

**STATE OF COLORADO
HEALTH CARE POLICY AND FINANCING**

**Data Book and Proposed Capitation Rates
Effective July 1, 2007 - June 30, 2008
and
July 1, 2008 - December 31, 2008**

Prepared by:

PricewaterhouseCoopers LLP

May 2007

May 15, 2007

Mr. Jed Ziegenhagen
Rates Section Manager
Department of Health Care Policy & Financing
1570 Grant Street
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, 2007 through June 30, 2008 and July 1, 2008 through December 31, 2008 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.

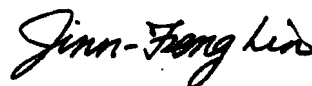
Please call Jinn-Feng Lin at 312-298-3792 if you have any questions regarding these capitation rates.

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, 2007 through June 30, 2008
And
July 1, 2008 through December 31, 2008**

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 periods July 1, 2007 through June 30, 2008 and July 1, 2008 through December 31, 2008 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, 2007 through June 30, 2008 and July 1, 2008 through December 31, 2008 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 periods July 1, 2007 through June 30, 2008 and July 1, 2008 through December 31, 2008.

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.

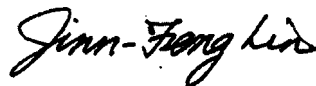
In the development of the proposed capitation rate ranges, I relied on enrollment, encounter, and other data provided by the BHOs and HCPF. I reviewed the data for reasonableness; however, I performed no independent verification and take no responsibility as to the accuracy of these data.

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
May 15, 2007

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Colorado Medicaid Mental Health Program

Data Book and Proposed Capitation Rates

July 1, 2007 through June 30, 2008

and

July 1, 2008 through December 31, 2008

Prepared by PricewaterhouseCoopers LLP

May 2007

PricewaterhouseCoopers LLP (PwC) has calculated mental health capitation rate ranges for the Colorado Medicaid program for the periods July 1, 2007 through June 30, 2008 (fiscal year 2008) and July 1, 2008 through December 31, 2008. 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 periods.

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 one of several appropriate benchmarks 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 periods 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:

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	

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

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 July 1, 2005 through June 30, 2006; fiscal year(FY) 2006. The encounter data included 1915(b)(3) services and state case management services. The records for these services were not consistent and as a result not used in the rate setting process. To calculate the per capita costs of these 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.

The FY 2006 encounter data was used as a basis for the FY 2008 and July 1, 2008 through December 31, 2008 rate development, supplemented with the BHO's audited financial statements. 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. 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
 - Disabled
 - Adults
 - 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, 1a, and 2.

III. Capitation Rate Range Development

The capitation rate ranges for FY 2008 and July 1, 2008 through December 31, 2008 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 1, 1a and 2.

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 2006 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. Additionally, state plan case management encounters are excluded due to the BHOs' inconsistent coding of units.
3. An adjustment is made to compensate for un-priced State Plan encounter records; excluding case management. 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	1.04%
Behavioral Health Care	0.00%
Foothills Behavioral Health	0.07%
Northeast Behavioral Health	0.00%
Colorado Health Partnerships	0.50%

4. An adjustment is applied to include In-Lieu-Of Services costs to State Plan services. Per CMS guidelines, all disallowed services must be removed from the base data used to calculate capitation rates. Room & Board is a component of residential services provided under the 1915 (b)(3) waiver. Room & Board services, which are disallowed, represent a portion of the expenditures contained within the FY06 B3 reported costs. As such, Room & Board costs need to be

removed from the Non-State Plan service costs. To remove the Room & Board expenditures, HCPF calculated costs associated with residential services based on the submitted BHO encounter data. Residential services are considered to be in-lieu-of being cared for in an institution. The calculation assumed a decrease in the utilization of 1915(b)(3) residential services treatment costs and an increase in utilization of covered state plan inpatient hospital services. Although the cost per unit of being institutionalized is greater than the cost per unit of residential services, HCPF has limited the in-lieu-of cost replacement to not exceed total disallowed service costs. We have relied on HCPF's estimated total Room & Board and residential costs by BHO. HCPF has performed the in-lieu-of service analysis using submitted encounter data and average cost per day under a residential setting vs. institutionalized setting.

