

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

**Data Book and Proposed Capitation Rates**  
**Effective July 1, 2009 - December 31, 2009**

**Prepared by:**

**PricewaterhouseCoopers LLP**

**November 2008**

November 10, 2008

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, 2009 through December 31, 2009 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 Sandra Hunt at 415-498-5365 or Jinn-Feng Lin at 312-298-3792 if you have any questions regarding these capitation rates.

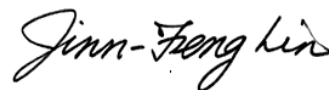
Very truly yours,

PricewaterhouseCoopers LLP



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



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

**Actuarial Certification of  
Mental Health Medicaid Capitation Rates  
July 1, 2009 through December 31, 2009**

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, 2009 through December 31, 2009 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, 2009 through December 31, 2009 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, 2009 through December 31, 2009.

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.



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Jinn-Feng Lin, M.A.A.A  
Member, American Academy of Actuaries  
November 10, 2008

# TABLE OF CONTENTS

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<b>I.</b>	<b>BACKGROUND</b> .....	<b>4</b>
<b>II.</b>	<b>DATA BOOK</b> .....	<b>5</b>
<b>III.</b>	<b>CAPITATION RATE RANGE DEVELOPMENT</b> .....	<b>7</b>
<b>IV.</b>	<b>DETERMINATION OF UNIT COSTS</b> .....	<b>10</b>
<b>V.</b>	<b>ADJUSTMENTS</b> .....	<b>11</b>
	<b>IBNR (Incurred But Not Reported)</b> .....	<b>11</b>
	<b>Trend</b> .....	<b>11</b>
	<b>Administration and Risk Load</b> .....	<b>12</b>
	<b>Data Smoothing</b> .....	<b>12</b>
	<b>Risk Adjustment</b> .....	<b>12</b>
	<b>Rate Ranges</b> .....	<b>12</b>
<b>VI.</b>	<b>PROPOSED CAPITATION RATE RANGES</b> .....	<b>13</b>

## TABLE OF EXHIBITS

---

EXHIBIT 1	Low and High Range Capitation Rates (State Plan and 1915(b)(3) Services Combined) - July 1, 2009 through December 31, 2009
EXHIBIT 2	July 1, 2009 through December 31, 2009 Final Per Capita Cost Point Estimates
EXHIBIT 3	Historical Rates; Development of July 1, 2009 through December 31, 2009 Per Capita Costs
EXHIBIT 4	Encounter Data; Development of July 1, 2009 through December 31, 2009 Per Capita Costs
EXHIBIT 5	Member Months by BHO
EXHIBIT 6	July 1, 2009 through December 31, 2009 Per Capita Cost Point Estimates; Split State versus 1915(b)(3) Services
EXHIBIT 7	Development of the Percentage of State versus 1915(b)(3) Services
EXHIBIT 8	Unit Cost Trend Development

# **Colorado Medicaid Mental Health Program**

## **Data Book and Proposed Capitation Rates**

**July 1, 2009 through December 31, 2009**

**Prepared by PricewaterhouseCoopers LLP**

**November 2008**

PricewaterhouseCoopers LLP (PwC) has calculated mental health capitation rate ranges for the Colorado Medicaid program for the period July 1, 2009 through December 31, 2009. 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 the BHOs 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 services that are Medicaid benefits under the State Plan and additional services provided under HCPF's 1915(b)(3) waiver. CMS regulations prevent these "alternative" services from being included in the development of actuarially sound capitation rates; separate capitation rates must be developed for these services.

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

<b>TABLE 1A</b>	
<b>STATE PLAN SERVICES</b>	
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	

<b>TABLE 1B</b>	
<b>1915(B)(3) SERVICES</b>	
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
Prevention/Early Intervention Services	Substance Abuse
Care Coordination	

Effective July 1, 2009, there are three additional 1915 (b)(3) waiver mental health services that will be offered. They are: Substance Abuse, Prevention and Early Intervention, and Care Coordination.

