

STATE OF COLORADO
HEALTH CARE POLICY AND FINANCING

Rates and Analysis Division
Data Book and Proposed Capitation Rates
Effective July 1, 2006 - June 30, 2007

Prepared by:

PricewaterhouseCoopers LLP

June 28, 2006

June 28, 2006

Mr. Jed Ziegenhagen
Rates Section Manager
Rates and Analysis Division
Department of Health Care Policy & Financing
1570 Grant Street, Third Floor
Denver, CO 80203

Dear Jed:

**Re: Medicaid Mental Health Program
Data Book and Proposed Capitation Rates**

The enclosed report provides a detailed description of the methodology used for calculating capitation rate ranges effective July 1, 2006 through June 30, 2007 for the Medicaid mental health program in Colorado. The methods used for calculating these costs are consistent with Centers for Medicare and Medicaid Services requirements that the capitation rates be actuarially sound and appropriate for the population covered by the program.

The development of these rates was overseen by Sandra Hunt, Principal, and Jinn-Feng Lin, Lead Actuary.

Please call Jinn-Feng Lin at 312-298-3792 if you have any questions regarding these capitation rates.

Very truly yours,

PricewaterhouseCoopers LLP



By: Sandra S. Hunt, M.P.A.
Principal



Jinn-Feng Lin, F.S.A., M.A.A.A.
Director

**Actuarial Certification of
Mental Health Medicaid Capitation Rates
July 1, 2006 through June 30, 2007**

I, Jinn-Feng Lin, am associated with the firm PricewaterhouseCoopers. I am a Member of the American Academy of Actuaries and meet its qualification standards to certify as to the actuarial soundness of the capitation rate ranges for the period July 1, 2006 through June 30, 2007 developed for contracting with Behavioral Healthcare Organizations (BHOs) under the Colorado mental health managed Medicaid program. I have been retained by the Colorado Department of Health Care Policy and Financing (HCPF) to perform an actuarial certification of the mental health capitation rates for July 1, 2006 through June 30, 2007 for filing with the Centers for Medicare and Medicaid Services (CMS). I have reviewed the capitation rates developed by HCPF and am familiar with the Code of Federal Regulations, 42 CFR 438.6(c) and the CMS "Appendix A, PAHP, PIHP and MCO Contracts Financial Review Documentation for At-risk Capitated Contracts Ratesetting."

I have examined the actuarial assumptions and actuarial methods used by HCPF in setting the capitation rates for July 1, 2006 through June 30, 2007.

It is my opinion that all requirements of 42 CFR 438.6(c), with respect to the development of Medicaid managed care capitation rates, were satisfied in the development of the proposed capitation rate ranges for contracting with BHOs in Colorado. I believe that the capitation rates have been developed in accordance with generally accepted actuarial principles and practices, and are appropriate for the populations to be covered and the services to be furnished under the contract. The capitation rate ranges are based solely on the projected costs for State Plan services, and the 1915(b)(3) capitation rates are based on approved 1915(b)(3) services. Detailed descriptions of the methodology and assumptions used in the development of the capitation rate ranges are contained in the remainder of the report to which this actuarial certification is attached.

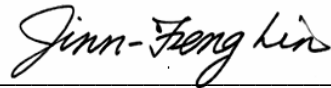
In the development of the proposed capitation rate ranges, I relied on enrollment, encounter, and other data provided by the BHOs and HCPF. I reviewed the data for reasonableness; however, I performed no independent verification and take no responsibility as to the accuracy of these data.

The actuarially sound rate ranges shown in the accompanying report are a projection of future events. It may be expected that actual experience will vary from the values shown here. Actuarial methods, considerations, and analyses used in developing the proposed capitation rates conform to the appropriate Standards of Practice promulgated from time to time by the Actuarial Standards Board.

Capitation rates within the ranges specified in this report may not be appropriate for any specific BHO. Each BHO will need to review the rates offered in relation to the benefits provided. The BHOs should compare the rates with their own experience, expenses, capital and surplus, and profit requirements prior to agreeing to contract with the State. The BHOs may require rates above, equal to, or below the actuarially sound capitation rate ranges in this report.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted organization's situation and experience.

This Opinion assumes the reader is familiar with the Colorado mental health Medicaid program, Medicaid eligibility rules, and actuarial rating techniques. The Opinion is intended for HCPF and Centers for Medicare and Medicaid Services and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the projection results.



Jinn-Feng Lin, M.A.A.A
Member, American Academy of Actuaries
June 28, 2006

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**Colorado Medicaid Mental Health Program
Data Book and Proposed Capitation Rates
July 1, 2006 through June 30, 2007
Prepared by PricewaterhouseCoopers LLP
June 2006**

PricewaterhouseCoopers LLP (PwC) has calculated mental health capitation rate ranges for the Colorado Medicaid program for the period July 1, 2006 through June 30, 2007 (fiscal year 2007). In 2003, new regulations that govern the development of capitation payments for Medicaid managed care programs overseen by the Centers for Medicare and Medicaid Services (CMS) went into effect. These new regulations require that rates be “actuarially sound.” While there are no definitive criteria for determining actuarial soundness for Medicaid managed care programs, CMS has issued a checklist that provides guidance. We have followed that checklist in developing the proposed rate ranges shown here. The final rates will be established through signed contracts with the Behavioral Healthcare Organizations (BHOs), which will ensure that the BHOs concur that the rates paid will allow for contracting with sufficient numbers of providers to ensure appropriate access to mental health care, and that they expect to remain financially sound throughout the contract period.