5. An adjustment is applied to estimate the state plan case management service costs. To determine the amount of state plan case management services, HCPF derived the amount of state plan services without case management services from the encounter data. Preserving the total costs reported on the financial reports, HCPF then deducted this amount and the 1915(b)(3) Waiver services amount from financial reports' total to produce the assumed total amount of state plan case management services.
6. 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. An adjustment was made to the non-state plan service costs to account for the removal of disallowed services (Room & Board). Since Room & Board services (a component of residential services) were used in-lieu-of services provided in an institutional setting, an equivalent adjustment to gross up the costs of the state plan services was made. The development of the adjustment factors is shown in Exhibit 7.

We have compared the priced encounter costs to the BHO financial statements for FY 2006 base data and found that the results are within a range of reasonableness.

7. Based on the CMS checklist, capitation rates must reflect the appropriate adjustment for Third Party Liabilities (TPL). Since BHOs retain TPL collections, the per capita costs were adjusted downward from base priced encounter amounts to reflect these collections. The TPL adjustment, as a flat percentage of service costs, was applied uniformly across all eligibility categories by BHO.
8. Trend adjustments are applied to project the base data from FY 2006 to the contract periods (FY 2008 and July 1, 2008 through December 31, 2008). These adjustments are described in Section V and are shown in Exhibit 8.

9. The projected rates are then divided by a target administration and risk factor to develop a capitation rate. A factor of 10.0% was used for all five of the BHOs. The 10.0% factor is based on a review of BHO reported administrative costs in FY 2006. The development of these costs are shown in Exhibit 4.

Historical Rates Development

10. The other basis used in setting the FY 2008 and July 1, 2008 through December 31, 2008 capitation rates starts with drawing on the historical rates which were used in contracting with the BHOs for FY 2007, shown in Exhibit 3.
11. Trend adjustments are applied to the historical FY 2007 rates to project capitation rates effective for the contract periods.

Blending of Encounter and Historical Rates

12. The FY 2008 and July 1, 2008 through December 31, 2008 per capita costs 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.

IV. Determination of Unit Costs

BHOs submitted FY 2006 claim level detail. Data for covered services is available for the entire 12 month period. Both state plan case management services and 1915(b)(3) Waiver services are excluded in pricing of the BHO encounter data.

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 2006 fee-for-service (FFS) fee schedule is applied to each encounter record.
2. To price inpatient encounters, the FY 2006 Colorado Mental Health Institutes (CMHI) rates as well as other hospital rates are applied to the inpatient encounter 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 contract periods.

IBNR (Incurred But Not Reported)

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 2007. 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 4.96%. COLA (Cost of Living Adjustment) trend of 4.96% 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 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 4.96% is reasonable and appropriate.

To develop a single annual COLA rate, the cost components are combined using a weighted average, shown in Exhibit 8. The development of these weights uses FY 2006 data. The application of the weights to the cost components results in a COLA estimate of 4.96%. The COLA rate was applied to encounter rates and historical rates to shift the base rates to the contract periods.

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 1,000 enrollees.

Non-encounter Services

1915(b)(3) Waiver services are excluded in pricing of the BHO encounter data. To determine the amount of the 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 7.

State plan case management services are also excluded in the pricing of the BHO encounter data. To determine the amount of state plan case management services, HCPF first derived the amount of state plan services excluding the amount of case management services from the encounter data. Preserving total costs from the financial reports, we then deducted this amount and the 1915(b)(3) Waiver services amount from financial reports' total. The result is the assumed total amount of state plan case management services. We have assumed that these costs varied proportionally with the number of encounter records contained in the encounter data. These adjustments are reflected in the per capita cost development shown in Exhibit 4.