## 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 its 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, 2006 through June 30, 2007; fiscal year (FY) 2007. The encounter data included all 1915(b)(3) services and state plan services. The FY 2007 encounter data was used as a basis for the July 1, 2009 through December 31, 2009 rate development, supplemented with the BHOs' 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
  - 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 July 1, 2009 through December 31, 2009 are calculated based on a combination of encounter 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 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 2007 priced encounter data are summarized by rate cell. This data contains all services provided under the State plan of benefits, as well as any services covered under the 1915(b)(3) Waiver.
3. 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 number of occurrences, the weighted average cost per unit was applied to these records. The adjustments applied to each BHO's State Plan encounter costs are contained in the table below:

<b>ADJUSTMENT FOR UN-PRICED ENCOUNTER RECORDS</b>	
<b>BHO</b>	<b>Adjustment</b>
Access Behavioral Care	0.25%
Behavioral Health Care	1.00%
Foothills Behavioral Health	0.17%
Northeast Behavioral Health	0.00%
Colorado Health Partnerships	0.55%

4. FY 2007 priced encounter costs related to 1915(b)(3) services were used in developing baseline per capita costs. The development of the State Plans to 1915(b)(c) adjustment factors is shown in Exhibit 7.
5. 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.

6. Trend adjustments are applied to project the base data from FY 2007 to the contract periods (July 1, 2009 through December 31, 2009). These adjustments are described in Section V and are shown in Exhibit 8.
7. The projected rates are then divided by a target administration and risk factor to develop a capitation rate. A factor of 10.5% was used for all five of the BHOs. The 10.5% factor is based on a review of BHO reported administrative costs in FY 2007. The development of these costs are shown in Exhibit 4.

#### ***Historical Rates Development***

8. The other basis used in setting the July 1, 2009 through December 31, 2009 capitation rates starts with drawing on the historical rates which were used in contracting with the BHOs for the contract period of July 1, 2008 through December 31, 2008, as shown in Exhibit 3.
9. Trend adjustments are applied to the historical July 1, 2008 through December 31, 2008 rates to project capitation rates effective for the contract periods.

#### ***Blending of Encounter and Historical Rates***

10. July 1, 2009 through December 31, 2009 per capita costs are developed using a blend of the encounter-based and historical-based rates, with the encounter data weighted 35% and historical data weighted 65% to develop the per capita costs. The weight for encounter-based rates has increased from 30% to 35%. We expect that future rate development will give greater weight to the encounter data component.

#### ***Rate Development for Additional Mental Health Services***

11. Substance Abuse - This service has historically been paid on a Fee-For-Service (FFS) basis. Effective July 1, 2009, this service will be included in the capitation rates paid to the BHOs. To calculate the Substance Abuse per capita costs, FY 2007 and FY 2008 FFS data were reviewed. The July 1, 2009 through December 31, 2009 Substance Abuse per capita cost was calculated by using the 2008 FFS PMPM, adjusted for IBNR, unit cost trend, and administrative load, to derive the Substance Abuse capitation rates in the contract period.
12. Prevention and Early Intervention Services - Services include screening and outreach to identify at-risk populations, proactive efforts to educate and empower members to choose and maintain healthy life behaviors and lifestyles that promote mental and behavioral health. HCPF has provided an expected budget for these activities. HCPF estimated the amount to be 0.97% of July 1, 2009 through

December 31, 2009 per capita costs. The calculated PMPMs are shown in Exhibits 1 and 2.

13. Care Coordination - HCPF will be providing costs for one full time employee to perform Care Coordination activities. HCPF calculated the amount to be approximately 0.2% of July 1, 2009 through December 31, 2009 per capita costs. The calculated PMPMs are shown in Exhibits 1 and 2.

#### **IV. Determination of Unit Costs**

BHOs submitted FY 2007 claim level detail. Encounter data for all covered services were reported and were available for the entire 12 month period. HCPF has performed a data quality review of the BHO submitted encounter data for FY2007. As a result, HCPF requested several BHOs to provide clarifications, to re-submit or to supplement data as needed to ensure the data used to price the encounter records are complete and accurate.

