,523,520	23.68	6,348,416	23.11
Administrative Expenses	864	1.80	75,060	1.80	302,638	1.80	115,830	1.80	494,392	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	5,342	14.94	711,527	17.06	4,689,320	27.89	1,703,221	26.47	7,109,411	25.88

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Dallas Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	1,119		79,258		293,650		98,728		472,755	
Estimated Incurred Claims	11,840	10.58	1,263,394	15.94	6,918,398	23.56	2,001,538	20.27	10,195,170	21.57
Projected 3/12-8/12 Member Months	1,002		80,796		299,154		101,376		482,328	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9763		0.9830		0.9905		0.9900			
Copayment Change Adjustment	0.9734		0.9604		0.9859		0.9864			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	9,907	9.89	1,195,515	14.80	6,767,397	22.62	1,973,381	19.47	9,946,200	20.62
Administrative Expenses	1,804	1.80	145,433	1.80	538,477	1.80	182,477	1.80	868,190	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	12,167	14.94	1,393,193	17.24	7,590,519	25.37	2,239,852	22.09	11,235,730	23.29

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 El Paso Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	256		19,101		87,251		38,818		145,426	
Estimated Incurred Claims	12,419	48.51	385,492	20.18	1,932,775	22.15	1,274,055	32.82	3,604,741	24.79
Projected 3/12-8/12 Member Months	252		18,834		86,910		38,922		144,918	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9935		0.9861		0.9902		0.9939			
Copayment Change Adjustment	0.9810		0.9633		0.9825		0.9905			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	11,715	46.49	355,016	18.85	1,841,620	21.19	1,236,549	31.77	3,444,901	23.77
Administrative Expenses	454	1.80	33,901	1.80	156,438	1.80	70,060	1.80	260,852	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	12,643	14.94	404,070	21.45	2,075,905	23.89	1,357,515	34.88	3,850,133	26.57

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Jefferson Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	178		12,884		43,533		16,450		73,045	
Estimated Incurred Claims	2,078	11.67	279,227	21.67	1,316,991	30.25	473,777	28.80	2,072,073	28.37
Projected 3/12-8/12 Member Months	186		13,320		44,802		17,034		75,342	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9822		0.9856		0.9910		0.9909			
Copayment Change Adjustment	0.9661		0.9610		0.9821		0.9847			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	2,026	10.89	268,843	20.18	1,297,045	28.95	470,676	27.63	2,038,590	27.06
Administrative Expenses	335	1.80	23,976	1.80	80,644	1.80	30,661	1.80	135,616	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	2,453	14.94	304,228	22.84	1,431,364	31.95	520,870	30.58	2,258,915	29.98

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Harris Area

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	2,117		147,336		505,445		178,280		833,178	
Estimated Incurred Claims	29,544	13.96	2,358,569	16.01	11,442,111	22.64	4,103,869	23.02	17,934,093	21.52
Projected 3/12-8/12 Member Months	1,962		148,494		513,012		182,670		846,138	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9803		0.9825		0.9901		0.9907			
Copayment Change Adjustment	0.9742		0.9585		0.9830		0.9862			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	25,711	13.10	2,201,087	14.82	11,113,640	21.66	4,039,515	22.11	17,379,953	20.54
Administrative Expenses	3,532	1.80	267,289	1.80	923,422	1.80	328,806	1.80	1,523,048	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	30,382	14.94	2,564,547	17.27	12,506,038	24.38	4,538,515	24.85	19,639,482	23.21

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Lubbock Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	123		14,499		48,715		16,495		79,832	
Estimated Incurred Claims	1,354	11.01	199,054	13.73	1,163,833	23.89	405,921	24.61	1,770,162	22.17
Projected 3/12-8/12 Member Months	138		14,832		49,398		16,836		81,204	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9815		0.9842		0.9913		0.9911			
Copayment Change Adjustment	0.9903		0.9537		0.9829		0.9868			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	1,452	10.52	187,928	12.67	1,130,618	22.89	398,418	23.66	1,718,415	21.16
Administrative Expenses	248	1.80	26,698	1.80	88,916	1.80	30,305	1.80	146,167	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	1,766	14.94	222,988	15.03	1,267,048	25.65	445,426	26.46	1,937,228	23.86

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Nueces Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	104		12,934		51,321		20,627		84,986	
Estimated Incurred Claims	972	9.35	280,392	21.68	1,688,551	32.90	553,468	26.83	2,523,383	29.69
Projected 3/12-8/12 Member Months	174		13,308		52,236		21,006		86,724	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9770		0.9838		0.9913		0.9899			
Copayment Change Adjustment	0.9736		0.9547		0.9832		0.9845			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	1,521	8.74	266,430	20.02	1,647,024	31.53	540,096	25.71	2,455,071	28.31
Administrative Expenses	313	1.80	23,954	1.80	94,025	1.80	37,811	1.80	156,103	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	1,906	14.94	301,698	22.67	1,808,882	34.63	600,422	28.58	2,712,908	31.28
No Family Planning Adjustment Factor	1.0000		1.0000		0.9985		0.9782			
Adjusted Rates for No Family Planning		14.94		22.67		34.58		27.96		

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Tarrant Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	934		61,141		204,344		65,421		331,840	
Estimated Incurred Claims	13,063	13.99	840,837	13.75	5,229,363	25.59	1,781,992	27.24	7,865,255	23.70
Projected 3/12-8/12 Member Months	906		61,842		208,278		67,824		338,850	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9834		0.9835		0.9915		0.9921			
Copayment Change Adjustment	0.9780		0.9600		0.9843		0.9871			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	11,983	13.23	789,537	12.77	5,114,633	24.56	1,778,904	26.23	7,695,056	22.71
Administrative Expenses	1,631	1.80	111,316	1.80	374,900	1.80	122,083	1.80	609,930	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	14,144	14.94	935,951	15.13	5,703,411	27.38	1,975,052	29.12	8,628,557	25.46

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Travis Area

	<1		1-5		6-14		15-18		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	598		33,121		107,652		33,906		175,277	
Estimated Incurred Claims	3,687	6.17	348,717	10.53	2,164,220	20.10	903,553	26.65	3,420,177	19.51
Projected 3/12-8/12 Member Months	534		34,692		112,008		35,640		182,874	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9785		0.9841		0.9915		0.9923			
Copayment Change Adjustment	0.9600		0.9584		0.9827		0.9874			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	3,041	5.69	338,726	9.76	2,157,277	19.26	914,987	25.67	3,414,031	18.67
Administrative Expenses	961	1.80	62,446	1.80	201,614	1.80	64,152	1.80	329,173	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	4,158	14.94	416,802	12.01	2,450,797	21.88	1,017,287	28.54	3,889,044	21.27
No Family Planning Adjustment Factor	1.0000		1.0000		0.9994		0.9890			
Adjusted Rates for No Family Planning		14.94		12.01		21.87		28.23		

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 EPO Area

	<u>&lt;1</u>		<u>1-5</u>		<u>6-14</u>		<u>15-18</u>		<u>Total</u>	
	<u>Amount</u>	<u>pmpm</u>								
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	1,565		120,705		464,657		176,021		762,948	
Estimated Incurred Claims	20,446	13.06	2,686,597	22.26	12,721,559	27.38	4,392,250	24.95	19,820,852	25.98
Projected 3/12-8/12 Member Months	1,752		124,674		476,088		181,932		784,446	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9800		0.9866		0.9909		0.9904			
Copayment Change Adjustment	0.9640		0.9652		0.9847		0.9862			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	21,262	12.14	2,598,218	20.84	12,505,262	26.27	4,359,847	23.96	19,484,589	24.84
Administrative Expenses	3,154	1.80	224,413	1.80	856,958	1.80	327,478	1.80	1,412,003	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	25,366	14.94	2,932,604	23.52	13,882,827	29.16	4,869,948	26.77	21,710,744	27.68

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Bexar Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	9,946		155		138		69		10,308	
Estimated Incurred Claims	93,154	9.37	2,056	13.26	229	1.66	206	2.99	95,645	9.28
Projected 3/12-8/12 Member Months	8,196		138		0		36		8,370	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction 9/1/2011	0.9779		0.9837		0.9700		0.9792			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	73,810	9.01	1,771	12.83	0	1.58	103	2.87	75,684	9.04
Administrative Expenses	14,753	1.80	248	1.80	0	1.80	65	1.80	15,066	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	92,013	11.23	2,098	21.56	0	10.83	175	8.77	94,285	11.26

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Dallas Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	42,694		462		705		198		44,059	
Estimated Incurred Claims	116,746	2.73	1,086	2.35	5,879	8.34	721	3.64	124,432	2.82
Projected 3/12-8/12 Member Months	38,130		390		0		126		38,646	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9821		0.9794		0.9764		0.9832			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	100,684	2.64	883	2.26	0	8.01	444	3.52	102,011	2.64
Administrative Expenses	68,634	1.80	702	1.80	0	1.80	227	1.80	69,563	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	175,915	4.61	1,647	21.56	0	10.83	696	8.77	178,258	4.61

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 El Paso Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	6,623		128		136		40		6,927	
Estimated Incurred Claims	65,466	9.88	1,726	13.48	680	5.00	922	23.05	68,794	9.93
Projected 3/12-8/12 Member Months	5,862		114		0		42		6,018	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9785		0.9880		0.9835		0.9897			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	55,748	9.51	1,493	13.10	0	4.84	942	22.43	58,184	9.67
Administrative Expenses	10,552	1.80	205	1.80	0	1.80	76	1.80	10,832	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	68,883	11.75	1,765	21.56	0	10.83	1,057	8.77	71,705	11.92

