

Amendment # 11
Issued on: December 28, 2007

For Requests for Proposals RFP-MQD-2008-006
QUEST Expanded Access (QExA) Managed Care Plans to Cover Eligible Individuals Who Are Aged, Blind or Disabled

#	RFP Section #	RFP Language	Amendment
1	Appendix B		Replace current Appendix B with revised Appendix B below.

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**AMENDED
APPENDIX B
RISK SHARE PROGRAM**

Objective of the Program: The State acknowledges that due to circumstances beyond the control of the health plans and the State, the established capitation rates may not be appropriate for the services to be provided. Even with utilization data and experience serving the ABD enrollees, it is difficult for the plans and the State to accurately predict the actual performance or utilization of services by the enrolled population. It is possible that more recipients will utilize more services than estimated. Conversely, it is also possible that more recipients will utilize substantially less services than estimated.

To address the unknown risk to the health plans and the State, the DHS will implement a risk share program. The risk share program will be applied when there is an overall impact on the program such that there is a significant differential between the Total Revenue (as defined below) received by the plans for health care, and the aggregate health care expenses of the plans. It is not intended to protect any one health plan from poor performance due to ineffective management of utilization, or the inability to negotiate effective and economical contracts. The risk share program cannot be activated by a single plan.

Definitions:

Total Revenue is the sum of all Pre-Tax Capitation Rates paid to each health plan during the State fiscal year ending June 30. The health care services portion is equal to Total Revenue times 93%.

Net Health Care Expenses will be based on the actual service expenses less any reimbursements from third party reimbursements. The expenses will be taken from the financial reports provided by the health plans for the year ended June 30. DHS recognizes that the financial reports are due within 45 days from the end of the reporting period and that some data may not be available at the time the reports are submitted. Therefore, prior to compiling the profit/loss statement for the risk share program, the plans will be requested to update their report for the year ended June 30 for any adjustments through December 31. That updated report will be due to the DHS by January 15.

All net expenses for all health plans will be summed to determine the total net expenses for care.

Conceptual Framework: Under the risk share program, the DHS will share in a significant difference between the Total Revenue and the actual costs experienced by the totality of the plans. Six (6) months following the end of the fiscal year (by

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December 31), using the financial reports provided by the participating health plans, a simple profit and loss statement will be developed for the health services portion of the QExA program. The health care services portion of the Total Revenue is assumed to be 93%. Actual administrative expenses will not be included in the computation since the intent of the program is to adjust for unknown risk associated with providing the health services to the enrolled population. Note that service coordination costs are reported as healthcare services and not as administrative costs for this computation.

Following the computation of the aggregate profit and loss statement, a net loss or gain percentage will be computed based upon the Total Revenue paid to the plans for health care. If the loss percentage is within a 5% risk corridor, there will be no loss sharing between the DHS and the health plans and the health plans will absorb all of the loss. If the aggregate loss is outside of this risk corridor, the DHS will share equally in the loss exceeding the risk corridor up to the risk share limit of \$5,000,000. If there is an aggregate gain exceeding 3%, the DHS will share equally in the gain between 3% and 5%. The DHS will recover all gains exceeding 5%.

If there is to be risk sharing, each health plan would be compensated individually based on the number of eligible months. Using an example of a net loss of 7%, with the risk corridor at 5%, the 2% difference would be shared equally between the DHS and the health plans up to \$5,000,000. Since the DHS and the health plans share equally in the loss, the amount to be remitted back to the health plans is 1% of the Total Revenue paid to the health plans for health care. Only health plans experiencing an actual loss will benefit from the risk share program.

Similarly, if there is a net gain of 7%, there will be profit sharing for the 4% difference beyond the 3% corridor. The first 2% difference will be shared equally between the DHS and the plans. The second 2% will be returned to the State. Only health plans experiencing an actual gain above the 3% corridor will be required to reimburse the State.

The individual amounts to be remitted to the plans or to the State will be distributed based on eligible months. The following formula will be used to determine the aggregate gain/loss*:

$$\begin{aligned} & \underline{\sum \text{Health care services portion of Total Revenue}} \\ \text{Less: } & \underline{\sum \text{Net health care expenses}} \text{ (based on the actual incurred expenses for health} \\ & \text{care)} \\ \text{Equals: } & \underline{\text{Net profit/loss}} \text{ (for the health care services provided to QExA populations)} \end{aligned}$$

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The net profit/loss divided by the Total Revenue will provide a percentage of the profit/loss which will be compared to the risk corridor established by the DHS.