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 2007 fee-for-service (FFS) fee schedule was applied to each encounter record.
2. To price Institute encounters for Pueblo and Fort Logan, the Institute Cost Report rates were applied to Institute inpatient encounter records.
3. To price inpatient encounters, the other hospital rates were applied to the inpatient encounter records.
4. To price all other remaining encounters, the Colorado Medicaid Fee-For-Service fee schedule rates by procedure code were applied to all encounters currently not priced.
5. The remaining un-priced services were 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 2003 through FY 2008. An annualized unit cost trend was calculated for each category, and these annualized trends were aggregated using weights to get an overall average cost annual unit cost trend of 3.49%. The cost components shown on Exhibit 8 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 unit cost trend. There is a range of reasonable trend rates resulting from an analysis of historic cost data. Based upon the analysis shown, in our opinion the unit cost trend adjustment of 3.49% is reasonable and appropriate.

To develop a single annual unit cost trend, the cost components are combined using a weighted average, shown in Exhibit 8. The development of these weights uses FY 2007 data. The application of the weights to the cost components results in an estimate of 3.49%. The unit cost trend 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 encounter utilization data for FY 06 and FY 07 and has determined that no adjustment for changes in utilization rates is appropriate. Our analysis included a regression analysis of historical utilization changes based on BHO submitted FY06/07 encounter data. That analysis showed a consistent and flat utilization pattern throughout FY06 and FY07.

## **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 2007, the BHOs reported total administration costs as a percent of total healthcare costs averaging about 10.5%. Our experience with Medicaid Managed Care plans suggests that a 10.5% 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 and geographical regions are 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.

<b>TABLE 2</b>		
<b>RANGES AROUND CAPITATION POINT ESTIMATES</b>		
<b>BHO</b>	<b>Low Range</b>	<b>High Range</b>
Access Behavioral Care	-5.0%	+5.0%
Behavioral HealthCare	-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 July 1, 2008 through December 31, 2008 and July 1, 2009 through December 31, 2009 capitation rates. The July 1, 2009 through December 31, 2009 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 displays these point estimates separated for State and 1915(b)(3) services by each BHO and each eligibility group. Finally, Exhibits 1 show the calculation of the low and high range capitation rates for each rate cell respectively for July 1, 2009 through December 31, 2009.

**Colorado Health Care Policy and Financing**  
**Crosswalk from CMS Rate Setting Checklist to July 1, 2009 through December 31, 2009 Data Book and 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 - 12	
AA.3.1 Benefit Differences	NA	The benefits have not changed for January 1, 2009 through June 30, 2009
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, 11	
AA.4.0 Establish Rate Category Groupings	Pages 5 - 6	
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 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, 2009 through December 31, 2009**

<b>Metro - Access Behavioral Denver - BHO Capitation Rates Capitation Rates and Rate Ranges</b>			
	<b>Jul-Dec 09 Rate</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Elderly	\$18.30	\$17.39	\$19.22
Disabled	\$160.83	\$152.79	\$168.87
Adults	\$12.07	\$11.47	\$12.67
Children	\$10.75	\$10.22	\$11.29
Foster Care	\$199.07	\$189.12	\$209.02

<b>Metro - Access Behavioral Denver Add-On Capitation Rates</b>		
<b>Substance Abuse</b>	<b>Early Intervention</b>	<b>Care Coordination</b>
\$0.09	\$0.13	\$0.03
\$2.53	\$1.23	\$0.25
\$1.30	\$0.18	\$0.04
\$0.16	\$0.14	\$0.03
\$4.19	\$2.30	\$0.47

<b>Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates Capitation Rates and Rate Ranges</b>			
	<b>Jul-Dec 09 Rate</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Elderly	\$9.09	\$8.64	\$9.55
Disabled	\$127.96	\$121.57	\$134.36
Adults	\$17.27	\$16.41	\$18.14
Children	\$14.61	\$13.88	\$15.34
Foster Care	\$277.50	\$263.63	\$291.38

<b>Metro East - Behavioral Health Inc. (BHI) Add-On Capitation Rates</b>		
<b>Substance Abuse</b>	<b>Early Intervention</b>	<b>Care Coordination</b>
\$0.09	\$0.13	\$0.03
\$2.53	\$1.23	\$0.25
\$1.30	\$0.18	\$0.04
\$0.16	\$0.14	\$0.03
\$4.19	\$2.30	\$0.47