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Jefferson Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	2,896		114		32		48		3,090	
Estimated Incurred Claims	34,423	11.89	1,397	12.25	0	0.00	277	5.77	36,097	11.68
Projected 3/12-8/12 Member Months	2,790		96		0		54		2,940	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9801		0.9877		1.0000		0.9311			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	31,959	11.45	1,142	11.90	0	0.00	285	5.28	33,386	11.36
Administrative Expenses	5,022	1.80	173	1.80	0	1.80	97	1.80	5,292	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	38,421	13.77	1,367	21.56	0	10.83	397	8.77	40,185	13.67

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Harris Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	66,859		981		1,339		558		69,737	
Estimated Incurred Claims	1,294,972	19.37	26,175	26.68	18,336	13.69	4,834	8.66	1,344,317	19.28
Projected 3/12-8/12 Member Months	59,454		858		0		354		60,666	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9801		0.9821		0.9793		0.9788			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	1,109,726	18.67	22,107	25.77	0	13.19	2,951	8.34	1,134,785	18.71
Administrative Expenses	107,017	1.80	1,544	1.80	0	1.80	637	1.80	109,199	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	1,264,149	21.26	24,573	21.56	0	10.83	3,728	8.77	1,292,450	21.30

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Lubbock Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	2,414		84		40		22		2,560	
Estimated Incurred Claims	29,006	12.02	670	7.98	186	4.65	10	0.45	29,872	11.67
Projected 3/12-8/12 Member Months	2,130		78		0		12		2,220	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9816		0.9756		0.9769		1.0000			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	24,702	11.60	597	7.65	0	4.47	5	0.45	25,304	11.40
Administrative Expenses	3,834	1.80	140	1.80	0	1.80	22	1.80	3,996	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	29,648	13.92	766	21.56	0	10.83	28	8.77	30,442	13.71

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Nueces Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	1,571		74		25		18		1,688	
Estimated Incurred Claims	30,798	19.60	1,734	23.43	110	4.40	39	2.17	32,681	19.36
Projected 3/12-8/12 Member Months	1,434		96		0		6		1,536	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9790		0.9792		0.9922		0.9555			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	27,061	18.87	2,166	22.56	0	4.29	12	2.04	29,239	19.04
Administrative Expenses	2,581	1.80	173	1.80	0	1.80	11	1.80	2,765	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	30,797	21.48	2,430	21.56	0	10.83	24	8.77	33,251	21.65
No Family Planning Adjustment Factor	1.0000		1.0000		1.0000		1.0000			
Adjusted Rates for No Family Planning		21.48		21.56		10.83		8.77		

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Tarrant Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	22,633		461		348		151		23,593	
Estimated Incurred Claims	516,474	22.82	10,647	23.10	3,892	11.18	137	0.91	531,150	22.51
Projected 3/12-8/12 Member Months	20,370		426		0		102		20,898	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9813		0.9806		0.9774		0.9566			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	448,501	22.02	9,486	22.27	0	10.75	87	0.85	458,074	21.92
Administrative Expenses	36,666	1.80	767	1.80	0	1.80	184	1.80	37,616	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	504,069	24.75	10,652	21.56	0	10.83	281	8.77	515,003	24.64

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Travis Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	16,777		220		249		163		17,409	
Estimated Incurred Claims	176,830	10.54	7,960	36.18	501	2.01	509	3.12	185,800	10.67
Projected 3/12-8/12 Member Months	14,172		162		0		126		14,460	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9763		0.9918		0.9553		0.9797			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	143,390	10.12	5,716	35.28	0	1.89	379	3.01	149,485	10.34
Administrative Expenses	25,510	1.80	292	1.80	0	1.80	227	1.80	26,028	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	175,481	12.38	6,242	21.56	0	10.83	629	8.77	182,352	12.61
No Family Planning Adjustment Factor	1.0000		1.0000		1.0000		1.0000			
Adjusted Rates for No Family Planning		12.38		21.56		10.83		8.77		

CHIP Perinatal Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 EPO Area

	Perinate <185%		Perinate 185%+		Newborn <185%		Newborn 185%+		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
Estimated VDP Experience 3/1/2011 - 8/31/2011										
Member Months	54,246		846		998		386		56,476	
Estimated Incurred Claims	985,270	18.16	15,848	18.73	7,236	7.25	3,530	9.15	1,011,884	17.92
Projected 3/12-8/12 Member Months	46,134		738		0		222		47,094	
Annual Trend Assumption	3.5 %		3.5 %		3.5 %		3.5 %			
Provider Reimbursement Adjustments										
Dispensing Fee Reduction	0.9798		0.9798		0.9797		0.9814			
Copayment Change Adjustment	1.0000		1.0000		1.0000		1.0000			
Managed Care Discount Factor	0.9500		0.9500		0.9500		0.9500			
Projected Incurred Claims	807,254	17.50	13,319	18.05	0	6.98	1,959	8.82	822,531	17.47
Administrative Expenses	83,041	1.80	1,328	1.80	0	1.80	400	1.80	84,769	1.80
Risk Margin	2.0 %		2.0 %		2.0 %		2.0 %			
Premium Tax	1.75 %		1.75 %		1.75 %		1.75 %			
Projected Total Cost	924,982	20.05	15,218	21.56	0	10.83	2,451	8.77	942,650	20.02

### ***Attachment 3***

#### **Trend Analysis**

The pharmacy carve-in rating methodology uses assumed trend factors to adjust the base period (March 1, 2011 through August 31, 2011) claims cost to the rating period (March 1, 2012 through August 31, 2012). The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on an analysis of recent Vendor Drug Program (VDP) experience under the various Medicaid and CHIP managed care programs. The trend assumptions vary by program and risk group but are uniform for all service areas.

The trend analysis included a review of VDP claims experience data paid through October 31, 2011. Based on this information, estimates of monthly incurred claims were made through August 2011. The per-capita claims cost and trend experience was reviewed separately by program, service area and risk group. The service area trends were then combined into a single statewide average (for each program and risk group) using a weighted average formula with current enrollment as the weights.

The rating period trend assumptions were developed using the following formula:

Rating period trend rate equals one-sixth of the actual FY2009 trend plus two-sixths of the actual FY2010 trend plus three-sixths of the actual FY2011 trend. This formula was used in developing the trend assumptions for all programs and risk groups. The trend assumption for STAR Disabled and Blind clients (in the MRSA service areas only) was developed based on STAR+PLUS Medicaid Only experience. A single trend assumption was developed for the two STAR+PLUS risk groups and a single trend assumption was developed for all CHIP and CHIP Perinatal risk groups.

The attached exhibits present the trend assumptions for each program. Each exhibit contains the trend derivation for each program and risk.

Exhibit A – STAR Program

Exhibit B – STAR+PLUS Program

Exhibit C – STAR Health Program

Exhibit D – CHIP Program and CHIP Perinatal

3/1/2012 Pharmacy Carve-in Rating Analysis  
 Historical Trend in Incurred VDP Claims pmpm  
 STAR Program

Month	TANF Children	TANF Adults	Pregnant Women	Newborns	Expansion Children	Federal Mandate Children	Total
<b>Utilization (Days Supply per 1,000) Trend</b>							
FY2009	1.047	1.070	1.026	1.003	0.978	1.048	1.024
FY2010	1.010	0.958	0.984	1.003	0.994	1.001	0.996
FY2011	0.982	1.094	0.971	0.982	0.972	0.990	0.989
<b>Inflation (Cost per Days Supply) Trend</b>							
FY2009	0.989	0.933	0.967	0.982	0.967	0.994	0.977
FY2010	0.985	0.998	1.076	0.956	0.975	0.990	0.985
FY2011	1.077	1.021	1.025	1.102	1.073	1.063	1.060
<b>Incurred Claims pmpm Trend</b>							
FY2009	1.036	0.998	0.992	0.985	0.945	1.041	1.001
FY2010	0.995	0.956	1.060	0.959	0.969	0.990	0.982
FY2011	1.057	1.117	0.995	1.082	1.043	1.052	1.048
Weighted Average	1.033	1.044	1.016	1.025	1.002	1.030	1.018

3/1/2012 Pharmacy Carve-in Rating Analysis  
 Historical Trend in Incurred VDP Claims pmpm  
 STAR+PLUS Program  
 All Disabled and Blind/Medicaid Only Clients

Month	Bexar	Dallas	El Paso	Jefferson	Harris	Hidalgo	Lubbock	Nueces	Tarrant	Travis	MRSA Central	MRSA Northeast	MRSA West	Total
<b>Utilization (Days Supply per 1,000) Trend</b>														
FY2009	1.125	1.014	1.077	1.006	1.090	1.034	1.051	1.118	0.988	1.161	1.006	1.016	1.019	1.060
FY2010	0.966	1.018	0.975	0.973	0.978	0.955	0.979	0.996	1.032	0.955	0.965	0.948	0.960	0.980
FY2011	1.035	1.034	1.026	1.023	1.044	1.020	1.040	1.050	1.040	1.038	1.034	1.015	1.016	1.035
<b>Inflation (Cost per Days Supply) Trend</b>														
FY2009	0.939	0.965	1.239	1.016	0.952	0.991	0.972	0.963	0.966	0.949	1.002	0.990	0.986	0.975
FY2010	1.039	1.025	1.008	1.035	1.045	1.025	1.013	1.020	1.028	1.026	1.017	1.019	1.020	1.028
FY2011	1.028	1.017	0.762	1.028	1.034	1.073	1.061	1.061	1.028	1.062	1.047	1.041	1.041	1.027
<b>Incurred Claims pmpm Trend</b>														
FY2009	1.056	0.978	1.335	1.021	1.038	1.025	1.021	1.077	0.955	1.102	1.008	1.005	1.005	1.033
FY2010	1.004	1.044	0.983	1.007	1.021	0.979	0.992	1.015	1.061	0.980	0.982	0.966	0.979	1.008
FY2011	1.063	1.052	0.781	1.051	1.080	1.095	1.103	1.114	1.069	1.102	1.083	1.057	1.057	1.062
Weighted Average												Weighted Average:	1.039	