The general guidelines for developing actuarially sound payment rates encompass the following concepts:

- Data appropriate for the population to be covered by the managed care program should be used for the analysis;
- Payment rates should be sufficiently differentiated to reflect known variation in per capita costs related to age, gender, Medicaid eligibility category, and health status;
- Where rate cells have relatively small numbers of individuals, cost neutral data smoothing techniques should be used;
- Medicaid fee-for-service payment rates per unit of service are an appropriate benchmark for developing capitation rates;
- When fee-for-service (FFS) data are used for the calculations, differences in expected utilization rates between FFS and managed care programs should be accounted for;

- Appropriate levels of managed care plan administrative costs should be included in the rates;
- Programmatic changes in the Medicaid program between the data and contract period should be reflected in the rates; and
- A range of appropriate rates could emerge from the rate-setting process, and an upper and lower bound may be developed.

These capitation rate ranges are developed to be consistent with the concepts described above. The development of the rate ranges is described in this report and the supporting calculations are shown in the attached exhibits.

Disclaimer

In performing this analysis, we relied on data and other information provided by the Colorado Department of Health Care Policy and Financing (HCPF). We have not audited or verified this data or other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and believe the data appear to be reasonable for this rate development. If there are material errors or omissions in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual results depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis.

This report is intended to assist HCPF in developing mental health capitation rates. It may not be appropriate for other uses. PricewaterhouseCoopers does not intend to benefit and assumes no duty or liability to other parties who receive this work. This report should only be reviewed in its entirety. It assumes the reader is familiar with Colorado Medicaid mental health program and managed care rating principles.

The results in this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

I. Background

The Colorado Medicaid program currently contracts with five BHOs to manage and deliver mental health services to Medicaid enrollees in exchange for a fixed per capita payment. Capitation rate ranges vary based on eligibility group and for each BHO, and HCPF negotiates capitation rates within those rate ranges with each of the BHOs. The managed care contract with HCPF, under which the BHOs operate, allows the BHOs to provide alternative services in lieu of contractually covered services if those services improve outcomes and are of comparable or better cost-effectiveness. CMS regulations prevent these services from being included in the development of actuarially sound capitation rates; separate capitation rates must be developed for these services, designated as 1915(b)(3) services.

The following tables summarize the mental health services included in the State Plan and under the 1915(b)(3) waiver:

TABLE 1A	
STATE PLAN SERVICES	
Inpatient Hospital	Medication Management
Under 21 Psychiatric	Emergency
65 and Over Psychiatric	School-Based Services
Outpatient	Psychosocial Rehabilitation Services
Psychiatrist	Clinic Services, Case Management
Rehabilitation	

TABLE 1B	
1915(B)(3) SERVICES	
Residential	Vocational Services
Home-Based Services for Children and Adolescents	Clubhouses / Drop-In Centers
Intensive Case Management	Recovery Services
Assertive Community Treatment (ACT)	Prevention / Early Intervention
Respite Care	Specialized Services for Addressing Adoption Issues

II. Data Book

A first step in developing capitation rates is identifying the data that will be used for the calculations. The CMS regulations call for use of data that is appropriate for the population to be covered by the program. A number of sources of data may be considered appropriate including:

- Fee-for-service data for the Medicaid population in the geographic area to be covered by managed care plans;
- Managed care plan encounter data for their Medicaid population;
- Managed care plan encounter data for other populations, with appropriate adjustments to reflect utilization patterns of Medicaid enrollees;
- For some components of the analysis, managed care plan financial data;
- For some components of the analysis, data from other Medicaid programs.

For this analysis, we relied primarily on two sources of data: historical rates and detailed BHO encounter data for the Medicaid population to be covered under these capitation rates. Additionally, information was obtained through review of financial reports prepared by the BHOs for HCPF and other documentation provided by the BHOs. Eligibility and BHO enrollment data was provided by HCPF.

We obtained and analyzed detailed BHO encounter data for fiscal year (FY) 2005. The encounter data included six months of 1915(b)(3) services. The records for these services were incomplete and as a result not used in the FY 2007 rate setting process. To calculate the per capita costs of the 1915(b)(3) services, PwC reviewed and made use of each BHOs plan financials to determine the appropriate costs. Further support of this adjustment is described in Section III and shown in Exhibit 8.

The quality and completeness of encounter data appears to be significantly improved over past years. The FY 2005 encounter data was used as a basis for the FY 2007 rate development. A process of date-sensitive matching of the encounter data to the eligibility data was performed to ensure that only encounters provided to Medicaid eligible members were retained. The member months associated with eliminated encounter data were also removed to ensure appropriate calculation of utilization rates and per capita costs. In addition, all services identified as neither State Plan nor 1915(b)(3), as well as services not covered under the HCPF contract were eliminated from the base data.