<b>Metro West - Foothills Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges</b>			
	<b>Jul-Dec 09 Rate</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Elderly	\$14.63	\$13.90	\$15.36
Disabled	\$156.21	\$148.40	\$164.02
Adults	\$25.22	\$23.96	\$26.49
Children	\$19.61	\$18.63	\$20.59
Foster Care	\$229.28	\$217.81	\$240.74

<b>Metro West - Foothills Behavioral Health Add-On Capitation Rates</b>		
<b>Substance Abuse</b>	<b>Early Intervention</b>	<b>Care Coordination</b>
\$0.09	\$0.13	\$0.03
\$2.53	\$1.23	\$0.25
\$1.30	\$0.18	\$0.04
\$0.16	\$0.14	\$0.03
\$4.19	\$2.30	\$0.47

<b>Northeast - Northeast Behavioral Health - BHO Capitation Rates Capitation Rates and Rate Ranges</b>			
	<b>Jul-Dec 09 Rate</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Elderly	\$7.96	\$7.56	\$8.36
Disabled	\$102.57	\$97.44	\$107.70
Adults	\$17.29	\$16.42	\$18.15
Children	\$13.95	\$13.25	\$14.64
Foster Care	\$199.33	\$189.36	\$209.29

<b>Northeast - Northeast Behavioral Health Add-On Capitation Rates</b>		
<b>Substance Abuse</b>	<b>Early Intervention</b>	<b>Care Coordination</b>
\$0.09	\$0.13	\$0.03
\$2.53	\$1.23	\$0.25
\$1.30	\$0.18	\$0.04
\$0.16	\$0.14	\$0.03
\$4.19	\$2.30	\$0.47

<b>Western / Southern - Colorado Health Partnership - BHO Capitation Rates Capitation Rates and Rate Ranges</b>			
	<b>Jul-Dec 09 Rate</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Elderly	\$14.62	\$13.89	\$15.35
Disabled	\$107.90	\$102.50	\$113.29
Adults	\$20.59	\$19.56	\$21.62
Children	\$15.05	\$14.29	\$15.80
Foster Care	\$246.93	\$234.58	\$259.28

<b>Western / Southern - Colorado Health Partnership Add-On Capitation Rates</b>		
<b>Substance Abuse</b>	<b>Early Intervention</b>	<b>Care Coordination</b>
\$0.09	\$0.13	\$0.03
\$2.53	\$1.23	\$0.25
\$1.30	\$0.18	\$0.04
\$0.16	\$0.14	\$0.03
\$4.19	\$2.30	\$0.47

**Exhibit 2: July 1, 2009 through December 31, 2009 Final Per Capita Cost Point Estimates**

**July 1, 2009 - Dec 31, 2009 Preliminary Rates with Unit Cost Trend By BHO, Including Admin: Blended Rate based on 35.0% Encounter Data and 65.0% Historical Rates**

	Elderly	Disabled	Adults	Children	Foster Care	Total
Access Behavioral Care, Denver	\$18.30	\$160.83	\$12.07	\$10.75	\$199.07	\$42.17
Behavioral Health Care, Inc	\$9.09	\$127.96	\$17.27	\$14.61	\$277.50	\$37.73
Foothills Behavioral Health	\$14.63	\$156.21	\$25.22	\$19.61	\$229.28	\$50.93
Northeast Behavioral Health	\$7.96	\$102.57	\$17.29	\$13.95	\$199.33	\$34.01
Colorado Health Partnerships	\$14.62	\$107.90	\$20.59	\$15.05	\$246.93	\$39.88
<b>Total</b>	<b>\$13.48</b>	<b>\$127.30</b>	<b>\$18.73</b>	<b>\$14.55</b>	<b>\$237.19</b>	<b>\$40.36</b>

**Substance Abuse Per Capita Cost**

	Elderly	Disabled	Adults	Children	Foster Care	Total
Access Behavioral Care, Denver	\$0.09	\$2.53	\$1.30	\$0.16	\$4.19	\$0.84
Behavioral Health Care, Inc	\$0.09	\$2.53	\$1.30	\$0.16	\$4.19	\$0.77
Foothills Behavioral Health	\$0.09	\$2.53	\$1.30	\$0.16	\$4.19	\$0.91
Northeast Behavioral Health	\$0.09	\$2.53	\$1.30	\$0.16	\$4.19	\$0.85
Colorado Health Partnerships	\$0.09	\$2.53	\$1.30	\$0.16	\$4.19	\$0.90
<b>Total</b>	<b>\$0.09</b>	<b>\$2.53</b>	<b>\$1.30</b>	<b>\$0.16</b>	<b>\$4.19</b>	<b>\$0.85</b>