3/1/2012 Pharmacy Carve-in Rating Analysis  
 Historical Trend in Incurred VDP Claims pmpm  
 STAR Health Program

Month	Members	Scripts	Days Supply	Incurred Claims	Amount of:			Trend in:			
					Scripts pmpm	Days pmpm	Cost pmpm	Scripts pmpm	Days pmpm	Cost pmpm	
FY2008	155,082	197,281	5,114,174	23,236,099	1.272	32.98	149.83				
FY2009	372,706	510,753	13,127,051	58,586,666	1.370	35.22	157.19	1.077	1.068	1.049	
FY2010	373,922	536,340	13,384,978	57,653,974	1.434	35.80	154.19	1.047	1.016	0.981	
FY2011	400,855	566,085	14,152,620	63,574,702	1.412	35.31	158.60	0.985	0.986	1.029	
									Weighted Average:		1.016

3/1/2012 Pharmacy Carve-in Rating Analysis  
 Historical Trend in Incurred VDP Claims pmpm  
 CHIP and CHIP Perinatal

Fiscal Year	CHIP					CHIP Perinatal					Grand Total
	Age <1	Age 1-5	Age 6-14	Age 15-18	Total	Perinate <185%	Perinate 185%+	Newborn <185%	Newborn 185%+	Total	
<b>Member Months</b>											
FY2008	14,214	809,985	2,894,245	950,750	4,669,194	379,614	7,037	310,244	6,226	703,121	5,372,315
FY2009	14,867	996,651	3,422,470	1,161,412	5,595,400	433,695	6,133	368,294	5,500	813,622	6,409,022
FY2010	16,019	1,020,152	3,695,245	1,307,895	6,039,311	433,339	5,191	362,557	4,101	805,188	6,844,499
FY2011	15,527	1,072,771	3,904,394	1,402,923	6,395,615	440,239	6,524	78,985	3,655	529,403	6,925,018
3/12-8/12	7,386	552,492	2,010,018	727,590	3,297,486	198,672	3,096	0	1,080	202,848	3,500,334
<b>Incurred Claims</b>											
FY2008	237,030	15,483,633	67,502,126	22,680,481	105,903,270	2,537,343	88,085	2,606,020	69,716	5,301,165	111,204,435
FY2009	240,450	18,411,230	81,421,069	28,825,220	128,897,969	4,099,312	97,738	3,364,209	65,833	7,627,093	136,525,062
FY2010	274,008	19,702,507	91,031,267	31,916,773	142,924,555	5,813,731	79,270	3,229,274	41,246	9,163,520	152,088,075
FY2011	244,040	21,699,636	100,385,958	34,851,841	157,181,475	6,425,171	116,825	742,488	39,432	7,323,915	164,505,390
<b>Incurred Claims pmpm</b>											
FY2008	16.68	19.12	23.32	23.86	22.68	6.68	12.52	8.40	11.20	7.54	20.70
FY2009	16.17	18.47	23.79	24.82	23.04	9.45	15.94	9.13	11.97	9.37	21.30
FY2010	17.11	19.31	24.63	24.40	23.67	13.42	15.27	8.91	10.06	11.38	22.22
FY2011	15.72	20.23	25.71	24.84	24.58	14.59	17.91	9.40	10.79	13.83	23.76
<b>Case-mix Adjusted Incurred Claims pmpm</b>											
FY2008											21.80
FY2009											22.32
FY2010											23.08
FY2011											24.00
<b>Trend in Case-mix Adjusted Incurred Claims pmpm</b>											
FY2009											1.024
FY2010											1.034
FY2011											1.040

Weighted Average: 1.035

## ***Attachment 4***

### Dispensing Fee Adjustment Factor – September 1, 2011

Effective September 1, 2011, HHSC reduced the dispensing fee paid to pharmacies under the VDP. The fixed component of the dispensing fee is now \$6.50 and the variable component is 1.96%. The experience period claims were re-processed using this revised dispensing fee formula and resulting adjustment factors developed. This issue impacted all programs, service areas and risk groups. Attachment 4 presents a summary of the dispensing fee adjustment factor analysis.

Exhibit A – STAR Program

Exhibit B – STAR+PLUS Program

Exhibit C – STAR Health Program

Exhibit D – CHIP Program

Exhibit E – CHIP Perinatal Program

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
STAR

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Hidalgo</u>	<u>Lubbock</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>							
TANF Children 1+	3,908,521	3,175,123	2,522,187	2,616,203	5,159,558	12,580,005	1,783,932
TANF Children <1	212,415	166,042	224,836	130,643	309,060	1,056,875	108,342
TANF Adults	4,042,507	1,614,005	2,094,367	1,636,721	4,108,725	4,694,241	1,616,538
Pregnant Women	2,326,142	3,148,484	746,692	650,216	5,393,140	2,709,373	766,062
Newborns	2,318,458	3,089,862	1,635,153	1,051,023	6,147,236	7,819,323	909,463
Expansion Children 1+	7,611,589	16,207,183	4,285,184	3,336,895	26,282,450	28,301,340	2,244,394
Expansion Children <1	182,326	733,921	216,373	98,451	1,035,127	1,465,671	61,725
Federal Mandate	16,924,947	28,782,486	9,414,742	6,316,710	42,322,463	40,739,202	4,541,026
Disabled and Blind							
Total	37,526,906	56,917,107	21,139,534	15,836,861	90,757,760	99,366,029	12,031,482
<b>Dispensing Fee Adjustment</b>							
TANF Children 1+	-38,565	-33,124	-29,148	-23,250	-55,718	-155,816	-18,464
TANF Children <1	-2,446	-2,747	-2,390	-1,674	-4,645	-14,319	-1,300
TANF Adults	-44,584	-22,735	-20,533	-17,257	-48,870	-37,382	-17,537
Pregnant Women	-39,936	-55,176	-14,541	-12,154	-94,895	-42,303	-12,657
Newborns	-25,937	-48,807	-16,242	-13,595	-91,594	-103,270	-9,587
Expansion Children 1+	-93,970	-257,122	-62,572	-42,368	-413,785	-415,397	-30,484
Expansion Children <1	-1,988	-11,920	-2,040	-1,246	-15,642	-19,326	-781
Federal Mandate	-144,040	-288,621	-92,470	-55,053	-444,681	-445,777	-42,003
Disabled and Blind							
Total	-391,467	-720,252	-239,935	-166,597	-1,169,831	-1,233,590	-132,813
<b>Adjusted Incurred Claims</b>							
TANF Children 1+	3,869,956	3,142,000	2,493,039	2,592,953	5,103,840	12,424,189	1,765,468
TANF Children <1	209,968	163,296	222,447	128,969	304,414	1,042,556	107,042
TANF Adults	3,997,923	1,591,270	2,073,833	1,619,464	4,059,855	4,656,858	1,599,001
Pregnant Women	2,286,207	3,093,308	732,151	638,062	5,298,245	2,667,070	753,405
Newborns	2,292,521	3,041,056	1,618,911	1,037,428	6,055,643	7,716,053	899,876
Expansion Children 1+	7,517,619	15,950,061	4,222,613	3,294,526	25,868,665	27,885,943	2,213,909
Expansion Children <1	180,338	722,001	214,332	97,205	1,019,485	1,446,345	60,943
Federal Mandate	16,780,906	28,493,865	9,322,273	6,261,657	41,877,781	40,293,425	4,499,024
Disabled and Blind							
Total	37,135,439	56,196,855	20,899,598	15,670,265	89,587,929	98,132,439	11,898,669
<b>Dispensing Fee Adjustment Factor</b>							
TANF Children 1+	-0.0099	-0.0104	-0.0116	-0.0089	-0.0108	-0.0124	-0.0104
TANF Children <1	-0.0115	-0.0165	-0.0106	-0.0128	-0.0150	-0.0135	-0.0120
TANF Adults	-0.0110	-0.0141	-0.0098	-0.0105	-0.0119	-0.0080	-0.0108
Pregnant Women	-0.0172	-0.0175	-0.0195	-0.0187	-0.0176	-0.0156	-0.0165
Newborns	-0.0112	-0.0158	-0.0099	-0.0129	-0.0149	-0.0132	-0.0105
Expansion Children 1+	-0.0123	-0.0159	-0.0146	-0.0127	-0.0157	-0.0147	-0.0136
Expansion Children <1	-0.0109	-0.0162	-0.0094	-0.0127	-0.0151	-0.0132	-0.0127
Federal Mandate	-0.0085	-0.0100	-0.0098	-0.0087	-0.0105	-0.0109	-0.0092
Disabled and Blind			80				
Total	-0.0104	-0.0127	-0.0114	-0.0105	-0.0129	-0.0124	-0.0110

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
STAR

Risk Group	Nueces	Tarrant	Travis	MRSA Central	MRSA Northeast	MRSA West	Total
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>							
TANF Children 1+	2,089,755	1,509,650	2,996,619	3,212,537	3,728,926	3,009,899	48,292,916
TANF Children <1	101,528	90,815	197,843	120,132	169,007	129,825	3,017,364
TANF Adults	1,594,439	1,351,214	3,722,037	2,321,837	2,876,543	2,498,320	34,171,495
Pregnant Women	979,414	2,567,884	1,000,747	861,467	1,540,620	1,312,805	24,003,045
Newborns	1,159,472	1,814,579	774,349	877,039	2,019,561	1,666,742	31,282,261
Expansion Children 1+	4,099,241	7,489,113	3,730,989	3,556,362	7,082,984	4,825,187	119,052,911
Expansion Children <1	58,596	324,372	141,617	94,077	233,199	122,308	4,767,762
Federal Mandate	8,170,043	15,874,175	6,268,220	7,537,253	13,129,566	10,456,574	210,477,407
Disabled and Blind				17,954,064	30,062,952	23,008,522	71,025,537
Total	18,252,488	31,021,802	18,832,420	36,534,769	60,843,358	47,030,182	546,090,698

