

# Assigned	Section	Page #	Para.	Question	Response
1	90.300	2	3	If a plan is unable to provide the level of detail requested in bid forms 2a – 2h, will bundling of similar services be acceptable (with the plans providing an explanation of which services they bundled)? Are there specific line items which the plan must provide distinct from other line items?	Yes, bundling is acceptable. More detail is preferable to less. Inpatient maternity days and prescription drug rebates are two items that should not be bundled.
2	90.400	2	1	Since rate ranges will not be provided, will the actuary provide general assumptions about their rate computations based on the data book? For example, assumptions of average cost or utilization trends or specific provider reimbursement rates. If so, please specify.	General assumptions will not be provided by the DHS prior to the submission of bids.
3	90.400	2	1	What does “unless later deemed critical for member access by DHS” mean? What criteria are used to determine if an offeror is “deemed critical”? What rates would apply if an offeror is “deemed critical”?	The DHS will evaluate network capacity after following the selection process in the RFP. If in the judgment of the DHS a plan is deemed critical, rates submitted in excess of the rate range would be reduced to the midpoint of the rate range.
4	90.400	2	1	If the bid rates are lowered to the mid-point and the offeror’s actuary deems these rates unacceptable, what happens and what rates would apply?	If the health plan does not agree that the midpoint rate is actuarially sound then they will be excluded from that island.
5	90.400	2	1	What happens if bid rates for Oahu are accepted but bid rates for Hawaii, Maui or Kauai are not? Will an offeror be disqualified from Oahu since a health plan will not be selected for Oahu unless it has also been selected for Hawaii, Maui or Kauai per section 100.600?	Yes, such an offeror would be disqualified from Oahu.

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6	90.400	2	2	How will DHS determine the “minimum rate to be actuarially sound” for an offeror whose composite rate is below the lower bound of the DHS rate range? Could this “minimum rate” be below the offeror’s original bid and/or below the lower bound of the DHS rate range?	The DHS will review plan assumptions and may reduce the lower bound of the rate range by aid category and by Island. The final lower bound of the rate range could be below both the initial lower bound established by the DHS and an offeror's original bid.
7	90.400	3	Top	If two plans’ composite rates are within the bid range, will DHS re-compute the bid range for any aid category that is above the upper bound limit of the bid range before or after awarding a contract? For example, if Plan A’s original composite rate is lower than Plan B’s, but upon re-computation of the composite rate (after reducing certain aid categories which exceed the upper bound limit to the mid-point of the rate range), Plan A’s composite rate becomes higher than Plan B, will Plan B be awarded the contract over Plan A? Or, will the original composite rate determine which plan is awarded a contract, and then the re-computation is done for any aid category exceeding the upper bound limit?	Contract award is based both on price and technical score. With regard to bid rate adjustments, the composite rate used for bid evaluation and auto assignment will include any rate increases necessary for low bids to fall within the final actuarially sound range. Rates above the rate ranges will not be lowered when computing the composite rate for bid evaluation and auto assignment.
8	90.400	3	Top	Will any offeror with a composite rate more than 5% above the upper bound limit of the rate range be totally disqualified for that island? Will all other offerors whose composite rate is above the upper bound limit, but by less than 5%, be considered a successful offeror?	A plan must be deemed critical to access in order to avoid disqualification from an island if their composite bid rate is more than 5% above the composite upper bound. Plans with a composite rate below the 5% threshold will continue through the evaluation process.

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9	90.400			What will be the dollar or percentage difference between the low and high rates in the rate ranges? If this information will not be made available, could plans get an idea of the size of the range?	There is no predetermined size of rate ranges by aid category.
10	90.400			Will the low end of the bid range change for purposes of the auto- assignment algorithm if a plan bids below the lower bound of the DHS rate range and its bid is determined to be actuarially sound?	Adjustments to the low end of the rate range will apply to both the bid evaluation and the auto assignment process.
11	90.400			<p>“All other offerors whose composite rate exceeds the upper bound of the DHS rate range will have any aid category specific bid rates that are above the rate range for than aid category lowered to the mid-point of that rate range.” Is it the DHS’ intent that Plan A may not be awarded a contract on an island because Plan B ends up with a final adjusted bid rate, based on the procedures presented in 90.400, that is lower than Plan A’s original submission?</p> <ul style="list-style-type: none"> · Plan A’s bid composite rate is within the allowed bid range · Plan B’s bid composite rate exceeds the upper bound by less than 5% 	Please see the response to question 7.
12	90.400			Please provide clarification of when a plan would be “deemed critical for member access by the DHS” as stated in 90.400.	This decision is at the discretion of the DHS.