**Early Intervention Per Capita Cost**

	Elderly	Disabled	Adults	Children	Foster Care	Total
Access Behavioral Care, Denver	\$0.13	\$1.23	\$0.18	\$0.14	\$2.30	\$0.40
Behavioral Health Care, Inc	\$0.13	\$1.23	\$0.18	\$0.14	\$2.30	\$0.35
Foothills Behavioral Health	\$0.13	\$1.23	\$0.18	\$0.14	\$2.30	\$0.42
Northeast Behavioral Health	\$0.13	\$1.23	\$0.18	\$0.14	\$2.30	\$0.39
Colorado Health Partnerships	\$0.13	\$1.23	\$0.18	\$0.14	\$2.30	\$0.40
<b>Total</b>	<b>\$0.13</b>	<b>\$1.23</b>	<b>\$0.18</b>	<b>\$0.14</b>	<b>\$2.30</b>	<b>\$0.39</b>

**Care Coordination Per Capita Cost**

	Elderly	Disabled	Adults	Children	Foster Care	Total
Access Behavioral Care, Denver	\$0.03	\$0.25	\$0.04	\$0.03	\$0.47	\$0.08
Behavioral Health Care, Inc	\$0.03	\$0.25	\$0.04	\$0.03	\$0.47	\$0.07
Foothills Behavioral Health	\$0.03	\$0.25	\$0.04	\$0.03	\$0.47	\$0.09
Northeast Behavioral Health	\$0.03	\$0.25	\$0.04	\$0.03	\$0.47	\$0.08
Colorado Health Partnerships	\$0.03	\$0.25	\$0.04	\$0.03	\$0.47	\$0.08
<b>Total</b>	<b>\$0.03</b>	<b>\$0.25</b>	<b>\$0.04</b>	<b>\$0.03</b>	<b>\$0.47</b>	<b>\$0.08</b>

**Exhibit 3: Historical Rates; Development of July 1, 2009 through December 31, 2009 Per Capita Costs**

**July 1, 2008 - December 31, 2008 BHO Capitation Rates**

	<b>Elderly</b>	<b>Disabled</b>	<b>Adults</b>	<b>Children</b>	<b>Foster Care</b>
Access Behavioral Care, Denver	\$19.74	\$158.37	\$12.12	\$11.22	\$209.77
Behavioral Health Care, Inc	\$9.08	\$126.29	\$17.13	\$14.52	\$300.67
Foothills Behavioral Health	\$14.32	\$145.24	\$23.54	\$19.58	\$269.32
Northeast Behavioral Health	\$8.15	\$85.35	\$16.28	\$12.27	\$224.38
Colorado Health Partnerships	\$14.50	\$95.44	\$20.30	\$15.34	\$303.35

**July 1, 2009 - December 31, 2009 Base Rates by BHO; Developed from July 1, 2008 - December 31, 2008 BHO Capitation Rates**

	<b>Elderly</b>	<b>Disabled</b>	<b>Adults</b>	<b>Children</b>	<b>Foster Care</b>
Access Behavioral Care, Denver	\$20.43	\$163.89	\$12.55	\$11.61	\$217.09
Behavioral Health Care, Inc	\$9.40	\$130.69	\$17.73	\$15.03	\$311.16
Foothills Behavioral Health	\$14.82	\$150.31	\$24.36	\$20.26	\$278.71
Northeast Behavioral Health	\$8.44	\$88.33	\$16.85	\$12.70	\$232.20
Colorado Health Partnerships	\$15.00	\$98.77	\$21.01	\$15.88	\$313.93