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 2006, the BHOs reported total administration costs as a percent of total healthcare costs averaging about 10%. Our experience with Medicaid Managed Care plans suggests that a 10% 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.

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

Exhibit 3 shows a comparison between the FY 2007 and the FY 2008 capitation rates. The FY 2008 and July 1, 2008 through December 31, 2008 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.

Exhibits 6 and 6a display these point estimates separated for State and 1915(b)(3) services by each BHO and each eligibility group. Finally, Exhibits 1 and 1a show the calculation of the low and high range capitation rates for each rate cell respectively for FY2008 and July 1, 2008 through December 31, 2008.

Colorado Health Care Policy and Financing
Crosswalk from CMS Rate Setting Checklist to FY 2008 and July 1, 2008 - December 31, 2008 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 5 - 10	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 4	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 7 - 13	
AA.3.1 Benefit Differences	NA	The benefits have not changed for FY 2008 and July 1, 2008 - December 31, 2008
AA.3.2 Administrative Cost Allowance Calculations	Page 12	
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 11	
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 7 - 8, 11	
AA.4.0 Establish Rate Category Groupings	Page 6	
AA.4.1 Age	Page 6	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 6	Elderly, Disabled, Adults, Children, and Foster Care
AA.5.0 Data Smoothing	Page 12	
AA.5.1 Special Population and Assessment 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) - July 1, 2007 through June 30, 2008 (FY 2008)

Metro - Access Behavioral Denver - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$19.03	\$18.08	\$19.99
Disabled	\$152.72	\$145.08	\$160.35
Adults	\$11.69	\$11.11	\$12.28
Children	\$10.82	\$10.28	\$11.36
Foster Care	\$202.28	\$192.17	\$212.40

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$8.76	\$8.32	\$9.19
Disabled	\$121.78	\$115.69	\$127.87
Adults	\$16.52	\$15.69	\$17.34
Children	\$14.00	\$13.30	\$14.70
Foster Care	\$289.94	\$275.45	\$304.44

Metro West - Foothills Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$13.81	\$13.12	\$14.50
Disabled	\$140.06	\$133.05	\$147.06
Adults	\$22.70	\$21.57	\$23.84
Children	\$18.88	\$17.94	\$19.82
Foster Care	\$259.71	\$246.72	\$272.69

Northeast - Northeast Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$7.86	\$7.47	\$8.25
Disabled	\$82.30	\$78.19	\$86.42
Adults	\$15.70	\$14.92	\$16.49
Children	\$11.83	\$11.24	\$12.43
Foster Care	\$216.37	\$205.55	\$227.19

Western / Southern - Colorado Health Partnership - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$13.98	\$13.28	\$14.68
Disabled	\$92.03	\$87.43	\$96.63
Adults	\$19.57	\$18.60	\$20.55
Children	\$14.80	\$14.06	\$15.54
Foster Care	\$292.52	\$277.90	\$307.15

Exhibit 1a: Low and High Range Capitation Rates (State Plan and 1915(b)(3) Services Combined) - July 1, 2008 through December 31, 2008

Metro - Access Behavioral Denver - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$19.74	\$18.75	\$20.72
Disabled	\$158.37	\$150.45	\$166.29
Adults	\$12.12	\$11.52	\$12.73
Children	\$11.22	\$10.66	\$11.78
Foster Care	\$209.77	\$199.28	\$220.26

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$9.08	\$8.63	\$9.54
Disabled	\$126.29	\$119.97	\$132.60
Adults	\$17.13	\$16.27	\$17.98
Children	\$14.52	\$13.79	\$15.25
Foster Care	\$300.67	\$285.64	\$315.71

Metro West - Foothills Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$14.32	\$13.60	\$15.04
Disabled	\$145.24	\$137.98	\$152.50
Adults	\$23.54	\$22.36	\$24.72
Children	\$19.58	\$18.60	\$20.56
Foster Care	\$269.32	\$255.85	\$282.78