Capitation rate ranges for the BHOs vary based on the following criteria:

- **Eligibility Group:** Separate rate ranges are made to recognize the differences in expected costs for individuals based on age and health status. As such, rates were developed for the following five eligibility groupings:
 - Elderly (OAP, Ages 65 and older)
 - Disabled (Aid to the Blind and OAP, Ages 60 through 64)
 - Adults (AFDC, Child Welfare, and Baby Care Parents/Adults)
 - Children (AFDC, Child Welfare, and Baby Care Children)
 - Foster Care

- **Behavioral Healthcare Organization:** Separate rate ranges are made for each of the following BHOs:
 - Access Behavioral Care, Denver
 - Behavioral Health Care, Inc.
 - Foothills Behavioral Health
 - Northeast Behavioral Health
 - Colorado Health Partnerships

The proposed capitation rate ranges and point estimates by rate cell are shown in Exhibits 1 and 2.

III. Capitation Rate Range Development

The capitation rate ranges for FY 2007 are calculated based on a combination of encounter data, financial data, and historical rates adjusted to reflect projected unit costs. Each adjustment to the historical and encounter data is described in the following sections; the resulting per capita point estimates and rate ranges are shown in Exhibits 2 and 1, respectively.

The steps used for calculating the capitation rates are as follows:

Encounter Rates Development

1. A value is attached to each encounter record. The methodology used in pricing the encounter records is described in Section IV.
2. FY 2005 priced encounter data are summarized by rate cell. This data contains only those services provided under the State plan of benefits, and thus excludes any services covered under the 1915(b)(3) Waiver.
3. Encounter records containing Goebel services were excluded from the encounter rate development. HCPF found that approximately 16% of overall Goebel encounter records were submitted by Access Behavioral Care, the only BHO to provide services to the Goebel class. In prior years, the contract between HCPF and Access Behavioral Care made it clear that the Goebel services provided to members of the Goebel class, while the responsibility of the contractor, were not included under the risk based capitation rate. Instead, these services were paid via a monthly flat rate pass through payment. HCPF and Access Behavioral Care entered into a new contract effective July 1, 2006, to provide or arrange for all medically necessary covered mental health services for the Goebel class under an actuarially certified per member per month risk based capitation payment. The purpose of this amendment is to revise the capitation rate to include the Goebel payments. Treatment of the Goebel payments, used to develop the FY 2007 per capita cost point estimates, is discussed below.
4. An adjustment is made to compensate for un-priced State Plan encounter records. These records consist of services that are covered under the State plan of benefits, that do not map to a service code in the Fee-For-Service fee schedule. Due to the minimal amount of occurrences, the weighted average cost per unit was applied to these records. The adjustments applied to each BHOs' encounter costs are contained in the table below:

ADJUSTMENT FOR UN-PRICED ENCOUNTER RECORDS	
BHO	Adjustment
Access Behavioral Care	0.35%
Behavioral Health Care	0.20%
Foothills Behavioral Health	0.33%
Northeast Behavioral Health	0.23%
Colorado Health Partnerships	2.20%

5. An adjustment is applied to estimate the expenditures relating to 1915(b)(3) Waiver services. To determine the amount of the adjustment, PwC reviewed the financial reports of each BHO. The relationship of State to 1915(b)(3) services contained in the reports was used to make an adjustment to each BHOs' specific experience. The development of the adjustment factors is shown in Exhibit 8.
6. Past capitation rates were developed using a "financial factor" to true up the priced encounter data to each BHO's financial reports. We have compared the priced encounter costs to the BHO financial statements for FY 2005 base data and found that the results are within a range of reasonableness. Consequently, we determined that this adjustment is not necessary for the FY 2007 rate setting.
7. Trend adjustments are applied to project the base data from FY2005 to the contract period (FY2007). These adjustments are described in Section V and are shown in Exhibits 9a and 9b.
8. The projected rates are then divided by a target administration and risk factor to develop a capitation rate. A factor of 9.0% was used for all five of the BHOs. The 9.0% factor is based on a review of BHO reported administrative costs in FY 2005. The development of these costs are shown in Exhibit 5.

Historical Rates Development

9. The other basis used in setting the FY 2007 capitation rates starts with drawing on the historical rates which were used in contracting with the BHOs for FY 2006, shown in Exhibit 4.
10. Trend adjustments are applied to the historical FY 2006 rates to project capitation rates effective for the FY 2007 contract period.

Blending of Encounter and Historical Rates

11. The FY 2007 per capita costs, excluding Goebel payments, are developed using a blend of the encounter-based and historical-based rates, with the encounter data weighted 30% and historical data weighted 70% to develop the per capita costs. We expect that future rate development will give greater weight to the encounter data component.

Goebel Payments

12. FY 2005 Goebel encounter data are summarized by rate cell, and include both those services provided under the State plan of benefits, and those services covered under the 1915(b)(3) Waiver. The pricing of the encounter records is discussed in Section IV.

13. Trend adjustments are applied to the FY 2005 Goebel payments to project payments effective for the FY 2007 contract period.

14. The projected payments are then divided by a 9% target administration and risk factor.

15. These payments are combined with the blended encounter and historical rates to develop the FY 2007 per capita cost point estimates. The development of these costs is shown in Exhibit 2.

16. Rate ranges are developed from the initial point estimates of per capita costs. Ranges are developed in aggregate by reviewing differences between historical and encounter rates.