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13	90.400			If a plan's composite bid rate on a particular island exceeds the upper bound by less than 5% and its rate is adjusted, will the adjusted rate or the actual bid rate be used in determining the winning bid for that island? Similarly, if a plan's composite bid rate is below the lower bound and is determined to be actuarially sound and accepted; will this become the lowest bid rate for that island for purposes of the auto-assignment algorithm?	Please see the response to question 7.
14	90.500	3	1	When will DHS notify the plans of the rates effective 7/1/07? What basis will the actuaries use to compute these rates? Will DHS provide an actuary report documenting the 7/1/07 rate development?	The rate setting process for 7/1/07 will occur prior to 7/1/07. The DHS will provide actuarial documentation of the rate development.
15	90.500	3	2	If DHS considers adverse selection and risk adjustment in the future, will this be plan or member specific?	The application of diagnosis based risk adjustment rating factors would be at the plan level, if such adjustment takes place in the future.
16	90.600	3	1	What does "only contractual requirements that impact rates should be included in this list" mean? Is this referring to the use of only contracted provider rates; i.e. versus proposed rates, in computing the cost per service of the bid?	The intent is for the offerors to include changes in the contract between the DHS and the health plans, not between the health plans and the providers. This list should be restricted to those contractual changes that impact rates.

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17	Data Book			Is the current Medicaid fee schedule based on percentage of Medicare? If so, what is that percentage? What has the trend been in the Medicaid fee schedule? Can DHS provide the current fee schedules (effective 7/1/06) to offerors?	Yes, generally most of the rates will be at 60% of the 2006 Medicare Fee Schedule although some rates will differ. The new fee schedule effective 7/1/06 has not been completed but will be posted on the website at www.med-quest.us
18	Data Book			Do offerors need to consider higher reimbursement assumptions for State hospitals, private hospitals, FQHCs or any other specific providers? If so, please specify.	Offerors should bid according to their expected costs.
19	Data Book			What completion factors were applied in the data book models? How does the actuary know they are reasonable based on the data provided by the current plans?	In aggregate the data book assumes that 97.3% of the claims incurred in CY 2005 were included in the claims data provided by the health plans. Milliman calculated completion factors based on claims triangles generated from health plan claims data. Results were compared to those provided by the health plans. Our assumption differed from the combined reserves for the health plans by approximately \$250,000 out of \$7,000,000 in plan estimated reserves.
20	Data Book			How will positive enrollment impact an offeror's bid computations, especially utilization assumptions? Will DHS implement immediately the island cap during positive enrollment? If so, how will the member's second choice be implemented and how will this choice impact utilization assumptions?	The bid rates will not be adjusted based on the outcome of positive enrollment.

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21	Data Book			Section 60.410 on page 260 indicates a health plan shall not pay out-of-network emergency services more than Medicaid fee-for-service, should bids be adjusted to reflect this restriction? Will DHS be providing the offerors the applicable Medicaid fee-for-service fees?	Yes, bids should reflect all contractual changes. The Medicaid fee-for-service fee schedules will be provided.
22	Data Book			Section 60.410 on page 260 indicates a health plan is not required to pay an out-of-network provider, who they have failed to contract with, more than the Medicaid fee-for-service rates less 10%, should bids be adjusted to reflect this restriction? Will DHS be providing the offerors the applicable Medicaid fee-for-service fees?	Yes, bids should reflect all contractual changes. The Medicaid fee-for-service fee schedules will be provided.
23	Data Book			Considering the data book excludes Kaiser, should offerors assume that the utilization and cost of these Kaiser members is similar to the data of the other two plans? If so, is this an actuarially sound assumption considering Kaiser's status as a "provider" and their delivery of services?	The DHS has no insight at this time into the potential selection that may exist between the membership of Kaiser and the other two health plans.
24	Data Book			How and where do we tell the State the bid rate by Island and by Age/Gender groupings?	The age/gender relativities have already been calculated and provided as part of the data book. Bids are by aid category and island as summarized on Bid Form 1.
25	Data Book			Do the current base rates include administrative cost?	Yes.
26	Data Book			Are the claims paid in full?	Completion factors have been applied to the data in the data book, so they should be considered paid in full. Note that we have not attempted to allocate risk pool dollars to individual claims.