Northeast - Northeast Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$8.15	\$7.74	\$8.56
Disabled	\$85.35	\$81.08	\$89.62
Adults	\$16.28	\$15.47	\$17.10
Children	\$12.27	\$11.66	\$12.89
Foster Care	\$224.38	\$213.16	\$235.59

Western / Southern - Colorado Health Partnership - BHO Capitation Rates Capitation Rates and Rate Ranges			
Elderly	\$14.50	\$13.77	\$15.22
Disabled	\$95.44	\$90.66	\$100.21
Adults	\$20.30	\$19.28	\$21.31
Children	\$15.34	\$14.58	\$16.11
Foster Care	\$303.35	\$288.18	\$318.52

Exhibit 2: FY 2008 and July 1, 2008 through December 31, 2008 Final Per Capita Cost Point Estimates

July 1, 2007 - June 30, 2008 Final Rates with COLA By BHO, Including Admin: Blended Rate based on 30.0% Encounter Data and 70.0% Historical Rates

Access Behavioral Care, Denver	\$19.03	\$152.72	\$11.69	\$10.82	\$202.28	\$40.04
Behavioral Health Care, Inc	\$8.76	\$121.78	\$16.52	\$14.00	\$289.94	\$36.65
Foothills Behavioral Health	\$13.81	\$140.06	\$22.70	\$18.88	\$259.71	\$47.54
Northeast Behavioral Health	\$7.86	\$82.30	\$15.70	\$11.83	\$216.37	\$30.39
Colorado Health Partnerships	\$13.98	\$92.03	\$19.57	\$14.80	\$292.52	\$37.55
Total	\$13.23	\$114.41	\$17.63	\$14.00	\$263.80	\$38.10

Increase/(Decrease) Over Prior Year (FY08 - FY07)

Access Behavioral Care, Denver	(\$0.49)	\$11.98	\$2.16	\$0.46	\$18.01	\$2.98
Behavioral Health Care, Inc	\$1.04	\$10.41	\$2.76	\$1.05	(\$9.04)	\$1.95
Foothills Behavioral Health	\$1.61	\$5.68	\$5.92	\$2.26	(\$17.02)	\$2.50
Northeast Behavioral Health	(\$0.91)	\$5.16	\$1.94	\$1.43	(\$28.48)	\$0.37
Colorado Health Partnerships	(\$1.23)	\$6.82	\$2.00	\$1.06	(\$40.63)	\$0.23
Total	(\$0.27)	\$8.17	\$2.67	\$1.13	(\$20.09)	\$1.38

July 1, 2008 - December 31, 2008 Final Rates with COLA By BHO, Including Admin: Blended Rate based on 30.0% Encounter Data and 70.0% Historical Rates

Access Behavioral Care, Denver	\$19.74	\$158.37	\$12.12	\$11.22	\$209.77	\$41.52
Behavioral Health Care, Inc	\$9.08	\$126.29	\$17.13	\$14.52	\$300.67	\$38.00
Foothills Behavioral Health	\$14.32	\$145.24	\$23.54	\$19.58	\$269.32	\$49.30
Northeast Behavioral Health	\$8.15	\$85.35	\$16.28	\$12.27	\$224.38	\$31.51
Colorado Health Partnerships	\$14.50	\$95.44	\$20.30	\$15.34	\$303.35	\$38.94
Total	\$13.72	\$118.65	\$18.28	\$14.51	\$273.56	\$39.51

Exhibit 3: Historical Rates; Development of FY 2008 and July 1, 2008 - December 31, 2008 Per Capita Costs

FY07 Final Rates With COLA By BHO

Access Behavioral Care, Denver	\$19.52	\$140.73	\$9.53	\$10.36	\$184.27
Behavioral Health Care, Inc	\$7.72	\$111.37	\$13.75	\$12.95	\$298.98
Foothills Behavioral Health	\$12.20	\$134.38	\$16.79	\$16.62	\$276.73
Northeast Behavioral Health	\$8.77	\$77.15	\$13.77	\$10.41	\$244.85
Colorado Health Partnerships	\$15.21	\$85.21	\$17.57	\$13.73	\$333.16