IV. Determination of Unit Costs

BHOs submitted FY 2005 claim level detail. Data for state covered services is available for the entire 12 month period. Goebel services provided under the State plan of benefits, and those services covered under the 1915(b)(3) Waiver are also available for the entire 12 month period. Data for the remaining 1915(b)(3) services is available for only six months. Because the non-Goebel 1915(b)(3) services data is relatively incomplete, these data are excluded from further encounter data analysis.

HCPF performed the following steps to attach a value to encounter records:

1. For those individuals that utilized the Community Mental Health Centers (CMHC), the CMHC FY 2005 fee-for-service (FFS) fee schedule is applied to each encounter record.
2. To price inpatient encounters, the FY2005 Colorado Mental Health Institutes (CMHI) rates are applied to the claim records.
3. An average unit price by procedure code is calculated using the Colorado Medicaid fee schedule. These fee schedule rates are applied to all encounters currently not priced.
4. The remaining un-priced State plan services are priced using an average FFS unit price for the corresponding services contained within MMIS.

V. Adjustments

This section describes the adjustments that were made to the encounter data to project costs to the FY 2007 contract period.

IBNR

The encounter data reported by the BHOs may not be fully “complete.” In other words, some services incurred during the data period may not have been adjudicated at the time the encounter data was extracted, and therefore, not included in the encounter data that was provided. The value of these IBNR encounters is typically estimated through actuarial models that analyze historical claim payment patterns. The encounter data included eight months of runout, and as a result, we do not believe the unreported encounters represent a material adjustment to the data included in the analysis. Additionally, since services are often delivered by providers employed by the BHOs, encounters tend to be entered into the BHO information systems shortly after they are rendered. Consequently, we have not applied an IBNR adjustment.

Trend

We were provided with fee increases and audited unit cost increases spanning FY 2002 through FY 2006. An annualized trend was calculated for each category, and these annualized trends were aggregated using weights to get an overall average cost annual trend of 3.85%. 3.85% COLA trend is reasonable and justifiable from an actuarial perspective based on the annual unit cost increases.

The cost components shown are a combination of audited unit costs for CMHCs, Medicaid fee schedule costs for Other State Plan Services, Non-State Plan Services, as well as CMHIs. These results give us a basis to develop the proposed COLA. There is a range of reasonable COLAs resulting from an analysis of historic cost data. Based upon the analysis shown, in our opinion the COLA adjustment of 3.85% is reasonable and appropriate.

To develop a single annual COLA rate, the cost components are combined using a weighted average. The development of these weights uses FY 2005 data, shown in Exhibit 9b. The application of the weights to the cost components results in a COLA estimate of 3.85%. The COLA rate was applied to encounter rates and historical rates to shift the base rates to the contract period.

In addition to increases in cost per unit, trend rates are also comprised of changes in the volume of services used per person over time. PwC has examined the historical data and has determined that no adjustment for changes in utilization rates is appropriate. Our analysis included a review of the numbers of people seeking services (the penetration rate). That analysis showed a very modest reduction in the number of users per 1000 enrollees.

Non-encounter Services

1915(b)(3) Waiver services, excluding Goebel payments, are excluded in pricing of the BHO encounter data. To determine the amount of these non-state plan services, we reviewed the financial reports of each BHO. We assumed that the costs of these services varied proportionately with the total cost contained in the financial reports. As a result, the relationship of State to Non-State plan services contained in the reports was used to make an adjustment to each BHOs specific experience. These adjustments are shown in Exhibit 8.

Goebel services that are 1915(b)(3) services are priced using the same methodology as state plan covered Goebel services. Pricing of these services are described in Section IV.

Administration and Risk Load

The CMS regulations require that administrative costs directly related to the provision of Medicaid State Plan approved services be incorporated into the rate setting process. The BHOs do not segregate administration costs between State Plan and non-State Plan services in the BHO financial reports provided to HCPF. In FY 2005, the BHOs reported total administration costs as a percent of total healthcare costs averaging about 9%. Our experience with Medicaid Managed Care plans suggests that a 9% administrative ratio is reasonable.

Data Smoothing

No data smoothing processes were applied in the development of the proposed capitation rates. Due to the nature of the services covered under the HCPF contract, it is unlikely that large claims would cause a significant distortion. We believe the populations are sufficiently large to be credible assuming the underlying data itself is valid.

Risk Adjustment

We believe that the development and payment of capitation rates that vary based on eligibility group is sufficient risk adjustment in this instance. Further, the current quality of the encounter data does not support the application of more sophisticated forms of risk adjustment at this time.

Rate Ranges

We developed a range of rates that we consider to be actuarially sound. The rate ranges were developed taking into consideration recent experience of the managed care plans and the rates that would be derived based solely on trended fee-for-service experience. Using this data, we determined that rate ranges of +/- 5% around the calculated point estimate rates are reasonable.

TABLE 4		
RANGES AROUND CAPITATION POINT ESTIMATES		
BHO	Low Range	High Range
Access Behavioral Care	-5.0%	+5.0%
Behavioral Health Care	-5.0%	+5.0%
Foothills Behavioral Health	-5.0%	+5.0%
Northeast Behavioral Health	-5.0%	+5.0%
Colorado Health Partnerships	-5.0%	+5.0%

VI. Proposed Capitation Rate Ranges

Historical capitation rate development did not include Goebel payments. Exhibit 3 shows comparisons between the FY 2006 and FY 2007 capitation rate on this consistent basis. The FY 2007 point estimates of the projected per capita costs resulting from the application of the methodology, data, and assumptions described in the previous sections are shown in Exhibit 2.