**Dispensing Fee Adjustment**

TANF Children 1+	-22,305	-16,940	-31,956	-29,843	-34,563	-30,394	-520,086
TANF Children <1	-1,699	-1,416	-2,424	-1,767	-2,531	-2,054	-41,411
TANF Adults	-17,634	-15,541	-41,352	-23,709	-27,371	-23,800	-358,304
Pregnant Women	-17,311	-46,232	-19,578	-14,819	-23,723	-23,706	-417,029
Newborns	-17,660	-29,804	-10,734	-12,599	-26,581	-22,860	-429,269
Expansion Children 1+	-57,212	-112,536	-44,740	-40,275	-84,229	-59,378	-1,714,067
Expansion Children <1	-1,017	-4,425	-2,059	-1,242	-2,929	-1,759	-66,376
Federal Mandate	-74,576	-146,369	-57,147	-61,787	-105,062	-89,010	-2,046,597
Disabled and Blind				-84,007	-147,583	-106,246	-337,836
Total	-209,414	-373,263	-209,989	-270,046	-454,571	-359,208	-5,930,976

**Adjusted Incurred Claims**

TANF Children 1+	2,067,450	1,492,709	2,964,662	3,182,694	3,694,364	2,979,505	47,772,829
TANF Children <1	99,829	89,400	195,419	118,365	166,476	127,771	2,975,952
TANF Adults	1,576,806	1,335,674	3,680,685	2,298,128	2,849,172	2,474,520	33,813,191
Pregnant Women	962,103	2,521,652	981,169	846,648	1,516,898	1,289,099	23,586,016
Newborns	1,141,812	1,784,775	763,615	864,441	1,992,980	1,643,882	30,852,993
Expansion Children 1+	4,042,029	7,376,577	3,686,249	3,516,088	6,998,755	4,765,810	117,338,843
Expansion Children <1	57,578	319,948	139,557	92,835	230,270	120,548	4,701,386
Federal Mandate	8,095,467	15,727,806	6,211,073	7,475,466	13,024,504	10,367,564	208,430,810
Disabled and Blind				17,870,057	29,915,369	22,902,276	70,687,701
Total	18,043,074	30,648,540	18,622,431	36,264,723	60,388,787	46,670,975	540,159,722

**Dispensing Fee Adjustment Factor**

TANF Children 1+	-0.0107	-0.0112	-0.0107	-0.0093	-0.0093	-0.0101	-0.0108
TANF Children <1	-0.0167	-0.0156	-0.0123	-0.0147	-0.0150	-0.0158	-0.0137
TANF Adults	-0.0111	-0.0115	-0.0111	-0.0102	-0.0095	-0.0095	-0.0105
Pregnant Women	-0.0177	-0.0180	-0.0196	-0.0172	-0.0154	-0.0181	-0.0174
Newborns	-0.0152	-0.0164	-0.0139	-0.0144	-0.0132	-0.0137	-0.0137
Expansion Children 1+	-0.0140	-0.0150	-0.0120	-0.0113	-0.0119	-0.0123	-0.0144
Expansion Children <1	-0.0174	-0.0136	-0.0145	-0.0132	-0.0126	-0.0144	-0.0139
Federal Mandate	-0.0091	-0.0092	-0.0091	-0.0082	-0.0080	-0.0085	-0.0097
Disabled and Blind			81	-0.0047	-0.0049	-0.0046	-0.0048
Total	-0.0115	-0.0120	-0.0112	-0.0074	-0.0075	-0.0076	-0.0109

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
STAR+PLUS

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Hidalgo</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>						
Disabled and Blind <21	40,070	0	3,396,683	3,327,481	345,807	16,042,887
Disabled and Blind 21+	293,495	0	8,621,781	11,497,912	1,379,789	14,794,558
Medicaid Only OCC <21	2,161,704	350,618	0	0	5,129,988	0
Medicaid Only OCC 21+	43,655,357	46,079,426	0	0	86,803,698	0
Medicaid Only CBA <21	0	0	0	0	0	0
Medicaid Only CBA 21+	5,348,127	3,095,749	0	0	9,697,654	0
Total	51,498,754	49,525,792	12,018,464	14,825,393	103,356,936	30,837,446
<b>Dispensing Fee Adjustment</b>						
Disabled and Blind <21	-192	0	-19,025	-16,098	-1,583	-101,203
Disabled and Blind 21+	-1,099	0	-50,840	-59,965	-6,532	-66,076
Medicaid Only OCC <21	-10,855	-2,100	0	0	-28,288	0
Medicaid Only OCC 21+	-307,586	-329,714	0	0	-587,733	0
Medicaid Only CBA <21	0	0	0	0	0	0
Medicaid Only CBA 21+	-38,280	-21,867	0	0	-65,896	0
Total	-358,013	-353,681	-69,865	-76,063	-690,032	-167,279
<b>Adjusted Incurred Claims</b>						
Disabled and Blind <21	39,878	0	3,377,658	3,311,383	344,224	15,941,684
Disabled and Blind 21+	292,396	0	8,570,941	11,437,947	1,373,257	14,728,482
Medicaid Only OCC <21	2,150,849	348,518	0	0	5,101,700	0
Medicaid Only OCC 21+	43,347,771	45,749,711	0	0	86,215,964	0
Medicaid Only CBA <21	0	0	0	0	0	0
Medicaid Only CBA 21+	5,309,847	3,073,881	0	0	9,631,758	0
Total	51,140,741	49,172,111	11,948,599	14,749,330	102,666,903	30,670,166
<b>Dispensing Fee Adjustment Factor</b>						
Disabled and Blind <21	-0.0048		-0.0056	-0.0048	-0.0046	-0.0063
Disabled and Blind 21+	-0.0037		-0.0059	-0.0052	-0.0047	-0.0045
Medicaid Only OCC <21	-0.0050	-0.0060			-0.0055	
Medicaid Only OCC 21+	-0.0070	-0.0072			-0.0068	
Medicaid Only CBA <21						
Medicaid Only CBA 21+	-0.0072	-0.0071			-0.0068	
Total	-0.0070	-0.0071	-0.0058	-0.0051	-0.0067	-0.0054

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
STAR+PLUS

<u>Risk Group</u>	<u>Lubbock</u>	<u>Nueces</u>	<u>Tarrant</u>	<u>Travis</u>	<u>Total</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>					
Disabled and Blind <21	2,080,695	211,655	0	37,409	25,482,687
Disabled and Blind 21+	7,138,653	438,066	0	182,183	44,346,437
Medicaid Only OCC <21	0	392,573	468,338	451,060	8,954,281
Medicaid Only OCC 21+	0	17,188,638	31,642,498	17,999,520	243,369,136
Medicaid Only CBA <21	0	0	0	0	0
Medicaid Only CBA 21+	0	2,647,859	2,401,066	1,719,770	24,910,225
Total	9,219,348	20,878,791	34,511,902	20,389,941	347,062,766

**Dispensing Fee Adjustment**

Disabled and Blind <21	-10,426	-1,062	0	-271	-149,860
Disabled and Blind 21+	-47,579	-2,392	0	-1,079	-235,563
Medicaid Only OCC <21	0	-1,828	-2,593	-2,034	-47,697
Medicaid Only OCC 21+	0	-125,676	-201,244	-111,167	-1,663,121
Medicaid Only CBA <21	0	0	0	0	0
Medicaid Only CBA 21+	0	-19,419	-17,102	-9,528	-172,093
Total	-58,006	-150,376	-220,939	-124,079	-2,268,334

**Adjusted Incurred Claims**

Disabled and Blind <21	2,070,269	210,594	0	37,138	25,332,827
Disabled and Blind 21+	7,091,074	435,674	0	181,104	44,110,874
Medicaid Only OCC <21	0	390,745	465,745	449,026	8,906,583
Medicaid Only OCC 21+	0	17,062,962	31,441,253	17,888,353	241,706,015
Medicaid Only CBA <21	0	0	0	0	0
Medicaid Only CBA 21+	0	2,628,440	2,383,964	1,710,242	24,738,133
Total	9,161,342	20,728,415	34,290,962	20,265,862	344,794,432

**Dispensing Fee Adjustment Factor**

Disabled and Blind <21	-0.0050	-0.0050		-0.0072	-0.0059
Disabled and Blind 21+	-0.0067	-0.0055		-0.0059	-0.0053
Medicaid Only OCC <21		-0.0047	-0.0055	-0.0045	-0.0053
Medicaid Only OCC 21+		-0.0073	-0.0064	-0.0062	-0.0068
Medicaid Only CBA <21					
Medicaid Only CBA 21+		-0.0073	-0.0071	-0.0055	-0.0069
Total	-0.0063	-0.0072	-0.0064	-0.0061	-0.0065

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
STAR Health

VDP Incurred Claims - 3/1/2011 thru 8/31/2011	32,191,110
Dispensing Fee Adjustment	-204,584
Adjusted Incurred Claims	31,986,526
Adjustment Factor	-0.0064

