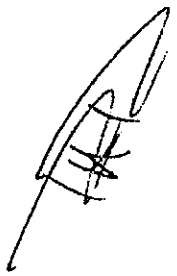
ATTACHMENT #10



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Actuarial Certification for Administración de Seguros de Salud

Mi Salud Program: Metro North, North, Northeast, San Juan, and West Regions

July 1, 2013 through June 30, 2014

I, Susan E. Pantely, Principal and Consulting Actuary, am an employee of Milliman, Inc. Consultants and Actuaries. I am a Member of the American Academy of Actuaries, and meet its Qualification Standards for issuing Actuarial Statements of Opinion for Medicaid premium rate development. I have been retained by Administración de Seguros de Salud (ASES) to develop the capitation rates for the Mi Salud program for the period July 1, 2013 through June 30, 2014. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP no. 8.

This actuarial certification covers the fixed payments for the Preferred Medical Group (PMG) fund and administrative fee for these regions.

In developing the fixed payment rates, I relied on data provided by ASES and managed care organizations under the Government Health Insurance program (GHIP) regarding:

- Claims incurred November 2011 through December 2012, paid through February 2013
- Data concerning capitations, administrative costs, and other program costs for the period November 2011 through December 2012.

The conclusions reached as a result of my review are contingent on the accuracy of the data provided. The data was used without independent audit, having been evaluated for reasonableness and consistency by comparing to financial statements and other control totals reported by the managed care organizations. To the extent that the underlying data and information is inaccurate, the fixed payment rates certified here may also be inaccurate.

The fixed payment rates were developed based on GHIP claims, utilization and membership data, and include allowance only for benefits covered under the Mi Salud program. Adjustments were made to account for such factors as medical trend, incomplete data, and program changes. Separate rates were not developed by other categories including age, gender, or eligibility category, consistent with past practice. Demographic profiles for regions studied previously did not vary

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materially, and the adjustments would be modest relative to the fixed payment rates developed. Use of the single rate approach is considered actuarially sound.

The conclusions reached as a result of my review are contingent on the accuracy of the data provided. The data was used without independent audit, having been evaluated for reasonableness and consistency by comparing to financial statements and other control totals reported by the managed care organizations. To the extent that the underlying data and information is inaccurate, the premium rates certified here may also be inaccurate.

I hereby certify that, to the best of my knowledge and judgment, the methodologies used to develop the PCP capitation rate, PMG fund, and administrative per member per month (PMPM) fee for the Mi Salud program are appropriate and developed in accordance with generally accepted actuarial principles and practices and are not excessive, inadequate, or unfairly discriminatory in relation to benefits. In my opinion, The primary care physician (PCP) capitation, PMG fund, and administrative fees are actuarially sound, as defined in 42 CFR § 438.6(c), were 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 administrative fee and PMG fund payments can be found in Attachments 1 and 2, respectively.

This certification is intended for ASES and CMS 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 projections of the type in this certification, so as to properly interpret the projection results.

It should be emphasized that fixed payment rates are a projection of future costs based on a set of assumptions. These assumptions may not be appropriate for all organizations. Each organization should consider a number of factors, including but not limited to, provider contracts, medical management, and administrative requirements. Actual experience will differ from projected amounts to the extent that the actual experience deviates from the projected experience.

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This opinion has been prepared specifically for the Mi Salud program rates and may not be appropriate for other purposes. This certification is intended for ASES and CMS and should not be relied on by other parties.

Susan E. Pantely, FSA, MAAA

June 28, 2013

415-394-3756

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14-047

Overview

There are eight distinct regions for the Mi Salud program: Southeast, East, North, San Juan, Metro North, Northeast, and Southwest plus the Virtual region. These regions have distinct utilization and cost patterns and the capitated rates reflect these regional variations. Medical services within a region are provided by one MCO and one MBHO. As the regions reflect large stable populations, the capitation rate development does not explicitly consider age, gender or eligibility category. This actuarial certification covers the fixed payment components for the Triple S regions of North, Metro North, San Juan, West, and Northeast. Projected fixed payments under the contract are approximately $691,606,000.