Exhibit 7 displays these point estimates separated for State and 1915(b)(3) services by each BHO and each eligibility group. Finally, Exhibit 1 shows the calculation of the low and high range capitation rates for each rate cell.

**Colorado Health Care Policy and Financing
Crosswalk from CMS Rate Setting Checklist to 2007 Data Book and Proposed Capitation Rate Report**

Item	Location	Comments
AA.1.0 Overview of Ratesetting Methodology	Entire Report	
AA.1.1 Actuarial Certification	Introduction	Included in Introduction of the Report
AA.1.2 Projection of Expenditures	See Comments	HCPF will provide
AA.1.3 Procurement, Prior Approval and Ratesetting	See Comments	State Sets Rates
AA.1.5 Risk contracts	See Comments	In Contract
AA.1.6 Limit on Payment to other providers	See Comments	In Contract
AA.1.7 Rate Modifications	NA	
AA.2.0 Base Year Utilization and Cost Data	Pages 4 - 8	Encounter Data and Historical Rates
AA.2.1 Medicaid Eligibles under the Contract	NA	Data submitted by participating BHOs
AA.2.2 Dual Eligibles	NA	
AA.2.3 Spenddown	NA	Not included in managed care
AA.2.4 State Plan Services only	Page 3	Data submitted by participating BHOs
AA.2.5 Services that may be covered out of contract savings	NA	In Contract
AA.3.0 Adjustments to Base Year Data	Pages 6 - 11	
AA.3.1 Benefit Differences	NA	The benefits have not changed for FY 2007
AA.3.2 Administrative Cost Allowance Calculations	Page 11	
AA.3.3 Special Populations' Adjustments	NA	
AA.3.4 Eligibility Adjustments	See Comments	The base rates accurately reflect the eligibility of the covered population
AA.3.5 DSH Payments	See Comments	Paid Outside of the capitation
AA.3.6 Third Party Liability	See Comments	Mental Health rates are adjusted downward due to the inclusion of TPL cost data
AA.3.7 Copayments, Coinsurance and Deductibles in Capitated Rates	See Comments	There is no cost sharing for these services
AA.3.8 Graduate Medical Education	See Comments	Paid Outside of the capitation
AA.3.9 FQHC and RHC Reimbursement	See Comments	Full cost of providing these services are included in the rate
AA.3.10 Medical Cost / Trend Inflation	Page 10	
AA.3.11 Utilization Adjustments	NA	
AA.3.12 Utilization and Cost Assumptions	NA	
AA.3.13 Post-Eligibility Treatment of Income	NA	
AA.3.14 Incomplete Data Adjustment	Pages 6-7, 10	
AA.4.0 Establish Rate Category Groupings	Page 5	
AA.4.1 Age	Page 5	Separate rates developed for children, adults and elderly
AA.4.2 Gender	NA	
AA.4.3 Locality / Region	NA	
AA.4.4 Eligibility Categories	Page 5	Elderly, Disabled, Adults, Children, and Foster Care
AA.5.0 Data Smoothing	Page 11	
AA.5.1 Special Population and Assesment of the Data for Distortions	NA	
AA.5.2 Cost-neutral data smoothing adjustment	NA	
AA.5.3 Risk Adjustment	NA	
AA.6.0 Stop Loss, Reinsurance or Risk Sharing arrangements	NA	
AA.6.1 Commercial Reinsurance	NA	
AA.6.2 Simple stop loss program	NA	
AA.6.3 Risk corridor program	NA	
AA.7.0 Incentive Arrangements	NA	

Exhibits

Exhibit 1: Low and High Range Capitation Rates (State Plan and 1915(b)(3) Services Combined)

**State of Colorado Department of Health Care Policy and Financing
Behavioral Healthcare Organizations (BHO) Capitation Rates
July 1, 2006 – June 30, 2007
Including a 3.85% COLA**

Metro - Access Behavioral Denver - BHO Capitation Rates FY07 Capitation Rates and Rate Ranges			
	FY07 Rate	Lower Limit	Upper Limit
Elderly	\$21.20	\$20.19	\$22.26
Disabled	\$145.63	\$138.69	\$152.91
Adults	\$9.31	\$8.87	\$9.78
Children	\$10.36	\$9.87	\$10.88
FC	\$184.30	\$175.52	\$193.51

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates FY07 Capitation Rates and Rate Ranges			
	FY07 Rate	Lower Limit	Upper Limit
Elderly	\$7.72	\$7.35	\$8.10
Disabled	\$111.37	\$106.07	\$116.94
Adults	\$13.75	\$13.10	\$14.44
Children	\$12.95	\$12.33	\$13.60
FC	\$298.98	\$284.74	\$313.93