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
CHIP

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Lubbock</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>						
Under Age 1	5,008	11,840	12,418	2,079	29,544	1,353
Ages 1-5	638,841	1,263,741	385,492	279,233	2,358,600	199,055
Ages 6-14	4,278,846	6,923,698	1,934,083	1,318,734	11,441,102	1,164,016
Ages 15-18	1,538,200	2,001,890	1,273,888	470,113	4,105,227	405,947
Total	6,460,895	10,201,169	3,605,882	2,070,159	17,934,474	1,770,371
<b>Dispensing Fee Adjustment</b>						
Under Age 1	-102	-281	-81	-37	-581	-25
Ages 1-5	-8,296	-21,460	-5,359	-4,029	-41,339	-3,152
Ages 6-14	-33,723	-66,023	-19,008	-11,854	-113,563	-10,116
Ages 15-18	-12,718	-20,092	-7,762	-4,280	-38,045	-3,620
Total	-54,839	-107,856	-32,210	-20,200	-193,527	-16,914
<b>Adjusted Incurred Claims</b>						
Under Age 1	4,906	11,559	12,337	2,041	28,963	1,328
Ages 1-5	630,545	1,242,281	380,133	275,204	2,317,262	195,902
Ages 6-14	4,245,124	6,857,675	1,915,075	1,306,881	11,327,540	1,153,900
Ages 15-18	1,525,482	1,981,798	1,266,126	465,833	4,067,182	402,327
Total	6,406,056	10,093,313	3,573,672	2,049,959	17,740,946	1,753,457
<b>Dispensing Fee Adjustment Factor</b>						
Under Age 1	-0.0203	-0.0237	-0.0065	-0.0178	-0.0197	-0.0185
Ages 1-5	-0.0130	-0.0170	-0.0139	-0.0144	-0.0175	-0.0158
Ages 6-14	-0.0079	-0.0095	-0.0098	-0.0090	-0.0099	-0.0087
Ages 15-18	-0.0083	-0.0100	-0.0061	-0.0091	-0.0093	-0.0089
Total	-0.0085	-0.0106	-0.0089	-0.0098	-0.0108	-0.0096

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
CHIP

<u>Risk Group</u>	<u>Nueces</u>	<u>Tarrant</u>	<u>Travis</u>	<u>EPO</u>	<u>Total</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>					
Under Age 1	973	13,063	3,688	20,446	100,413
Ages 1-5	280,609	841,189	348,920	2,687,144	9,282,826
Ages 6-14	1,690,041	5,231,378	2,164,451	12,724,270	48,870,619
Ages 15-18	553,816	1,782,278	903,553	4,393,623	17,428,536
Total	2,525,439	7,867,909	3,420,612	19,825,484	75,682,393
<b>Dispensing Fee Adjustment</b>					
Under Age 1	-22	-217	-79	-409	-1,835
Ages 1-5	-4,532	-13,852	-5,553	-36,077	-143,649
Ages 6-14	-14,633	-44,271	-18,327	-116,192	-447,711
Ages 15-18	-5,576	-14,134	-6,963	-42,093	-155,283
Total	-24,763	-72,475	-30,923	-194,770	-748,477
<b>Adjusted Incurred Claims</b>					
Under Age 1	950	12,846	3,608	20,038	98,578
Ages 1-5	276,077	827,337	343,368	2,651,068	9,139,177
Ages 6-14	1,675,408	5,187,107	2,146,123	12,608,078	48,422,909
Ages 15-18	548,240	1,768,144	896,590	4,351,530	17,273,253
Total	2,500,675	7,795,434	3,389,689	19,630,713	74,933,916
<b>Dispensing Fee Adjustment Factor</b>					
Under Age 1	-0.0230	-0.0166	-0.0215	-0.0200	-0.0183
Ages 1-5	-0.0162	-0.0165	-0.0159	-0.0134	-0.0155
Ages 6-14	-0.0087	-0.0085	-0.0085	-0.0091	-0.0092
Ages 15-18	-0.0101	-0.0079	-0.0077	-0.0096	-0.0089
Total	-0.0098	-0.0092	-0.0090	-0.0098	-0.0099

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
CHIP Perinatal

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Lubbock</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>						
Perinate <185% FPL	93,154	116,745	65,467	34,423	1,295,107	29,007
Perinate 185%+ FPL	2,056	1,084	1,727	1,397	26,174	670
Newborn <185% FPL	229	5,878	680	0	18,336	186
Newborn 185%+ FPL	206	721	923	276	4,833	10
Total	95,645	124,428	68,797	36,096	1,344,451	29,873
<b>Dispensing Fee Adjustment</b>						
Perinate <185% FPL	-2,060	-2,086	-1,408	-685	-25,765	-535
Perinate 185%+ FPL	-34	-22	-21	-17	-469	-16
Newborn <185% FPL	-7	-139	-11	0	-379	-4
Newborn 185%+ FPL	-4	-12	-9	-19	-103	0
Total	-2,105	-2,259	-1,449	-721	-26,716	-555
<b>Adjusted Incurred Claims</b>						
Perinate <185% FPL	91,093	114,659	64,059	33,738	1,269,343	28,472
Perinate 185%+ FPL	2,023	1,062	1,707	1,380	25,705	654
Newborn <185% FPL	222	5,739	669	0	17,957	182
Newborn 185%+ FPL	202	708	913	257	4,731	10
Total	93,540	122,169	67,347	35,375	1,317,735	29,318
<b>Dispensing Fee Adjustment Factor</b>						
Perinate <185% FPL	-0.0221	-0.0179	-0.0215	-0.0199	-0.0199	-0.0184
Perinate 185%+ FPL	-0.0163	-0.0206	-0.0120	-0.0123	-0.0179	-0.0244
Newborn <185% FPL	-0.0300	-0.0236	-0.0165		-0.0207	-0.0231
Newborn 185%+ FPL	-0.0208	-0.0168	-0.0103	-0.0689	-0.0212	0.0000
Total	-0.0220	-0.0182	-0.0211	-0.0200	-0.0199	-0.0186

Vendor Drug Program  
Impact of Provider Reimbursement Change  
Reduction in Dispensing Fee from \$7.35 to \$6.50  
CHIP Perinatal

	<u>Nueces</u>	<u>Tarrant</u>	<u>Travis</u>	<u>EPO</u>	<u>Total</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>					
Perinate <185% FPL	30,799	516,835	176,840	985,426	3,343,803
Perinate 185%+ FPL	1,734	10,648	7,962	15,848	69,301
Newborn <185% FPL	110	3,892	501	7,235	37,049
Newborn 185%+ FPL	39	139	509	3,530	11,185
Total	32,682	531,514	185,812	1,012,039	3,461,337
<b>Dispensing Fee Adjustment</b>					
Perinate <185% FPL	-647	-9,652	-4,193	-19,882	-66,912
Perinate 185%+ FPL	-36	-207	-66	-320	-1,208
Newborn <185% FPL	-1	-88	-22	-147	-798
Newborn 185%+ FPL	-2	-6	-10	-66	-231
Total	-686	-9,953	-4,291	-20,413	-69,149
<b>Adjusted Incurred Claims</b>					
Perinate <185% FPL	30,152	507,183	172,647	965,544	3,276,890
Perinate 185%+ FPL	1,698	10,441	7,896	15,528	68,093
Newborn <185% FPL	109	3,804	479	7,089	36,251
Newborn 185%+ FPL	37	133	498	3,464	10,954
Total	31,996	521,561	181,521	991,625	3,392,188
<b>Dispensing Fee Adjustment Factor</b>					
Perinate <185% FPL	-0.0210	-0.0187	-0.0237	-0.0202	-0.0200
Perinate 185%+ FPL	-0.0208	-0.0194	-0.0082	-0.0202	-0.0174
Newborn <185% FPL	-0.0078	-0.0226	-0.0447	-0.0203	-0.0215
Newborn 185%+ FPL	-0.0445	-0.0434	-0.0203	-0.0186	-0.0207
Total	-0.0210	-0.0187	-0.0231	-0.0202	-0.0200

## *Attachment 5*

### Unlimited Prescriptions Adjustment

Adults (clients age 21 and over) in Medicaid FFS/PCCM have a three prescription per month limit while those adults in STAR and STAR+PLUS have unlimited prescriptions. In order to recognize the increase in benefit (and cost) for adult clients moving from FFS/PCCM to managed care, we developed adjustment factors for adult clients in STAR (TANF Adults, Pregnant Women and Disabled and Blind adults) and STAR+PLUS (Medicaid Only adults).

Texas Medicaid Healthcare Partnership (TMHP) conducted an analysis to evaluate the historical cost of unlimited prescriptions for adults in managed care. The intent of TMHP's analysis was to determine what the prescription drug utilization and cost would have been for those adult clients had they been limited to three prescriptions per month. Their analysis considered the order of prescription purchases (in a three prescription limit scenario, the more expensive drugs would likely be among the first three purchased) and the differing maximum days supply rules that apply to limited and unlimited prescription clients.

The unlimited prescriptions adjustment applied to adults in STAR and STAR+PLUS expansion counties and new service areas. The adjustment did not impact existing STAR and STAR+PLUS counties, STAR Health, CHIP or CHIP Perinatal. The attached exhibits present a summary of the unlimited prescriptions adjustment factor analysis. Exhibit A is a summary of the information provided by TMHP which was used as the basis for the adjustment factors. Exhibits B and C present the derivation of the adjustment factors for STAR and STAR+PLUS, respectively.