July 1, 2007 - June 30, 2008 Base Rates by BHO; Developed from FY07 Final Rates

Access Behavioral Care, Denver	\$20.49	\$147.72	\$10.00	\$10.88	\$193.42
Behavioral Health Care, Inc	\$8.10	\$116.90	\$14.43	\$13.59	\$313.82
Foothills Behavioral Health	\$12.80	\$141.05	\$17.62	\$17.44	\$290.47
Northeast Behavioral Health	\$9.20	\$80.98	\$14.45	\$10.92	\$257.00
Colorado Health Partnerships	\$15.96	\$89.44	\$18.44	\$14.42	\$349.69

July 1, 2008 - December 31, 2008 Base Rates by BHO; Developed from FY07 Final Rates

Access Behavioral Care, Denver	\$21.25	\$153.18	\$10.37	\$11.28	\$200.58
Behavioral Health Care, Inc	\$8.40	\$121.23	\$14.97	\$14.09	\$325.43
Foothills Behavioral Health	\$13.28	\$146.27	\$18.27	\$18.09	\$301.22
Northeast Behavioral Health	\$9.55	\$83.97	\$14.99	\$11.33	\$266.51
Colorado Health Partnerships	\$16.55	\$92.75	\$19.13	\$14.95	\$362.63

Exhibit 4: Encounter Data; Development of FY 2008 and July 1, 2008 - December 31, 2008 Per Capita Costs

State Plan Services Only; Excluding Case Management

Access Behavioral Care, Denver	\$8.91	\$93.70	\$10.19	\$6.95	\$140.39
Behavioral Health Care, Inc	\$3.34	\$45.33	\$9.25	\$6.60	\$109.15
Foothills Behavioral Health	\$5.45	\$47.66	\$11.86	\$7.84	\$67.43
Northeast Behavioral Health	\$1.81	\$36.37	\$10.10	\$7.63	\$67.73
Colorado Health Partnerships	\$3.73	\$38.22	\$10.81	\$7.62	\$79.51

State Plan Services Only; Adjusted for Unpriced Encounter Data

Access Behavioral Care, Denver	\$9.00	\$94.68	\$10.30	\$7.02	\$141.86
Behavioral Health Care, Inc	\$3.34	\$45.33	\$9.25	\$6.60	\$109.15
Foothills Behavioral Health	\$5.45	\$47.69	\$11.87	\$7.85	\$67.48
Northeast Behavioral Health	\$1.81	\$36.37	\$10.10	\$7.63	\$67.73
Colorado Health Partnerships	\$3.75	\$38.42	\$10.87	\$7.66	\$79.91

State Plan Services Only; Adjusted for In-Lieu-Of Services

Access Behavioral Care, Denver	\$9.03	\$95.01	\$10.34	\$7.05	\$142.35
Behavioral Health Care, Inc	\$3.37	\$45.67	\$9.32	\$6.64	\$109.97
Foothills Behavioral Health	\$5.53	\$48.39	\$12.05	\$7.96	\$68.46
Northeast Behavioral Health	\$1.83	\$36.84	\$10.24	\$7.73	\$68.62
Colorado Health Partnerships	\$3.75	\$38.46	\$10.88	\$7.66	\$80.00

Case Management

Access Behavioral Care, Denver	\$1.95	\$20.46	\$0.65	\$0.45	\$14.27
Behavioral Health Care, Inc	\$2.37	\$28.61	\$2.60	\$1.70	\$20.68
Foothills Behavioral Health	\$1.13	\$8.32	\$2.18	\$1.20	\$8.91
Northeast Behavioral Health	\$1.39	\$21.36	\$2.46	\$1.78	\$14.23
Colorado Health Partnerships	\$1.73	\$19.02	\$2.14	\$1.53	\$13.26

Exhibit 4 (cont): Encounter Data; Development of FY 2008 and July 1, 2008 - December 31, 2008 Per Capita Costs