Metro West - Foothills Behavioral Health - BHO Capitation Rates FY07 Capitation Rates and Rate Ranges			
	FY07 Rate	Lower Limit	Upper Limit
Elderly	\$12.20	\$11.62	\$12.81
Disabled	\$134.38	\$127.98	\$141.10
Adults	\$16.79	\$15.99	\$17.62
Children	\$16.62	\$15.82	\$17.45
FC	\$276.73	\$263.55	\$290.57

Northeast - Northeast Behavioral Health - BHO Capitation Rates FY07 Capitation Rates and Rate Ranges			
	FY07 Rate	Lower Limit	Upper Limit
Elderly	\$8.77	\$8.35	\$9.21
Disabled	\$77.15	\$73.47	\$81.00
Adults	\$13.77	\$13.11	\$14.46
Children	\$10.41	\$9.91	\$10.93
FC	\$244.85	\$233.19	\$257.09

Western / Southern - Colorado Health Partnership - BHO Capitation Rates FY07 Capitation Rates and Rate Ranges			
	FY07 Rate	Lower Limit	Upper Limit
Elderly	\$15.21	\$14.48	\$15.97
Disabled	\$85.21	\$81.15	\$89.47
Adults	\$17.57	\$16.74	\$18.45
Children	\$13.73	\$13.08	\$14.42
FC	\$333.16	\$317.29	\$349.81

Exhibit 2: Final FY 2007 Per Capita Cost Point Estimates; Including Goebel Payments

FY 2005 Goebel Expenditures

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	\$442,518	\$9,628,389	\$80,033	\$0	\$8,623	\$10,159,562

FY 2007 Goebel Expenditures; Including Admin

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	\$524,448	\$11,411,040	\$94,851	\$0	\$10,219	\$12,040,558

FY07 Final Rates With COLA By BHO, Including Goebel Expenditures, & Administrative Fees

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	\$21.20	\$145.63	\$9.31	\$10.36	\$184.30	\$36.80
Behavioral Health Care, Inc	\$7.72	\$111.37	\$13.75	\$12.95	\$298.98	\$33.50
FootHills Behavioral Health	\$12.20	\$134.38	\$16.79	\$16.62	\$276.73	\$44.98
Northeast Behavioral Health	\$8.77	\$77.15	\$13.77	\$10.41	\$244.85	\$29.07
Colorado Health Partnerships	\$15.21	\$85.21	\$17.57	\$13.73	\$333.16	\$36.55
Total	\$13.77	\$107.36	\$14.85	\$12.84	\$282.95	\$36.00

Exhibit 3: FY 2007 Capitation Rates, Excluding Goebel Payments, and Increase / (Decrease) over FY 2006 Capitation Rates

FY07 Final Rates With COLA By BHO, Including Admin: Blended Rate based on 30.0% Encounter Data and 70.0% Historical Rates

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	\$14.67	\$62.05	\$8.62	\$10.36	\$183.95	\$23.73
Behavioral Health Care, Inc	\$7.72	\$111.37	\$13.75	\$12.95	\$298.98	\$33.50
FootHills Behavioral Health	\$12.20	\$134.38	\$16.79	\$16.62	\$276.73	\$44.98
Northeast Behavioral Health	\$8.77	\$77.15	\$13.77	\$10.41	\$244.85	\$29.07
Colorado Health Partnerships	\$15.21	\$85.21	\$17.57	\$13.73	\$333.16	\$36.55
Total	\$12.55	\$90.30	\$14.74	\$12.84	\$282.89	\$33.62

Increase/(Decrease) Over Prior Year

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	(\$0.08)	\$9.27	\$1.89	\$0.36	\$15.67	\$2.36
Behavioral Health Care, Inc	\$0.05	\$21.86	\$2.74	\$0.79	(\$26.59)	\$2.25
FootHills Behavioral Health	\$0.93	\$30.43	\$1.79	(\$1.22)	(\$63.39)	\$1.19
Northeast Behavioral Health	(\$0.16)	\$25.25	\$2.09	\$2.07	(\$45.65)	\$2.64
Colorado Health Partnerships	(\$1.88)	\$11.45	\$2.25	\$0.17	\$1.55	\$2.02
Total	(\$0.62)	\$16.67	\$2.23	\$0.43	(\$17.77)	\$2.11

Exhibit 4: Historical Rates; Development of FY 2007 Per Capita Costs

FY06 Final Rates With COLA By BHO

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$14.75	\$52.77	\$6.74	\$10.00	\$168.28
Behavioral Health Care, Inc	\$7.67	\$89.51	\$11.01	\$12.16	\$325.57
FootHills Behavioral Health	\$11.27	\$103.94	\$14.99	\$17.84	\$340.12
Northeast Behavioral Health	\$8.93	\$51.90	\$11.68	\$8.34	\$290.50
Colorado Health Partnerships	\$17.09	\$73.76	\$15.32	\$13.56	\$331.61

FY07 Base Rates by BHO; Developed from FY06 Final Rates (from FY06 to FY07)

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$15.32	\$54.80	\$7.00	\$10.39	\$174.76
Behavioral Health Care, Inc	\$7.96	\$92.96	\$11.43	\$12.63	\$338.10
FootHills Behavioral Health	\$11.71	\$107.95	\$15.57	\$18.52	\$353.21
Northeast Behavioral Health	\$9.28	\$53.89	\$12.13	\$8.66	\$301.69
Colorado Health Partnerships	\$17.75	\$76.60	\$15.91	\$14.08	\$344.38