Month	STAR		
	TANF Adults	Pregnant Women	Disabled & Blind

TMHP Estimate of Cost of Monthly Prescriptions in Excess of 3

200709	174,074	85,912	1,006,828
200710	199,379	111,519	1,242,609
200711	178,751	100,070	1,106,641
200712	186,555	114,538	1,015,011
200801	231,864	143,892	1,241,293
200802	106,832	56,802	455,789
200803	165,264	112,461	282,676
200804	186,848	109,029	299,375
200805	165,990	109,429	302,790
200806	158,971	79,113	277,906
200807	166,220	85,738	328,016
200808	153,507	82,275	308,246
200809	165,022	82,834	333,614
200810	180,442	99,588	360,196
200811	141,917	72,545	282,454
200812	190,104	87,823	370,644
200901	195,186	93,990	348,523
200902	161,581	72,097	304,389
200903	196,022	85,265	344,750
200904	191,550	94,523	345,820
200905	172,189	87,520	311,092
200906	179,044	91,330	1,756,123
200907	184,764	99,774	1,742,677
200908	163,834	93,847	1,589,385
FY2008	2,074,256	1,190,779	7,867,180
FY2009	2,121,655	1,061,137	8,089,667

Member Months

FY2008	383,876	1,202,798	123,942
FY2009	402,989	1,193,046	135,317

Cost of More than 3 Scripts pmpm

FY2008	5.40	0.99	63.47
FY2009	5.26	0.89	59.78

Average VDP Cost pmpm

FY2008	80.32	40.54	297.36
FY2009	81.83	40.28	308.68

Percentage Increase

FY2008	6.7 %	2.4 %	21.3 %
FY2009	6.4 %	2.2 %	19.4 %

Factor	6.6 %	2.3 %	20.4 %
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Vendor Drug Program  
 Impact of Changing to Unlimited Prescriptions for Some Clients  
 STAR

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Hidalgo</u>	<u>Lubbock</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>							
TANF Children 1+	3,908,521	3,175,123	2,522,187	2,616,203	5,159,558	12,580,005	1,783,932
TANF Children <1	212,415	166,042	224,836	130,643	309,060	1,056,875	108,342
TANF Adults	4,042,507	1,614,005	2,094,367	1,636,721	4,108,725	4,694,241	1,616,538
Pregnant Women	2,326,142	3,148,484	746,692	650,216	5,393,140	2,709,373	766,062
Newborns	2,318,458	3,089,862	1,635,153	1,051,023	6,147,236	7,819,323	909,463
Expansion Children 1+	7,611,589	16,207,183	4,285,184	3,336,895	26,282,450	28,301,340	2,244,394
Expansion Children <1	182,326	733,921	216,373	98,451	1,035,127	1,465,671	61,725
Federal Mandate	16,924,947	28,782,486	9,414,742	6,316,710	42,322,463	40,739,202	4,541,026
Disabled and Blind <21							
Disabled and Blind 21+							
Total	37,526,906	56,917,107	21,139,534	15,836,861	90,757,760	99,366,029	12,031,482

**VDP Incurred Claims for PCCM Clients - 3/1/2011 thru 8/31/2011**

TANF Children 1+	32,999	0	6,414	2,616,203	178,200	12,580,005	676,291
TANF Children <1	207	0	390	130,643	4,917	1,056,875	54,026
TANF Adults	64,178	0	9,217	1,636,721	144,542	4,694,241	557,830
Pregnant Women	13,701	0	1,840	650,216	119,931	2,709,373	266,573
Newborns	11,274	0	2,464	1,051,023	98,246	7,819,323	385,245
Expansion Children 1+	50,788	0	9,444	3,336,895	427,042	28,301,340	807,259
Expansion Children <1	1,201	0	81	98,451	8,081	1,465,671	30,044
Federal Mandate	136,525	0	50,254	6,316,710	1,126,509	40,739,202	1,712,527
Disabled and Blind <21							
Disabled and Blind 21+							
Total	310,873	0	80,104	15,836,861	2,107,469	99,366,029	4,489,795

**Unlimited Scripts Adjustment Factor for PCCM Clients**

TANF Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Adults	1.0660	1.0660	1.0660	1.0660	1.0660	1.0660	1.0660
Pregnant Women	1.0230	1.0230	1.0230	1.0230	1.0230	1.0230	1.0230
Newborns	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Federal Mandate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Vendor Drug Program  
Impact of Changing to Unlimited Prescriptions for Some Clients  
STAR

<u>Risk Group</u>	<u>Bexar</u>	<u>Dallas</u>	<u>El Paso</u>	<u>Jefferson</u>	<u>Harris</u>	<u>Hidalgo</u>	<u>Lubbock</u>
Disabled and Blind <21							
Disabled and Blind 21+							
<b>Adjusted PCCM Incurred Claims</b>							
TANF Children 1+	32,999	0	6,414	2,616,203	178,200	12,580,005	676,291
TANF Children <1	207	0	390	130,643	4,917	1,056,875	54,026
TANF Adults	68,414	0	9,825	1,744,745	154,082	5,004,060	594,647
Pregnant Women	14,016	0	1,883	665,171	122,689	2,771,688	272,704
Newborns	11,274	0	2,464	1,051,023	98,246	7,819,323	385,245
Expansion Children 1+	50,788	0	9,444	3,336,895	427,042	28,301,340	807,259
Expansion Children <1	1,201	0	81	98,451	8,081	1,465,671	30,044
Federal Mandate	136,525	0	50,254	6,316,710	1,126,509	40,739,202	1,712,527
Disabled and Blind <21							
Disabled and Blind 21+							
Total	315,424	0	80,755	15,959,840	2,119,767	99,738,164	4,532,743
<b>Unlimited Scripts Adjustment Factor</b>							
TANF Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Adults	1.0010	1.0000	1.0003	1.0660	1.0023	1.0660	1.0228
Pregnant Women	1.0001	1.0000	1.0001	1.0230	1.0005	1.0230	1.0080
Newborns	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Federal Mandate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Disabled and Blind							
Total	1.0001	1.0000	1.0000	1.0078	1.0001	1.0037	1.0036

Vendor Drug Program  
Impact of Changing to Unlimited Prescriptions for Some Clients  
STAR

Risk Group	Nueces	Tarrant	Travis	MRSA Central	MRSA Northeast	MRSA West	Total
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>							
TANF Children 1+	2,089,755	1,509,650	2,996,619	3,212,537	3,728,926	3,009,899	48,292,916
TANF Children <1	101,528	90,815	197,843	120,132	169,007	129,825	3,017,364
TANF Adults	1,594,439	1,351,214	3,722,037	2,321,837	2,876,543	2,498,320	34,171,495
Pregnant Women	979,414	2,567,884	1,000,747	861,467	1,540,620	1,312,805	24,003,045
Newborns	1,159,472	1,814,579	774,349	877,039	2,019,561	1,666,742	31,282,261
Expansion Children 1+	4,099,241	7,489,113	3,730,989	3,556,362	7,082,984	4,825,187	119,052,911
Expansion Children <1	58,596	324,372	141,617	94,077	233,199	122,308	4,767,762
Federal Mandate	8,170,043	15,874,175	6,268,220	7,537,253	13,129,566	10,456,574	210,477,407
Disabled and Blind <21				3,833,016	6,256,023	5,524,571	15,613,610
Disabled and Blind 21+				14,121,047	23,806,929	17,483,951	55,411,927
Total	18,252,488	31,021,802	18,832,420	36,534,769	60,843,358	47,030,182	546,090,698

**VDP Incurred Claims for PCCM Clients - 3/1/2011 thru 8/31/2011**

TANF Children 1+	76,196	0	41,237	3,212,537	3,728,926	3,009,899	26,158,907
TANF Children <1	3,139	0	1,306	120,132	169,007	129,825	1,670,469
TANF Adults	53,285	0	33,269	2,321,837	2,876,543	2,498,320	14,889,983
Pregnant Women	49,154	0	9,645	861,467	1,540,620	1,312,805	7,535,325
Newborns	41,445	0	18,173	877,039	2,019,561	1,666,742	13,990,536
Expansion Children 1+	190,694	0	60,670	3,556,362	7,082,984	4,825,187	48,648,665
Expansion Children <1	3,148	0	449	94,077	233,199	122,308	2,056,710
Federal Mandate	384,144	0	103,579	7,537,253	13,129,566	10,456,574	81,692,843
Disabled and Blind <21				3,833,016	6,256,023	5,524,571	15,613,610
Disabled and Blind 21+				14,121,047	23,806,929	17,483,951	55,411,927
Total	801,205	0	268,328	36,534,769	60,843,358	47,030,182	267,668,974

**Unlimited Scripts Adjustment Factor for PCCM Clients**

TANF Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Adults	1.0660	1.0660	1.0660	1.0660	1.0660	1.0660
Pregnant Women	1.0230	1.0230	1.0230	1.0230	1.0230	1.0230
Newborns	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Federal Mandate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Vendor Drug Program  
Impact of Changing to Unlimited Prescriptions for Some Clients  
STAR

<u>Risk Group</u>	<u>Nueces</u>	<u>Tarrant</u>	<u>Travis</u>	<u>MRSA Central</u>	<u>MRSA Northeast</u>	<u>MRSA West</u>	<u>Total</u>
Disabled and Blind <21				1.0000	1.0000	1.0000	
Disabled and Blind 21+				1.2040	1.2040	1.2040	
<b>Adjusted PCCM Incurred Claims</b>							
TANF Children 1+	76,196	0	41,237	3,212,537	3,728,926	3,009,899	26,158,907
TANF Children <1	3,139	0	1,306	120,132	169,007	129,825	1,670,469
TANF Adults	56,801	0	35,465	2,475,079	3,066,395	2,663,210	15,872,722
Pregnant Women	50,284	0	9,867	881,280	1,576,055	1,342,999	7,708,637
Newborns	41,445	0	18,173	877,039	2,019,561	1,666,742	13,990,536
Expansion Children 1+	190,694	0	60,670	3,556,362	7,082,984	4,825,187	48,648,665
Expansion Children <1	3,148	0	449	94,077	233,199	122,308	2,056,710
Federal Mandate	384,144	0	103,579	7,537,253	13,129,566	10,456,574	81,692,843
Disabled and Blind <21				3,833,016	6,256,023	5,524,571	15,613,610
Disabled and Blind 21+				17,001,741	28,663,542	21,050,677	66,715,960
Total	805,852	0	270,746	39,588,517	65,925,257	50,791,992	280,129,058
<b>Unlimited Scripts Adjustment Factor</b>							
TANF Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
TANF Adults	1.0022	1.0000	1.0006	1.0660	1.0660	1.0660	1.0288
Pregnant Women	1.0012	1.0000	1.0002	1.0230	1.0230	1.0230	1.0072
Newborns	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children 1+	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Expansion Children <1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Federal Mandate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Disabled and Blind				1.1604	1.1615	1.1550	1.1592
Total	1.0003	1.0000	1.0001	1.0836	1.0835	1.0800	1.0228