PMPM from FY06 Encounter Data; Including All State and Non-State Plan Services

Access Behavioral Care, Denver	\$12.77	\$134.28	\$12.77	\$8.73	\$182.14
Behavioral Health Care, Inc	\$8.40	\$108.79	\$17.46	\$12.22	\$191.34
Foothills Behavioral Health	\$13.20	\$112.53	\$28.23	\$18.17	\$153.52
Northeast Behavioral Health	\$3.86	\$69.76	\$15.22	\$11.40	\$99.30
Colorado Health Partnerships	\$7.64	\$80.12	\$18.14	\$12.81	\$129.99

PMPM from FY06 Encounter Data; Excluding TPL Collections

Access Behavioral Care, Denver	\$11.99	\$126.09	\$11.99	\$8.19	\$171.03
Behavioral Health Care, Inc	\$8.31	\$107.55	\$17.26	\$12.08	\$189.18
Foothills Behavioral Health	\$13.04	\$111.11	\$27.88	\$17.94	\$151.59
Northeast Behavioral Health	\$3.83	\$69.14	\$15.08	\$11.30	\$98.41
Colorado Health Partnerships	\$7.58	\$79.47	\$18.00	\$12.71	\$128.94

Encounter Base Rates By BHO; with COLA (from FY06 to July 1, 2007 - June 30, 2008)

Access Behavioral Care, Denver	\$14.07	\$147.94	\$14.07	\$9.61	\$200.67
Behavioral Health Care, Inc	\$9.26	\$119.85	\$19.24	\$13.46	\$210.81
Foothills Behavioral Health	\$14.54	\$123.97	\$31.10	\$20.01	\$169.14
Northeast Behavioral Health	\$4.25	\$76.86	\$16.76	\$12.56	\$109.40
Colorado Health Partnerships	\$8.42	\$88.28	\$19.99	\$14.12	\$143.22

FY08 Encounter Base Rates By BHO; with COLA (from FY06 to July 1, 2007 - June 30, 2008), Including 10.0% Admin

Access Behavioral Care, Denver	\$15.63	\$164.38	\$15.64	\$10.68	\$222.97
Behavioral Health Care, Inc	\$10.29	\$133.17	\$21.37	\$14.96	\$234.23
Foothills Behavioral Health	\$16.16	\$137.75	\$34.56	\$22.24	\$187.94
Northeast Behavioral Health	\$4.72	\$85.40	\$18.63	\$13.96	\$121.56
Colorado Health Partnerships	\$9.35	\$98.08	\$22.21	\$15.68	\$159.13

FY08 Encounter Base Rates By BHO; with COLA (from FY06 to July 1, 2008 - December 31, 2008), Including 10.0% Admin

Access Behavioral Care, Denver	\$16.21	\$170.47	\$16.22	\$11.08	\$231.22
Behavioral Health Care, Inc	\$10.67	\$138.10	\$22.17	\$15.51	\$242.90
Foothills Behavioral Health	\$16.76	\$142.85	\$35.84	\$23.06	\$194.89
Northeast Behavioral Health	\$4.90	\$88.56	\$19.32	\$14.47	\$126.05
Colorado Health Partnerships	\$9.70	\$101.71	\$23.03	\$16.26	\$165.02

Exhibit 5: Member Months by BHO

FY06 Member Month By BHO

Access Behavioral Care, Denver	84,866	136,108	130,952	502,064	29,753	883,744
Behavioral Health Care, Inc	81,542	120,211	197,890	677,060	44,835	1,121,538
Foothills Behavioral Health	55,364	84,894	105,777	309,434	25,963	581,432
Northeast Behavioral Health	53,116	72,753	100,884	334,872	27,496	589,121
Colorado Health Partnerships	165,145	265,383	336,287	1,005,598	72,003	1,844,416
TOTAL	440,034	679,348	871,790	2,829,029	200,050	5,020,251

Exhibit 6: FY 2008 Per Capita Cost Point Estimates; Split State versus 1915(b)(3) Services