Exhibit 5: Encounter Data; Development of FY 2007 Per Capita Costs

State Plan Services Only

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$8.71	\$52.23	\$8.22	\$6.82	\$135.89
Behavioral Health Care, Inc	\$4.37	\$94.38	\$11.72	\$8.37	\$127.00
FootHills Behavioral Health	\$8.38	\$123.07	\$12.32	\$7.64	\$61.69
Northeast Behavioral Health	\$4.61	\$79.75	\$10.67	\$8.79	\$68.11
Colorado Health Partnerships	\$6.13	\$69.58	\$14.17	\$8.54	\$202.86

State Plan Services Only; Adjusted for Unpriced Encounter Data

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$8.74	\$52.43	\$8.25	\$6.85	\$136.43
Behavioral Health Care, Inc	\$4.38	\$94.56	\$11.74	\$8.39	\$127.25
FootHills Behavioral Health	\$8.40	\$123.48	\$12.36	\$7.66	\$61.90
Northeast Behavioral Health	\$4.62	\$79.93	\$10.70	\$8.81	\$68.27
Colorado Health Partnerships	\$6.27	\$71.11	\$14.48	\$8.73	\$207.32

State Plan PMPM from FY05 Encounter Data; Including State and Non-State Plan Services

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$11.11	\$66.61	\$10.48	\$8.70	\$173.31
Behavioral Health Care, Inc	\$6.03	\$130.23	\$16.17	\$11.56	\$175.25
FootHills Behavioral Health	\$11.26	\$165.42	\$16.56	\$10.26	\$82.92
Northeast Behavioral Health	\$6.40	\$110.88	\$14.84	\$12.22	\$94.70
Colorado Health Partnerships	\$7.83	\$88.84	\$18.09	\$10.90	\$259.02

FY07 Encounter Base Rates By BHO; with COLA (from FY05 to FY07)

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$11.98	\$71.84	\$11.30	\$9.38	\$186.92
Behavioral Health Care, Inc	\$6.50	\$140.45	\$17.44	\$12.46	\$189.00
FootHills Behavioral Health	\$12.14	\$178.40	\$17.85	\$11.07	\$89.43
Northeast Behavioral Health	\$6.91	\$119.58	\$16.00	\$13.18	\$102.13
Colorado Health Partnerships	\$8.44	\$95.82	\$19.51	\$11.76	\$279.35

FY07 Encounter Base Rates By BHO; with COLA (from FY05 to FY07), Including 9.0% Admin

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care
Access Behavioral Care, Denver	\$13.17	\$78.94	\$12.42	\$10.31	\$205.40
Behavioral Health Care, Inc	\$7.15	\$154.34	\$19.17	\$13.69	\$207.70
FootHills Behavioral Health	\$13.34	\$196.05	\$19.62	\$12.16	\$98.27
Northeast Behavioral Health	\$7.59	\$131.41	\$17.58	\$14.48	\$112.23
Colorado Health Partnerships	\$9.28	\$105.29	\$21.44	\$12.92	\$306.98

Exhibit 6: Member Months by BHO

FY05 Member Month By BHO

	OAP-A	OAP-B-SSI AND/AB-SSI	AFDC/CWP-A BC-A Adults	AFDC/CWP-C BC-C Children	Foster Care	Total
Access Behavioral Care, Denver	80,384	136,528	137,600	536,798	29,621	920,931
Behavioral Health Care, Inc	80,239	118,104	201,338	699,251	42,261	1,141,194
FootHills Behavioral Health	53,171	82,581	102,993	312,918	26,492	578,155
Northeast Behavioral Health	52,287	71,742	93,516	344,588	25,363	587,496
Colorado Health Partnerships	162,620	260,157	324,687	1,006,405	67,222	1,821,091
TOTAL	428,702	669,112	860,134	2,899,960	190,958	5,048,867

Exhibit 7: FY 2007 Per Capita Cost Point Estimates; Split State versus 1915(b)(3) Services

Metro - Access Behavioral Denver - BHO Capitation Rates					
FY07 Capitation Rates Breakdown By the State and Non State Plan					
	FY07 Total Rate	State Plan Rate	State Plan Percentage	Non State Plan Rate	Non State Plan Percentage
Elderly	\$21.20	\$16.38	77.29%	\$4.81	22.71%
Disabled	\$145.63	\$112.55	77.29%	\$33.07	22.71%
Adults	\$9.31	\$7.20	77.29%	\$2.11	22.71%
Children	\$10.36	\$8.01	77.29%	\$2.35	22.71%
FC	\$184.30	\$142.44	77.29%	\$41.85	22.71%

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates					
FY07 Capitation Rates Breakdown By the State and Non State Plan					
	FY07 Total Rate	State Plan Rate	State Plan Percentage	Non State Plan Rate	Non State Plan Percentage
Elderly	\$7.72	\$5.60	72.61%	\$2.11	27.39%
Disabled	\$111.37	\$80.87	72.61%	\$30.50	27.39%
Adults	\$13.75	\$9.99	72.61%	\$3.77	27.39%
Children	\$12.95	\$9.40	72.61%	\$3.55	27.39%
FC	\$298.98	\$217.10	72.61%	\$81.88	27.39%