Vendor Drug Program  
 Impact of Changing to Unlimited Prescriptions for Some Clients  
 STAR+PLUS

Risk Group	Bexar	Dallas	El Paso	Jefferson	Harris	Hidalgo	Lubbock	Nueces	Tarrant	Travis	Total
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>											
MO OCC <21	2,175,227	350,707	5,295,198	489,340	5,190,270	1,517,444	1,822,516	410,777	468,446	455,453	18,175,379
MO OCC 21+	43,957,685	46,087,643	18,182,531	11,941,856	88,277,560	37,309,946	11,114,187	17,919,269	31,650,078	18,187,921	324,628,676
MO CBA <21	0	0	0	0	0	0	0	0	0	0	0
MO CBA 21+	5,381,038	3,094,592	1,865,922	1,225,493	9,862,613	3,828,810	1,140,557	2,760,336	2,401,628	1,742,711	33,303,701
Total	51,513,951	49,532,942	25,343,651	13,656,690	103,330,443	42,656,200	14,077,260	21,090,382	34,520,152	20,386,085	376,107,756

**VDP Incurred Claims for FFS/PCCM Clients - 3/1/2011 thru 8/31/2011**

MO OCC <21	13,025	0	1,939,039	489,340	59,138	1,517,444	460,681	18,114	0	4,291	4,501,073
MO OCC 21+	294,602	0	10,410,980	11,941,856	1,458,389	37,309,946	7,064,553	727,494	0	190,465	69,398,286
MO CBA <21	0	0	0	0	0	0	0	0	0	0	0
MO CBA 21+	36,003	0	1,068,392	1,225,493	162,467	3,828,810	724,976	111,864	0	18,204	7,176,211
Total	343,631	0	13,418,412	13,656,690	1,679,994	42,656,200	8,250,211	857,472	0	212,960	81,075,570

**Unlimited Scripts Adjustment Factor for PCCM Clients**

MO OCC <21	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
MO OCC 21+	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040
MO CBA <21	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
MO CBA 21+	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040	1.2040

**Adjusted PCCM Incurred Claims**

MO OCC <21	13,025	0	1,939,039	489,340	59,138	1,517,444	460,681	18,114	0	4,291	4,501,073
MO OCC 21+	354,701	0	12,534,820	14,377,995	1,755,900	44,921,175	8,505,722	875,903	0	229,319	83,555,537
MO CBA <21	0	0	0	0	0	0	0	0	0	0	0
MO CBA 21+	43,348	0	1,286,344	1,475,494	195,610	4,609,887	872,872	134,685	0	21,918	8,640,158
Total	411,074	0	15,760,204	16,342,830	2,010,649	51,048,506	9,839,275	1,028,701	0	255,528	96,696,768

**Unlimited Scripts Adjustment Factor**

MO OCC <21	1.0000	1.0000			1.0000			1.0000	1.0000	1.0000	1.0000
MO OCC 21+	1.0014	1.0000			1.0034			1.0083	1.0000	1.0021	1.0436
MO CBA <21											
MO CBA 21+	1.0014	1.0000			1.0034			1.0083	1.0000	1.0021	1.0440
Total	1.0013	1.0000	1.0924	1.1967	1.0032	1.1967	1.1129	1.0081	1.0000	1.0021	1.0415

## ***Attachment 6***

### **Copayment Change Adjustment**

Effective March 1, 2012, HHSC will implement a pharmacy cost sharing increase for CHIP clients over 150% FPL. The member copayment will increase from \$8 to \$10 for generic drugs and from \$25 to \$35 for brand drugs. We re-priced the base period claims (for the applicable CHIP clients) using these revised copayment amounts and determined the resulting adjustment factors. The attached exhibit presents a summary of the copayment change adjustment factor analysis.

CHIP Rate Setting  
 Pharmacy Carve-in  
 March 1, 2012 - August 31, 2012  
 Analysis of CHIP Rx Cost Sharing Changes

Service Area	Age <1	Age 1-5	Age 6-14	Age 15-18	Total
<b>3/1/2011 - 8/31/2011 Incurred Claims</b>					
Bexar	5,008	638,841	4,277,855	1,538,998	6,460,702
Dallas	11,840	1,263,395	6,918,398	2,001,539	10,195,172
El Paso	12,418	385,492	1,932,774	1,274,056	3,604,740
Jefferson	2,079	279,226	1,316,991	473,777	2,072,073
Harris	29,544	2,358,569	11,442,111	4,103,871	17,934,095
Lubbock	1,353	199,055	1,163,833	405,921	1,770,162
Nueces	973	280,391	1,688,550	553,468	2,523,382
Tarrant	13,063	840,838	5,229,363	1,781,992	7,865,256
Travis	3,688	348,717	2,164,219	903,553	3,420,177
EPO	20,446	2,686,598	12,721,560	4,392,251	19,820,855
Total	100,412	9,281,122	48,855,654	17,429,426	75,666,614

**Estimated Additional Cost Sharing**

Bexar	87	24,487	68,077	22,976	115,627
Dallas	315	49,986	97,854	27,291	175,447
El Paso	236	14,143	33,789	12,079	60,247
Jefferson	71	10,891	23,509	7,261	41,732
Harris	763	97,820	194,683	56,523	349,789
Lubbock	13	9,224	19,899	5,378	34,515
Nueces	26	12,688	28,347	8,579	49,639
Tarrant	287	33,635	82,168	22,960	139,050
Travis	148	14,492	37,527	11,358	63,525
EPO	736	93,620	194,713	60,526	349,595
Total	2,681	360,986	780,567	234,931	1,379,165

**Adjustment Factor**

Bexar	0.9827	0.9617	0.9841	0.9851	0.9821
Dallas	0.9734	0.9604	0.9859	0.9864	0.9828
El Paso	0.9810	0.9633	0.9825	0.9905	0.9833
Jefferson	0.9661	0.9610	0.9821	0.9847	0.9799
Harris	0.9742	0.9585	0.9830	0.9862	0.9805
Lubbock	0.9903	0.9537	0.9829	0.9868	0.9805
Nueces	0.9736	0.9547	0.9832	0.9845	0.9803
Tarrant	0.9780	0.9600	0.9843	0.9871	0.9823
Travis	0.9600	0.9584	0.9827	0.9874	0.9814
EPO	0.9640	0.9652	0.9847	0.9862	0.9824
Total	0.9733	0.9611	0.9840	0.9865	0.9818

## *Attachment 7*

### Family Planning Adjustment

Some of the MCOs that participate in the STAR, CHIP and CHIP Perinatal programs are not able to provide family planning services. For these MCOs, family planning service will be provided through FFS. HHSC provided us with a listing of those drugs that will not be provided by these MCOs. Using base period claims experience, we determined the percentage of prescription drug claims cost expected to be represented by these family planning drugs. The pharmacy carve-in premium rates for those MCOs that do not provide family planning services have been reduced accordingly.

The attached exhibits present a summary of the family planning adjustment factor analysis. Exhibit A presents the analysis for the STAR program. Exhibit B presents the analysis for the CHIP program. Exhibit C presents the analysis for the CHIP Perinatal program.

Risk Group	Nueces	Travis	Total
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>			
TANF Children 1+	2,086,401	2,995,098	5,081,499
TANF Children <1	101,455	197,715	299,170
TANF Adults	1,592,764	3,720,850	5,313,614
Pregnant Women	978,856	1,000,781	1,979,637
Newborns	1,159,062	774,106	1,933,168
Expansion Children 1+	4,097,711	3,729,982	7,827,693
Expansion Children <1	58,593	141,426	200,019
Federal Mandate	8,165,249	6,270,128	14,435,378
Total	18,240,092	18,830,087	37,070,178

**Family Planning Drugs**

TANF Children 1+	-17,027	-39,448	-56,475
TANF Children <1	0	0	0
TANF Adults	-31,346	-94,177	-125,523
Pregnant Women	-69,186	-57,160	-126,347
Newborns	0	0	0
Expansion Children 1+	0	0	0
Expansion Children <1	0	0	0
Federal Mandate	-81,737	-83,851	-165,589
Total	-199,297	-274,636	-473,934

**Adjusted Incurred Claims**

TANF Children 1+	2,069,374	2,955,651	5,025,025
TANF Children <1	101,455	197,715	299,170
TANF Adults	1,561,418	3,626,673	5,188,091
Pregnant Women	909,670	943,621	1,853,291
Newborns	1,159,062	774,106	1,933,168
Expansion Children 1+	4,097,711	3,729,982	7,827,693
Expansion Children <1	58,593	141,426	200,019
Federal Mandate	8,083,512	6,186,277	14,269,789
Total	18,040,794	18,555,450	36,596,245

**Family Planning Adjustment Factor**

TANF Children 1+	-0.0082	-0.0132	-0.0111
TANF Children <1	0.0000	0.0000	0.0000
TANF Adults	-0.0197	-0.0253	-0.0236
Pregnant Women	-0.0707	-0.0571	-0.0638
Newborns	0.0000	0.0000	0.0000
Expansion Children 1+	0.0000	0.0000	0.0000
Expansion Children <1	0.0000	0.0000	0.0000
Federal Mandate	-0.0100	-0.0134	-0.0115
Total	-0.0109	-0.0146	-0.0128

<u>Risk Group</u>	<u>Nueces</u>	<u>Travis</u>	<u>Total</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>			
Under Age 1	973	3,688	4,661
Ages 1-5	280,391	348,717	629,108
Ages 6-14	1,688,550	2,164,219	3,852,769
Ages 15-18	553,468	903,553	1,457,021
Total	2,523,382	3,420,177	5,943,559

**Family Planning Drugs**

Under Age 1	0	0	0
Ages 1-5	0	0	0
Ages 6-14	-2,591	-1,339	-3,931
Ages 15-18	-12,070	-9,947	-22,017
Total	-14,661	-11,287	-25,948