Examples: The following examples illustrate how the Risk Share Program would be applied in aggregate and individually to the plans

Example 1: Aggregate Program Calculation for Loss

Plan	Recipient Months	Total Revenue	Health Care Services Portion of Total Revenue		Medical Expenses	Net Profit (Loss)	Gain (Loss) Percentage
			%	\$			
A	205,200	102,600,000	93%	95,418,000	106,618,842	-11,200,842	-11.74%
B	154,800	77,400,000	93%	71,982,000	79,122,150	-7,140,150	-9.92%
	360,000	180,000,000		167,400,000	185,740,992	-18,340,992	-10.96%

Total Revenue Paid to the Plans for Health Care	167,400,000
Total Expenses Related to Health Care	<u>185,740,992</u>
Net Loss	18,340,992

Loss Percentage for the Program	10.96%
Risk corridor is 5%	<u>-5.00%</u>
% of loss to be shared equally between plans and DHS	5.96%
% to be returned to plans (50/50 share)	2.98%

Since in aggregate, the program experienced a loss greater than the 5% corridor, the risk share program will be implemented.

Example 2: Distribution to the Plans

The plans and DHS share equally in the loss over 5% (i.e., in this example 5.96%). The total amount to be returned to the plans is calculated based on 2.98% of the health care services portion of the Total Revenue received by the plan experiencing a loss (2.98% x \$167,400,000 = \$4,988,520). A per capita amount to be returned can be calculated using the total amount to be returned divided by the total number of recipient months served by the plans experiencing a loss (which could be a single plan). In this example,

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the per capita amount would be \$13.857 per recipient month (\$4,988,520 / 360,000). As long as the \$5,000,000 limit was not reached, the calculation would be computed as follows: Each plan with a loss will receive \$13.857 per recipient month. Plan A would receive \$2,843,456 (205,200 x 13.857); and Plan B would receive \$2,145,063 (154,800 x 13.857). A plan would not receive any payment from the Risk Share Program if it did not actually experience a loss.

If the limit of \$5 million had been exceeded, each plan with a loss will receive a pro rata share of the \$5,000,000 based on the plan's recipient months. Plan A would receive \$2.85 million (57% x 5,000,000); and Plan B would receive \$2.15 million (43% x 5,000,000).

Example 3: Aggregate Calculation of Gain

If there is a net gain, the net gain percentage will be computed and distributed among the plans exceeding the 3% allowable gain.

Plan	Recipient Months	Total Revenue	Health Care Services Portion of Total Revenue %	Total Revenue \$	Medical Expenses	Net Profit (Loss)	Gain (Loss) Percentage
A	205,200	102,600,000	93%	95,418,000	92,142,598	3,275,402	3.43%
B	154,800	77,400,000	93%	71,982,000	66,404,401	5,577,599	7.75%
	360,000	180,000,000		167,400,000	158,546,999	8,853,001	5.29%

Total Revenue to the Plans for Health Care	167,400,000
Total Expenses Related to Health Care	<u>158,546,999</u>
Net Gain	8,853,001

Gain Percentage for the Program	5.29%
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Risk corridor is 3%	3.00%
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Since in aggregate, the program experienced a gain greater than the 3% corridor, the risk share program will be implemented.

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Example 4: Plan Specific Calculations

The plans and DHS share equally in the gain between 3% and 5% and any gain at or over 5% is returned to the State. If a plan has a gain over 5%, the maximum amount that the plan will be allowed to retain will be 4%. The gain allocation would be applied only to plans which experienced a gain over 3%. In this example, Plan A had a gain of 3.43% and would return half of the gain in excess of 3%, or 0.215% ($[3.43 - 3.00] / 2$). Plan A would retain \$3,069,299 and would return \$206,103 to DHS. Plan B had a gain of 7.75% and would be allowed to retain 4%. Plan B would retain \$2,879,280 and would return \$2,698,319 to DHS. If a plan has a gain of less than 3% or a loss, they would not make any payment to the state under the gain sharing provision.