**Exhibit 4:** Encounter Data; Development of July 1, 2009 through December 31, 2009 Per Capita Costs

**State Plan Services Only; Including Case Management**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 9.25	\$ 93.57	\$ 8.91	\$ 7.32	\$ 139.88
Behavioral Health Care, Inc	\$ 5.51	\$ 64.26	\$ 11.23	\$ 9.69	\$ 121.69
Foothills Behavioral Health	\$ 9.23	\$ 74.72	\$ 16.52	\$ 13.29	\$ 101.43
Northeast Behavioral Health	\$ 3.35	\$ 65.30	\$ 13.76	\$ 11.00	\$ 95.46
Colorado Health Partnerships	\$ 8.49	\$ 58.31	\$ 12.23	\$ 9.34	\$ 91.03

**State Plan Services Only, including CM; Adjusted for Unpriced Encounter Data**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 9.28	\$ 93.81	\$ 8.93	\$ 7.33	\$ 140.23
Behavioral Health Care, Inc	\$ 5.57	\$ 64.90	\$ 11.34	\$ 9.79	\$ 122.91
Foothills Behavioral Health	\$ 9.25	\$ 74.85	\$ 16.55	\$ 13.31	\$ 101.60
Northeast Behavioral Health	\$ 3.35	\$ 65.30	\$ 13.76	\$ 11.00	\$ 95.46
Colorado Health Partnerships	\$ 8.56	\$ 58.78	\$ 12.33	\$ 9.41	\$ 91.77

**Non-State Plan Only**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 3.07	\$ 39.69	\$ 0.69	\$ 0.55	\$ 2.27
Behavioral Health Care, Inc	\$ 1.40	\$ 35.60	\$ 2.10	\$ 1.54	\$ 52.91
Foothills Behavioral Health	\$ 2.56	\$ 63.39	\$ 5.63	\$ 1.92	\$ 12.08
Northeast Behavioral Health	\$ 2.49	\$ 41.15	\$ 1.18	\$ 2.42	\$ 18.63
Colorado Health Partnerships	\$ 2.91	\$ 44.18	\$ 4.02	\$ 1.72	\$ 9.24

**PMPM from FY07 Encounter Data; Including All State and Non-State Plan Services**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 12.35	\$ 133.50	\$ 9.62	\$ 7.89	\$ 142.50
Behavioral Health Care, Inc	\$ 6.97	\$ 100.51	\$ 13.44	\$ 11.32	\$ 175.82
Foothills Behavioral Health	\$ 11.81	\$ 138.24	\$ 22.18	\$ 15.23	\$ 113.68
Northeast Behavioral Health	\$ 5.84	\$ 106.45	\$ 14.93	\$ 13.42	\$ 114.09
Colorado Health Partnerships	\$ 11.47	\$ 102.96	\$ 16.35	\$ 11.13	\$ 101.02

**Exhibit 4 (cont):** Encounter Data; Development of July 1, 2009 through December 31, 2009 Per Capita Costs

**PMPM from FY07 Encounter Data; Excluding TPL Collections**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 11.69	\$ 126.36	\$ 9.11	\$ 7.47	\$ 134.88
Behavioral Health Care, Inc	\$ 6.94	\$ 100.09	\$ 13.38	\$ 11.28	\$ 175.10
Foothills Behavioral Health	\$ 11.63	\$ 136.15	\$ 21.85	\$ 15.00	\$ 111.96
Northeast Behavioral Health	\$ 5.77	\$ 105.08	\$ 14.74	\$ 13.24	\$ 112.62
Colorado Health Partnerships	\$ 11.33	\$ 101.69	\$ 16.15	\$ 11.00	\$ 99.77

**Encounter Base Rates By BHO; with Unit Cost Trend (from FY07 to July 1, 2009 - December 31, 2009)**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 12.85	\$ 138.86	\$ 10.01	\$ 8.20	\$ 148.22
Behavioral Health Care, Inc	\$ 7.63	\$ 109.99	\$ 14.70	\$ 12.39	\$ 192.42
Foothills Behavioral Health	\$ 12.78	\$ 149.61	\$ 24.01	\$ 16.48	\$ 123.03
Northeast Behavioral Health	\$ 6.34	\$ 115.47	\$ 16.20	\$ 14.55	\$ 123.75
Colorado Health Partnerships	\$ 12.45	\$ 111.75	\$ 17.75	\$ 12.08	\$ 109.64