Metro - Access Behavioral Denver - BHO Capitation Rates					
FY08 Capitation Rates Breakdown By the State and Non State Plan					
Elderly	\$19.03	\$16.37	85.99%	\$2.67	14.01%
Disabled	\$152.72	\$131.32	85.99%	\$21.40	14.01%
Adults	\$11.69	\$10.05	85.99%	\$1.64	14.01%
Children	\$10.82	\$9.30	85.99%	\$1.52	14.01%
Foster Care	\$202.28	\$173.94	85.99%	\$28.35	14.01%

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates					
FY08 Capitation Rates Breakdown By the State and Non State Plan					
Elderly	\$8.76	\$5.98	68.28%	\$2.78	31.72%
Disabled	\$121.78	\$83.15	68.28%	\$38.63	31.72%
Adults	\$16.52	\$11.28	68.28%	\$5.24	31.72%
Children	\$14.00	\$9.56	68.28%	\$4.44	31.72%
Foster Care	\$289.94	\$197.97	68.28%	\$91.97	31.72%

Metro West - Foothills Behavioral Health - BHO Capitation Rates					
FY08 Capitation Rates Breakdown By the State and Non State Plan					
Elderly	\$13.81	\$6.96	50.40%	\$6.85	49.60%
Disabled	\$140.06	\$70.59	50.40%	\$69.47	49.60%
Adults	\$22.70	\$11.44	50.40%	\$11.26	49.60%
Children	\$18.88	\$9.51	50.40%	\$9.36	49.60%
Foster Care	\$259.71	\$130.89	50.40%	\$128.82	49.60%

Northeast - Northeast Behavioral Health - BHO Capitation Rates					
FY08 Capitation Rates Breakdown By the State and Non State Plan					
Elderly	\$7.86	\$6.56	83.43%	\$1.30	16.57%
Disabled	\$82.30	\$68.67	83.43%	\$13.64	16.57%
Adults	\$15.70	\$13.10	83.43%	\$2.60	16.57%
Children	\$11.83	\$9.87	83.43%	\$1.96	16.57%
Foster Care	\$216.37	\$180.52	83.43%	\$35.85	16.57%

Western / Southern - Colorado Health Partnership - BHO Capitation Rates					
FY08 Capitation Rates Breakdown By the State and Non State Plan					
Elderly	\$13.98	\$10.03	71.74%	\$3.95	28.26%
Disabled	\$92.03	\$66.02	71.74%	\$26.01	28.26%
Adults	\$19.57	\$14.04	71.74%	\$5.53	28.26%
Children	\$14.80	\$10.62	71.74%	\$4.18	28.26%
Foster Care	\$292.52	\$209.86	71.74%	\$82.67	28.26%

Exhibit 6a: July 1, 2008 through December 31, 2008 Per Capita Cost Point Estimates; Split State versus 1915(b)(3) Services

Metro - Access Behavioral Denver - BHO Capitation Rates						
July 1, 2008 - December 31, 2008 Capitation Rates Breakdown By the State and Non State Plan						
Elderly	\$19.74	\$16.97	85.99%	\$2.77	14.01%	
Disabled	\$158.37	\$136.18	85.99%	\$22.19	14.01%	
Adults	\$12.12	\$10.42	85.99%	\$1.70	14.01%	
Children	\$11.22	\$9.65	85.99%	\$1.57	14.01%	
Foster Care	\$209.77	\$180.37	85.99%	\$29.40	14.01%	

Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates						
July 1, 2008 - December 31, 2008 Capitation Rates Breakdown By the State and Non State Plan						
Elderly	\$9.08	\$6.20	68.28%	\$2.88	31.72%	
Disabled	\$126.29	\$86.23	68.28%	\$40.06	31.72%	
Adults	\$17.13	\$11.69	68.28%	\$5.43	31.72%	
Children	\$14.52	\$9.91	68.28%	\$4.61	31.72%	
Foster Care	\$300.67	\$205.30	68.28%	\$95.37	31.72%	