**Adjusted Incurred Claims**

Under Age 1	973	3,688	4,661
Ages 1-5	280,391	348,717	629,108
Ages 6-14	1,685,959	2,162,880	3,848,839
Ages 15-18	541,398	893,606	1,435,004
Total	2,508,721	3,408,890	5,917,611

**Family Planning Adjustment Factor**

Under Age 1	0.0000	0.0000	0.0000
Ages 1-5	0.0000	0.0000	0.0000
Ages 6-14	-0.0015	-0.0006	-0.0010
Ages 15-18	-0.0218	-0.0110	-0.0151
Total	-0.0058	-0.0033	-0.0044

<u>Risk Group</u>	<u>Nueces</u>	<u>Travis</u>	<u>Total</u>
<b>VDP Incurred Claims - 3/1/2011 thru 8/31/2011</b>			
Perinate <185% FPL	30,775	176,793	207,568
Perinate 185%+ FPL	1,734	7,962	9,696
Newborn <185% FPL	110	501	612
Newborn 185%+ FPL	39	509	547
Total	32,659	185,765	218,424
<b>Family Planning Drugs</b>			
Perinate <185% FPL	-23	-38	-61
Perinate 185%+ FPL			0
Newborn <185% FPL			0
Newborn 185%+ FPL			0
Total	-23	-38	-61
<b>Adjusted Incurred Claims</b>			
Perinate <185% FPL	30,752	176,756	207,507
Perinate 185%+ FPL	1,734	7,962	9,696
Newborn <185% FPL	110	501	612
Newborn 185%+ FPL	39	509	547
Total	32,635	185,727	218,363
<b>Family Planning Adjustment Factor</b>			
Perinate <185% FPL	-0.0008	-0.0002	-0.0003
Perinate 185%+ FPL	0.0000	0.0000	0.0000
Newborn <185% FPL	0.0000	0.0000	0.0000
Newborn 185%+ FPL	0.0000	0.0000	0.0000
Total	-0.0007	-0.0002	-0.0003

## *Attachment 8*

### Managed Care Efficiency Factor

The pharmacy reimbursement methodology under pharmacy carve-in will be significantly different from that under the current carve-out arrangement. The dispensing fee under the current VDP program averages approximately \$8.00 per prescription (after the September 1, 2011 dispensing fee reduction discussed in a previous section) while the dispensing fee under carve-in is expected to average around \$1.50 per prescription (assumed average for all MCOs combined).

On the ingredient cost side, it is anticipated that the MCOs will pay the pharmacies more than VDP currently pays. For brand drugs we have assumed that the mean Average Wholesale Price (AWP) discount under carve-in will be 16% while the current VDP discount is around 18.3%. For generic drug ingredient cost, we have assumed that, on average, the MCOs will pay the pharmacies around 10% more than that paid under VDP. These assumptions are based on our analysis of VDP claims experience, pharmacy reimbursement information provided by the MCOs and current Maximum Allowable Cost (MAC) schedules used under several large Texas commercial plans. Please note that the above assumptions are assumed to be applicable to overall pharmacy carve-in experience, not necessarily to any one individual MCO specifically.

Based on the above analysis we have established a 5% managed care discount factor for all programs and service areas except the Hidalgo service area in STAR. The 5% assumption was developed assuming that overall pharmacy reimbursement under carve-in will be 4% lower than that under VDP and that the MCOs will have a positive impact on utilization representing 1% of prescription drug cost.

Prescription drug utilization for children in the Hidalgo service area is around 80% higher than that for the remainder of the state. Based on this information it was determined that the opportunity for cost reduction under pharmacy carve-in was greater in the Hidalgo service area than in other STAR service areas. The MCOs are expected to reduce pharmacy cost through more cost-effective professional provider contracting and increased management of both the medical and prescription drug benefit.

The managed care efficiency factors for STAR Hidalgo were determined by assuming that the MCOs would reduce the excess pharmacy cost (defined as excess of Hidalgo cost over the average of the other STAR service areas) by one-quarter. For example, the pharmacy claims cost for Expansion Children in the Hidalgo service area is 112% higher than that for the remainder of the state. We have assumed that the MCOs will reduce the prescription drug cost by 28%. It is anticipated that the opportunities for reducing cost will increase over time. However, given implementation of managed care in a new service area and the authorization of service limitations placed on the MCO by HHSC, it is our opinion that a lower managed care efficiency factor is reasonable and appropriate at this time.

The attached exhibit presents a summary of the managed care efficiency factor analysis for the STAR Hidalgo service area.

3/1/2012 Pharmacy Carve-in Rating Analysis  
VDP Experience for STAR

	All Service Areas			Hidalgo			All Areas except Hidalgo			Ratio:	Mean	Adjustment Factor
	Member Months	Incurred Claims	Incurred pmpm	Member Months	Incurred Claims	Incurred pmpm	Member Months	Incurred Claims	Incurred pmpm	Hidalgo to All Other		
TANF Children												
FY2008	1,821,605	66,660,663	36.59	482,296	26,923,642	55.82	1,339,309	39,737,021	29.67	1.882		
FY2009	1,837,156	69,134,296	37.63	461,192	27,265,929	59.12	1,375,964	41,868,367	30.43	1.943		
FY2010	2,036,247	75,846,409	37.25	486,004	28,643,608	58.94	1,550,243	47,202,801	30.45	1.936		
FY2011	2,627,704	101,593,103	38.66	495,879	30,375,066	61.25	2,131,825	71,218,036	33.41	1.834	1.898	0.775
TANF Adults												
FY2008	383,876	29,977,484	78.09	52,451	4,011,857	76.49	331,425	25,965,627	78.35	0.976		
FY2009	402,989	31,281,166	77.62	48,167	3,804,618	78.99	354,822	27,476,547	77.44	1.020		
FY2010	469,714	34,766,672	74.02	53,380	3,906,009	73.17	416,334	30,860,663	74.12	0.987		
FY2011	680,471	56,722,002	83.36	80,208	7,017,062	87.49	600,263	49,704,940	82.81	1.057	1.010	0.997
Pregnant Women												
FY2008	1,202,798	47,779,741	39.72	120,222	5,218,635	43.41	1,082,576	42,561,106	39.31	1.104		
FY2009	1,193,046	46,950,556	39.35	120,754	5,241,401	43.41	1,072,292	41,709,155	38.90	1.116		
FY2010	1,213,837	50,629,856	41.71	123,241	5,833,000	47.33	1,090,596	44,796,856	41.08	1.152		
FY2011	1,214,160	50,436,310	41.54	124,038	5,732,076	46.21	1,090,122	44,704,234	41.01	1.127	1.125	0.969
Newborns												
FY2008	1,948,609	67,426,253	34.60	206,973	13,795,324	66.65	1,741,636	53,630,928	30.79	2.165		
FY2009	2,061,868	70,149,014	34.02	221,190	14,886,905	67.30	1,840,678	55,262,109	30.02	2.242		
FY2010	2,112,505	68,572,775	32.46	223,035	14,702,684	65.92	1,889,470	53,870,091	28.51	2.312		
FY2011	2,233,760	78,252,267	35.03	248,154	18,032,243	72.67	1,985,606	60,220,024	30.33	2.396	2.279	0.680
Expansion Children												
FY2008	7,219,895	241,905,336	33.51	920,126	53,523,435	58.17	6,299,769	188,381,900	29.90	1.945		
FY2009	7,239,807	228,573,614	31.57	893,739	52,561,987	58.81	6,346,068	176,011,628	27.74	2.120		
FY2010	8,222,550	250,744,181	30.49	1,012,599	58,995,886	58.26	7,209,951	191,748,295	26.59	2.191		

3/1/2012 Pharmacy Carve-in Rating Analysis  
 VDP Experience for STAR

	<u>All Service Areas</u>			<u>Hidalgo</u>			<u>All Areas except Hidalgo</u>			<u>Ratio:</u>	<u>Mean</u>	<u>Adjustment</u>
	<u>Member</u> <u>Months</u>	<u>Incurred</u> <u>Claims</u>	<u>Incurred</u> <u>pmpm</u>	<u>Member</u> <u>Months</u>	<u>Incurred</u> <u>Claims</u>	<u>Incurred</u> <u>pmpm</u>	<u>Member</u> <u>Months</u>	<u>Incurred</u> <u>Claims</u>	<u>Incurred</u> <u>pmpm</u>	<u>Hidalgo to</u> <u>All Other</u>		
FY2011	8,953,617	283,710,099	31.69	1,086,484	68,013,103	62.60	7,867,133	215,696,996	27.42	2.283	2.135	0.716
Federal Mandate Children												
FY2008	8,429,806	279,920,824	33.21	1,326,117	56,934,549	42.93	7,103,689	222,986,275	31.39	1.368		
FY2009	8,790,473	302,385,654	34.40	1,334,601	62,927,811	47.15	7,455,872	239,457,843	32.12	1.468		
FY2010	10,525,991	357,782,201	33.99	1,568,824	73,426,337	46.80	8,957,167	284,355,864	31.75	1.474		
FY2011	12,099,903	429,819,244	35.52	1,739,851	85,546,215	49.17	10,360,052	344,273,029	33.23	1.480	1.447	0.888
Total												
FY2008	21,006,589	733,670,301	34.93	3,108,185	160,407,443	51.61	17,898,404	573,262,858	32.03	1.611		
FY2009	21,525,339	748,474,300	34.77	3,079,643	166,688,651	54.13	18,445,696	581,785,649	31.54	1.716		
FY2010	24,580,844	838,342,094	34.11	3,467,083	185,507,524	53.51	21,113,761	652,834,570	30.92	1.730		
FY2011	27,809,615	1,000,533,025	35.98	3,774,614	214,715,765	56.88	24,035,001	785,817,260	32.69	1.740	1.699	0.825