**Encounter Base Rates By BHO; with Unit Cost Trend (from FY07 to July 1, 2009 - December 31, 2009), Including 10.5% Admin**

	Elderly	Disabled	Adults	Children	Foster Care
Access Behavioral Care, Denver	\$ 14.35	\$ 155.15	\$ 11.19	\$ 9.17	\$ 165.61
Behavioral Health Care, Inc	\$ 8.52	\$ 122.90	\$ 16.43	\$ 13.85	\$ 214.99
Foothills Behavioral Health	\$ 14.28	\$ 167.16	\$ 26.82	\$ 18.41	\$ 137.46
Northeast Behavioral Health	\$ 7.08	\$ 129.01	\$ 18.10	\$ 16.26	\$ 138.27
Colorado Health Partnerships	\$ 13.91	\$ 124.86	\$ 19.83	\$ 13.50	\$ 122.50

**Exhibit 5: Member Months by BHO**

**FY07 Member Month By BHO**

	<b>Elderly</b>	<b>Disabled</b>	<b>Adults</b>	<b>Children</b>	<b>Foster Care</b>	<b>Total</b>
Access Behavioral Care, Denver	84,416	133,657	126,737	479,061	31,984	855,856
Behavioral Health Care, Inc	83,044	124,849	192,782	674,856	44,442	1,119,973
Foothills Behavioral Health	54,719	87,403	102,371	296,526	26,371	567,389
Northeast Behavioral Health	52,383	73,826	104,888	331,502	28,482	591,081
Colorado Health Partnerships	159,999	271,513	329,137	937,718	73,414	1,771,781
<b>TOTAL</b>	<b>434,560</b>	<b>691,248</b>	<b>855,915</b>	<b>2,719,664</b>	<b>204,693</b>	<b>4,906,080</b>

**Exhibit 6:** July 1, 2009 through December 31, 2009 Per Capita Cost Point Estimates; Split State versus 1915(b)(3) Services

<b>Metro - Access Behavioral Denver - BHO Capitation Rates</b>					
<b>Capitation Rates Breakdown By the State and Non State Plan</b>					
	<b>Jul-Dec 09</b>		<b>State Plan</b>	<b>Non State Plan</b>	<b>Non State Plan</b>
	<b>Total Rate</b>	<b>State Plan Rate</b>	<b>Percentage</b>	<b>Rate</b>	<b>Percentage</b>
Elderly	\$18.30	\$14.44	78.90%	\$3.86	21.10%
Disabled	\$160.83	\$126.89	78.90%	\$33.94	21.10%
Adults	\$12.07	\$9.52	78.90%	\$2.55	21.10%
Children	\$10.75	\$8.49	78.90%	\$2.27	21.10%
Foster Care	\$199.07	\$157.06	78.90%	\$42.01	21.10%

<b>Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates</b>					
<b>Capitation Rates Breakdown By the State and Non State Plan</b>					
	<b>Jul-Dec 09</b>		<b>State Plan</b>	<b>Non State Plan</b>	<b>Non State Plan</b>
	<b>Total Rate</b>	<b>State Plan Rate</b>	<b>Percentage</b>	<b>Rate</b>	<b>Percentage</b>
Elderly	\$9.09	\$6.64	73.00%	\$2.45	27.00%
Disabled	\$127.96	\$93.42	73.00%	\$34.55	27.00%
Adults	\$17.27	\$12.61	73.00%	\$4.66	27.00%
Children	\$14.61	\$10.67	73.00%	\$3.95	27.00%
Foster Care	\$277.50	\$202.58	73.00%	\$74.92	27.00%

<b>Metro West - Foothills Behavioral Health - BHO Capitation Rates</b>					
<b>Capitation Rates Breakdown By the State and Non State Plan</b>					
	<b>Jul-Dec 09</b>		<b>State Plan</b>	<b>Non State Plan</b>	<b>Non State Plan</b>
	<b>Total Rate</b>	<b>State Plan Rate</b>	<b>Percentage</b>	<b>Rate</b>	<b>Percentage</b>
Elderly	\$14.63	\$9.98	68.23%	\$4.65	31.77%
Disabled	\$156.21	\$106.58	68.23%	\$49.63	31.77%
Adults	\$25.22	\$17.21	68.23%	\$8.01	31.77%
Children	\$19.61	\$13.38	68.23%	\$6.23	31.77%
Foster Care	\$229.28	\$156.43	68.23%	\$72.85	31.77%