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27	Data Book			Can you provide clarification on the QUEST ACE population with respect to anticipated claims cost and utilization. What category of claims data in the Data Book would best reflect this population?	The claims cost and utilization benchmarks for the QUEST ACE population are uncertain. The DHS expectation is that they will be similar to QUEST adults subject to the restricted benefit package of the QUEST-Net program.
28	Data Book			The financial information excluded from the cost models (bottom of page one of the data book summary) includes several components that typically are considered to be claim costs by payers, but which do not occur at the claim encounter level. Is this why they were not included in the cost models? Can you describe these components? Should plans make adjustments to include these components in the rates? If not, why? Do you intend to reflect these components in the bid ranges? If so, what will be included?	Only claims and capitation payments that could be directly attributed to a member during an eligible month are included in the cost models. The other components were provided by the health plans in aggregate. A complete description of these components (Risk Pool/Fee Adjustment, Quality Program Payments, Management fees, Other Benefit Payments, Disease management costs) was not provided by the health plans, so we cannot describe these components in any greater detail. Plans should make adjustments to include these components in the rates, if they feel that it is consistent with the costs in their delivery system.
29	Data Book			Your comment #5 suggests that the excluded data should be reflected in a bid, even though it cannot be assigned to a specific claim encounter. This suggests that a load of approximately 13% should be applied to costs at the cost model level to reflect these payments. Do you agree? If not, why not?	It may be appropriate for a bidder to include none, some or all of the non-encounter data items. Each plan must estimate their own future cost.

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30	Data Book			How were capitation payments shown on page 1 of the Summary (\$17,262,106) allocated to the island/aid category level? We understand that these were included using the encounter data—is this correct? If so, did you make any adjustment to the encounter data to reflect the tendency to underreport services for providers under capitation? How much? If not, do you have an opinion regarding how complete the reporting is? Do you know how the sum of the paid amounts for services provided under capitation compares to the capitation payments in question?	Capitation payments were provided at a member and month level of detail so we were able to allocate to island and aid category using the eligibility files. We did not use any of the encounter data for capitated services as it appeared deficient when compared to capitation payments. This was true of both health plans. We therefore do not have the utilization levels for these capitated services.
31	Data Book			The exclusion of approximately 1% of claim encounters suggests that these are amounts that should not have been paid. This may not be appropriate if administrative shortcomings caused the payments to be made and the underlying administrative problems have not yet been addressed (or cannot be addressed). Please describe the reasons for the exclusions.	CMS requires that only claims attributable to a member during an eligible period of time be included in the rate development.
32	Data Book			What aggregate completion factor was used to adjust for claims unpaid as of April 2006, and how was it determined?	Please see the answer to question 19.
33	Data Book			Do you intend to develop the rate ranges from the claim experience summarized in the data book? What are the cost and utilization trend assumptions that will be used in developing the rate ranges?	The claim experience will be the basis for the rate ranges that will be developed. Trend assumptions will not be disclosed prior to the submission of bids.

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34	Bid Form 1			Is the Composite rate on Bid Form 1 equivalent to the base rate?	The base rate is the bid rate for each island and aid category. In total there are 48 base rates (8 aid categories and 6 islands).
35	Bid Form 1			What do the rates for each Aid category on Bid Form 1 imply? How are they associated with the Age/Gender groupings?	The rates in Bid Form 1 are the base rates for each island and aid category. The capitation rate paid to the plan is the base rate multiplied by the appropriate age/gender factor. The age/gender factors are part of the data book.
36	Bid Form 2a through Bid Form 2h			Do we submit one set of Bid Form 2a to 2h for each island assuming we bid on all islands?	Yes.
37	Bid Forms 2b-2h			Where should non-claims based benefit expenses, like disease management, be reported on the bid forms? Can additional lines be added to the bid forms? Can certain lines be condensed?	Yes, you can add and combine lines as to best fit your bid assumptions.
38	Bid Forms 2b-2h			Will there be a maximum administration percent applied by DHS? If so, please specify. In the past, a 10% maximum was in place.	Yes, administrative cost shall be limited to ten (10%) percent of the total capitation for each island.
39	Bid Forms 2b-2h			Other than hospice services, will there be maximum cost per service amounts (provider pricing) applied to the bid rates? If so, please specify the type of service and the maximum rate allowed.	The bid ranges were based on the current Medicaid reimbursement rates.