Metro West - Foothills Behavioral Health - BHO Capitation Rates					
FY07 Capitation Rates Breakdown By the State and Non State Plan					
	FY07Total Rate	State Plan Rate	State Plan Percentage	Non State Plan Rate	Non State Plan Percentage
Elderly	\$12.20	\$9.10	74.64%	\$3.09	25.36%
Disabled	\$134.38	\$100.30	74.64%	\$34.07	25.36%
Adults	\$16.79	\$12.53	74.64%	\$4.26	25.36%
Children	\$16.62	\$12.40	74.64%	\$4.21	25.36%
FC	\$276.73	\$206.56	74.64%	\$70.17	25.36%

Northeast - Northeast Behavioral Health - BHO Capitation Rates					
FY07 Capitation Rates Breakdown By the State and Non State Plan					
	FY07Total Rate	State Plan Rate	State Plan Percentage	Non State Plan Rate	Non State Plan Percentage
Elderly	\$8.77	\$6.32	72.09%	\$2.45	27.91%
Disabled	\$77.15	\$55.62	72.09%	\$21.53	27.91%
Adults	\$13.77	\$9.92	72.09%	\$3.84	27.91%
Children	\$10.41	\$7.50	72.09%	\$2.90	27.91%
FC	\$244.85	\$176.51	72.09%	\$68.34	27.91%

Western / Southern - Colorado Health Partnership - BHO Capitation Rates					
FY07 Capitation Rates Breakdown By the State and Non State Plan					
	FY07Total Rate	State Plan Rate	State Plan Percentage	Non State Plan Rate	Non State Plan Percentage
Elderly	\$15.21	\$12.17	80.04%	\$3.04	19.96%
Disabled	\$85.21	\$68.20	80.04%	\$17.01	19.96%
Adults	\$17.57	\$14.06	80.04%	\$3.51	19.96%
Children	\$13.73	\$10.99	80.04%	\$2.74	19.96%
FC	\$333.16	\$266.66	80.04%	\$66.50	19.96%

Exhibit 8: BHO Financial Data; Development of the Percentage of State versus 1915(b)(3) Services

Percentage of State Plan vs. Non State Plan Services; Based on FY 2005 BHOs Financial

	State Plan Service Cost For FY 05	% State Plan	Non State Plan Service Cost For FY05	% Non State Plan	Total
Access Behavioral Care, Denver	\$13,181,603	78.72%	\$3,563,959	21.28%	\$16,745,562
Behavioral Health Care, Inc	\$23,212,859	72.61%	\$8,754,887	27.39%	\$31,967,746
FootHills Behavioral Health	\$15,890,209	74.64%	\$5,397,764	25.36%	\$21,287,973
Northeast Behavioral Health	\$10,545,079	72.09%	\$4,082,663	27.91%	\$14,627,742
Colorado Health Partnerships	\$45,638,122	80.04%	\$11,381,647	19.96%	\$57,019,769
Total	\$108,467,872	76.58%	\$33,180,919	23.42%	\$141,648,792

Revised Percentage of State vs. Non-State Plan Services; Including Goebel Expenditures

	State Plan Service Cost For FY 05	% State Plan	Non State Plan Service Cost For FY05	% Non State Plan	Total
Access Behavioral Care, Denver	\$20,794,897	77.29%	\$6,110,228	22.71%	\$26,905,124
Behavioral Health Care, Inc	\$23,212,859	72.61%	\$8,754,887	27.39%	\$31,967,746
FootHills Behavioral Health	\$15,890,209	74.64%	\$5,397,764	25.36%	\$21,287,973
Northeast Behavioral Health	\$10,545,079	72.09%	\$4,082,663	27.91%	\$14,627,742
Colorado Health Partnerships	\$45,638,122	80.04%	\$11,381,647	19.96%	\$57,019,769
Total	\$116,081,166	76.47%	\$35,727,188	23.53%	\$151,808,354

Exhibit 9a: Development of the COLA Adjustment; Effective Rate

	FY02	FY03	FY04	FY05	FY06	Annual Trend	Weight
Community Mental Health Centers ⁽¹⁾	\$86.27	\$84.08	\$84.13	\$95.70		6.69%	51.38%
Colorado Mental Health Institutes ⁽²⁾		\$596.67	\$650.92	\$662.58	\$695.58	3.37%	1.40%
Other State Plan Services ⁽³⁾		\$40.56	\$40.56	\$40.56	\$41.53	1.18%	23.80%
Non-State Plan Services ⁽²⁾		\$7.84	\$7.58	\$7.40	\$7.64	0.37%	23.42%
Weighted Annualized Trend							3.85%

(1) Audited Average BHO Unit Costs

(2) Reported at Pueblo and Ft. Logan; Per Member Per Month Rates including State FFS rates and rates paid by BHOs

(3) Audited Average BHO Rate

Exhibit 9b: Development of the COLA Adjustment; Weights

	FY05 Payments	Ratio to Total
Community Mental Health Centers	\$78,171,515	51.38%
Colorado Mental Health Institutes	\$2,123,540	1.40%
Other State Plan Services	\$36,212,014	23.80%
Non-State Plan Services	\$35,640,154	23.42%
Total	\$152,147,224	100.00%