Metro West - Foothills Behavioral Health - BHO Capitation Rates						
July 1, 2008 - December 31, 2008 Capitation Rates Breakdown By the State and Non State Plan						
Elderly	\$14.32	\$7.22	50.40%	\$7.10	49.60%	
Disabled	\$145.24	\$73.20	50.40%	\$72.04	49.60%	
Adults	\$23.54	\$11.86	50.40%	\$11.68	49.60%	
Children	\$19.58	\$9.87	50.40%	\$9.71	49.60%	
Foster Care	\$269.32	\$135.73	50.40%	\$133.59	49.60%	

Northeast - Northeast Behavioral Health - BHO Capitation Rates						
July 1, 2008 - December 31, 2008 Capitation Rates Breakdown By the State and Non State Plan						
Elderly	\$8.15	\$6.80	83.43%	\$1.35	16.57%	
Disabled	\$85.35	\$71.21	83.43%	\$14.14	16.57%	
Adults	\$16.28	\$13.59	83.43%	\$2.70	16.57%	
Children	\$12.27	\$10.24	83.43%	\$2.03	16.57%	
Foster Care	\$224.38	\$187.20	83.43%	\$37.18	16.57%	

Western / Southern - Colorado Health Partnership - BHO Capitation Rates						
July 1, 2008 - December 31, 2008 Capitation Rates Breakdown By the State and Non State Plan						
Elderly	\$14.50	\$10.40	71.74%	\$4.10	28.26%	
Disabled	\$95.44	\$68.47	71.74%	\$26.97	28.26%	
Adults	\$20.30	\$14.56	71.74%	\$5.74	28.26%	
Children	\$15.34	\$11.01	71.74%	\$4.34	28.26%	
Foster Care	\$303.35	\$217.62	71.74%	\$85.73	28.26%	

Exhibit 7: 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 2006 BHOs Financial

Access Behavioral Care, Denver	\$24,065,500	85.71%	\$4,013,872	14.29%	\$28,079,372
Behavioral Health Care, Inc	\$22,667,774	67.90%	\$10,715,921	32.10%	\$33,383,695
Foothills Behavioral Health	\$10,985,209	49.75%	\$11,093,613	50.25%	\$22,078,822
Northeast Behavioral Health	\$11,693,331	82.67%	\$2,450,411	17.33%	\$14,143,742
Colorado Health Partnerships	\$39,463,458	71.68%	\$15,590,383	28.32%	\$55,053,841
Total	\$108,875,272	71.28%	\$43,864,200	28.72%	\$152,739,472

Percentage of State Plan vs. Non State Plan Services; Adjusted for In-Lieu-Of Services

Access Behavioral Care, Denver	\$24,144,441	85.99%	\$3,934,931	14.01%	\$28,079,372
Behavioral Health Care, Inc	\$22,794,436	68.28%	\$10,589,259	31.72%	\$33,383,695
Foothills Behavioral Health	\$11,127,290	50.40%	\$10,951,532	49.60%	\$22,078,822
Northeast Behavioral Health	\$11,800,373	83.43%	\$2,343,369	16.57%	\$14,143,742
Colorado Health Partnerships	\$39,495,786	71.74%	\$15,558,055	28.26%	\$55,053,841
Total	\$109,362,324	71.60%	\$43,377,148	28.40%	\$152,739,472

Exhibit 8: Development of the COLA Adjustment; Effective Rate

MH Cost Trend Analysis										
Unit Cost	89.88	93.08	100.19	106.14	112.20					
Rate Change		3.56%	7.64%	5.94%	5.71%			5.82%		71.72%
Cost	363.91	515.92	596.67	650.92	662.58	695.58	723.92			
Rate Change		41.77%	15.65%	9.09%	1.79%	4.98%	4.07%		4.53%	3.74%
Ave. Rate		42.93	42.93	42.93	45.11	45.11				
Rate Change			0.0%	0.0%	5.1%	0.0%			2.52%	24.54%
Annual Increase										4.96%