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40	Bid Forms 2b-2h			Are the offerors permitted to include a profit margin? If so, is there a maximum percentage allowed?	No maximum has been specified.
41	Bid Forms 2b-2h			Considering there is no QUEST ACE data available, can the actuary clarify which aid category with available data is similar to QUEST ACE?	Please see answer to question 27.
42	Age/Gender Factors & Bid Rate Summary			It is our understanding that our revenue will be based on our bid rate to reflect our distribution of members by demographic cell, using the age/gender factors shown in the worksheet (age_gender 20060710). Is this correct? In developing our projected rates, should we assume that the distribution of members by plan and island is as shown in Worksheet 1? If we use experience data and our actual (historical) distribution has differed from that, should we recalibrate our bid rate to be what it would have been if we had had the standard distribution, using the age/gender factors?	That is correct, you should bid as if your enrolled population will be the entire managed care population for that particular aid category and island.
43	Age/Gender Factors			Do the age/gender factors reflect only the experience shown in the cost models, or have they been adjusted to reflect information not included (e.g., Kaiser's experience, disease management costs, etc.)?	The age/gender relativities were developed using claims data included in the data book. These were normalized using the entire managed care population. No Kaiser specific costs were included in the calculation of the age/gender factors.
44	Appendix B	B-2, B-3		The forms are for Hawaii island for QUEST, QUEST-Net and QUEST-ACE but the description does not match to any of the Aid categories on Bid Form 1. Is MCO to submit for each Aid Category for each island?	The submission is to be in aggregate for all islands and aid categories.

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45	General			Would the State provide the offerors a Hawaii Medicaid fee schedule?	The Hawaii Medicaid Fee schedule can be found at www. med-quest.us
46	General			What does DHS expect the QUEST-ACE population to look like; which aid category should plans model the QUEST-ACE population after?	Please see answer to question 27.
47	General			As a staff model HMO, our plan reports the actual cost of managing the QUEST program, including the cost of provider, hospital and health plan operations (unlike claims based plans who do not take into account a hospital's operating costs). As mentioned in the teleconference on July 14, 2006, the Hawaii hospitals may be impacted by up to \$80 million in losses due to reimbursement rates. How will staff model HMO plans be expected to create claims cost in a fashion comparable to the other plans, and yet capture the true impact of the cost to our organization?	The \$80 in losses that were recently reported by Hawaii Health Information Corporation has not been factored into the rate ranges. If the funding is approved by the state legislature to cover these losses the capitation rates will be adjusted. Unless an emergency funding request is approved the earliest the rates would be effective is July 1, 2007.

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48	General			<p>Most of the major hospital systems have requested significant rate increases (which would not be reflected in the historic cost data) to cover the shortfall between cost and reimbursement rates. The Hawaii Health Information Corporation recently issued a report on Medicaid and QUEST cost and payment data, which reflects a payment shortfall of \$80 million from costs. Should plans incorporate an increase in hospital costs in their projections? If so, do you have an estimate for how much? Will the rate ranges incorporate an adjustment to historic cost to cover some of this shortfall? Do you anticipate a similar adjustment for physician reimbursements? If reimbursement levels are changed significantly, will we be given then opportunity to revise our bids?</p>	<p>The \$80 in losses that were recently reported by Hawaii Health Information Corporation has not been factored into the rate ranges. If the funding is approved by the state legislature to cover these losses the capitation rates will be adjusted. Unless an emergency funding request is approved the earliest the rates would be effective is July 1, 2007.</p> <p>During the last legislative session the Medicaid Fee Schedule was updated by the state legislature to 60% of the 2006 Medicare Fee Schedule. These amounts will be reflected in the rate ranges although each offeror must determine that impact to their own health plan.</p>
49	General			<p>What changes in program contractual requirements have been implemented since the beginning of the data collection period? Which of them have been deemed to impact rates? Do you have an estimate for the cost impact of these changes?</p>	<p>A list of contractual changes will be provided by the DHS. Each offeror will need to determine what if any rate impact is associated with each item.</p>
50	General			<p>Why was Kaiser's data contribution considered incomplete? Would the published claim cost summaries have been significantly higher or lower if Kaiser's data had been included? Was an impact analysis done, and if so, what was the result?</p>	<p>When costs were applied to the encounter data, the results were dramatically different from plan financials and the other health plans. Once it was determined that the data would not be included in the data book, no further analysis was performed.</p>