<b>Northeast - Northeast Behavioral Health - BHO Capitation Rates</b>					
<b>Capitation Rates Breakdown By the State and Non State Plan</b>					
	<b>Jul-Dec 09</b>		<b>State Plan</b>	<b>Non State Plan</b>	<b>Non State Plan</b>
	<b>Total Rate</b>	<b>State Plan Rate</b>	<b>Percentage</b>	<b>Rate</b>	<b>Percentage</b>
Elderly	\$7.96	\$5.85	73.47%	\$2.11	26.53%
Disabled	\$102.57	\$75.36	73.47%	\$27.21	26.53%
Adults	\$17.29	\$12.70	73.47%	\$4.59	26.53%
Children	\$13.95	\$10.25	73.47%	\$3.70	26.53%
Foster Care	\$199.33	\$146.45	73.47%	\$52.88	26.53%

<b>Western / Southern - Colorado Health Partnership - BHO Capitation Rates</b>					
<b>Capitation Rates Breakdown By the State and Non State Plan</b>					
	<b>Jul-Dec 09</b>		<b>State Plan</b>	<b>Non State Plan</b>	<b>Non State Plan</b>
	<b>Total Rate</b>	<b>State Plan Rate</b>	<b>Percentage</b>	<b>Rate</b>	<b>Percentage</b>
Elderly	\$14.62	\$10.16	69.51%	\$4.46	30.49%
Disabled	\$107.90	\$75.01	69.51%	\$32.89	30.49%
Adults	\$20.59	\$14.32	69.51%	\$6.28	30.49%
Children	\$15.05	\$10.46	69.51%	\$4.59	30.49%
Foster Care	\$246.93	\$171.65	69.51%	\$75.28	30.49%

**Exhibit 7:** Development of the Percentage of State versus 1915(b)(3) Services

**Percentage of State Plan vs. Non State Plan Services; Based on FY 2007 Priced Encounter Data**

	State Plan Service Cost For FY 07	% State Plan	Non State Plan Service Cost For FY07	% Non State Plan	Total
Access Behavioral Care, Denver	\$22,395,911	78.90%	\$5,990,243	21.10%	\$28,386,154
Behavioral Health Care, Inc	\$22,591,775	73.00%	\$8,355,043	27.00%	\$30,946,819
Foothills Behavioral Health	\$15,341,627	68.23%	\$7,144,159	31.77%	\$22,485,786
Northeast Behavioral Health	\$12,804,808	73.47%	\$4,623,221	26.53%	\$17,428,029
Colorado Health Partnerships	\$36,655,382	69.51%	\$16,074,994	30.49%	\$52,730,376
<b>Total</b>	<b>\$109,789,504</b>	<b>72.24%</b>	<b>\$42,187,659</b>	<b>27.76%</b>	<b>\$151,977,164</b>

**Exhibit 8: Unit Cost Trend Development**

<b>MH Cost Trend Analysis</b>									
<b>CMHC</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>Trend</b>	<b>Weight</b>
Unit Cost	75.09	79.03	91.57	92.51	92.78	99.99			
<b>Rate Change</b>		5.26%	15.86%	1.02%	0.30%	7.77%		3.97%	85.9%
<b>Pueblo+FortLogan</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>		
Cost				794.37	820.58	788.07	807.29		
<b>Rate Change</b>					3.30%	-3.96%	2.44%	0.00%	4.3%
<b>Hospital Per Diem</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>		
Cost			957.67	1028.33	1038.61	1043.46			
<b>Rate Change</b>				7.38%	1.00%	0.47%		0.73%	8.6%
<b>Other Providers</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>		
Ave. Rate		34.60	34.60	34.60	35.16	36.32	36.32		
<b>Rate Change</b>			0.0%	0.0%	1.6%	3.3%	0.0%	1.64%	1.3%
								<b>Weighted Average</b>	
<b>Annual Increase</b>								<b>3.49%</b>	