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51	General			The exclusion of Kaiser has the potential to distort the aggregate claim costs if their risk profile or experience is significantly different from the other carriers. Can you provide a comparison, in aggregate, of Kaiser experience to the other plans? Can you suggest an approach to adjust the cost models to reflect Kaiser experience? It is our understanding that Kaiser has approximately 13% of membership. Is this correct?	The DHS can make no such comparison. In CY 2005 the Kaiser members accounted for 13% of the total member months.
52	General			Do the cost models include any adjustment for provider reimbursement changes DHS is implementing for the Medicaid fee-for-service program? If so, what cost assumptions were used?	No such adjustments were made to the historical claim experience in the data book.
53	General			What cost assumptions will be used for the different contractual requirement changes in setting the bid ranges?	Each offeror must compute their own estimates of these costs.
54	General			It is our understanding that the comparison to the rate ranges will be done on a gross basis (i.e., including loading for administration and profit charges). Is this correct? If so, what administrative and profit factors do you intend to use in developing the rate ranges?	Bid rates will be compared in total. The state will not disclose administrative cost or profit margin assumptions prior to the submission of the bids.
55	General			Will the current QUEST rates be considered in developing the rate ranges? If not, why not?	We are likely to do some comparisons to current rates, but these were developed some years ago and have been trended year to year. Much greater reliance will be placed on the claims data provided in the data book.

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56	General			Will any additional encounter data or financial data be used in developing the rate ranges given the limited data used in the cost models? If so, what additional data will be used? Will Kaiser's experience be included in setting the ranges? If not, why not? Why are the rate ranges not being disclosed?	Similar to the health plans, the DHS actuaries may supplement their determination of the rate ranges with other data sources. Kaiser's experience will likely not be included in setting the rate ranges. It is in the best interest of the DHS to not disclose the rate ranges prior to the submission of the bids.
57	General			Given that the meeting with the actuaries is on Friday and the business proposal questions are scheduled for submission on Monday, could an additional day or two be added to the question due date as these occurrences are so close together?	No.
58	General			The rate book sheets require detailed allocations of aggregate claim costs to finely defined cells. For example, the allocation of professional maternity costs between cesarean section and normal deliveries is unlikely to lead to different decisions either for our rate setting or for your evaluation. Would it be acceptable for us to report results at a higher level of detail?	Yes, you can add or combine lines as to best fit your bid assumptions. However, the allocation of costs between cesarean and normal deliveries may facilitate more precise claim management assumptions regarding a plan's ability to manage down the number of cesarian deliveries.
59	General			Similarly, some allocations of aggregate claim costs require extensive analysis of claim encounter coding records (to differentiate between different types of hospital outpatient services, for example). Would it be acceptable, for example, to show hospital outpatient costs allocated to emergency room, surgery, diagnostic radiology and pathology, and all other? Would it be permissible to group primary and assistant surgeon?	Yes, you can add or combine lines as to best fit your bid assumptions.

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60	General			In consideration of competition and choice, would you consider allowing up to two plans on Molokai and Lanai?	No.
61	General			Could you please provide more information on the allocation of QUEST-ACE members by aid category/age/gender?	Table 2 of the demographics.xls workbook, shows in detail the assumptions regarding the number of QUEST-ACE members. We have assumed that these members will be distributed by age/gender band similar to the QUEST-Net adults. For purposes of submitting bids all QUEST-ACE members are included in the QUEST-Net bid.
62	General			Could we please get a list of all plans represented on the July 14th conference call?	Aloha Care, HMSA, Kaiser and Summerlin were on the call.