Milliman has relied on the following data sources as provided by Administración de Seguros de Salud (ASES):

- Detailed claim-level covering claims incurred during the period November 2011 through December 2012. This information was used to prepare claims lag reports (monthly paid claims by month of service) and to generate actuarial cost models by type of service (inpatient, outpatient, etc.).
- Monthly enrollment for the period November 2011 through December 2012.
- Information from the carrier regarding net capitated payment rates.
- Financial Reports as reported by the carrier.
- Incurred claims as reported by the carrier.

Although the above data was reviewed for reasonableness, Milliman did not audit the data. After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the HMOs, (ii) the claim amounts reported by ASES and (iii) the claim amounts in the financial statements. There was satisfactory consistency between the three claims data sources.

The actuarial model used to derive the July 1, 2013 to June 30, 2014 (Contract Period) PMG fund payments relies primarily on health plan experience. The historical claims experience by region for the Mi Salud program was analyzed and actuarial cost models for the Base Period were developed. The Base Period is claims incurred January 1, 2012 – December 31, 2012.

Therefore, the Base Period reflects services that are both eligible State Plan services and provided to members eligible for Mi Salud. (Checklist AA2.0)

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We had historical claims paid through February 2013. For claims incurred in the Base Period, we expect the medical claims data is incomplete. We reviewed the historical claims lag triangles by region. We adjusted the base period PMPM to account for claims incurred but not paid. The completion factors can be found in Attachment 2. (Checklist AA3.14)

These estimates were then projected forward to the Projection Period (July 1, 2013 – June 30, 2014) using assumed trend rates. Administrative expenses were added to the claims component in order to project the total Contract Period costs under the plan. The services used in the analysis include the following:

- Medical
- Prescription Drug

The analysis of Base Period claims experience attempted to identify and adjust for any distortions in the data. Significant variations in experience, including the impact from unusually large individual claims, were investigated. No adjustments for large claims were deemed necessary. (Checklist AA5.0)

These regions were transitioned from the previous Managed Care Organization (MCO) to Triple S in November 2011. Medical claims incurred for the first few months of the Triple S contract were low due to the transition. We added an adjustment to increase the incurred 2012 claims to account for the low incurred claims in the months of January and February 2012. This adjustment can be found in Attachment 2.

The total projected medical costs for this population are comprised of fee-for-service (FFS) medical expenses and the PMG capitated expenses. This memorandum addresses the PMG capitated medical expenses only.

Member Months

Members move in and out of the program. Partial members are paid a pro rata portion of the premium. We increased the member months by 2% based on the assumption that partial month members are covered for one-half month. (Checklist AA3.4)

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Trend Factors

The rating methodology uses trend factors to adjust the Base Period claims cost to the Projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. We developed the projected cost trend rate assumptions based on an analysis of recent experience and professional judgment regarding future cost increases.

Annual utilization trends were set at 0.0% and 2.1% for medical and prescription drug, respectively. Annual average charge trend was set at 0.0% and 4.0% for medical and prescription drug, respectively. (Checklist AA3.11)

Mi Salud Changes

There were no programmatic changes from the Base Period to the Projection Period.

Administrative Fees

ASES pays a fixed monthly administrative fee for claims processing. The amount allocated for administrative expenses ranges from 4.6% to 5.9% of total projected medical expenses. The administrative fees are shown in Attachment 1.

* * *

Certified Rates

Attachment 1 to this report provides the administrative fees. Attachment 2 provides a buildup of the PMG fund payments by Region. These rates are only appropriate for the period July 1, 2013 to June 30, 2014.

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ATTACHMENT 1

ADMINISTRATIVE FEES PER MEMBER PER MONTH

Region	Per Member Per Month Administrative Fee
Metro North	$ 5.82
North	$ 5.51
Northeast	$ 6.17
San Juan	$ 8.21
Virtual	$ 0.00
West	$ 5.08

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ATTACHMENT 2 - DEVELOPMENT OF PMG FUND

	Midpoint					
Base Period = January 1, 2012 - December 31, 2012	7/1/2012					
Base Period FFS non-Rx = January 1, 2012 - December 31, 2012	7/1/2012	18.0				
Projection Period = July 1, 2013 - June 30, 2014	1/1/2014	18.0				

	North	Metro North	Northeast	San Juan	West	Total
(1) Base Period PMG non-Rx Paid PMPM	$35.40	$39.33	$32.50	$42.31	$32.63	$31.84
(2) Completion Factor	0.959	0.965	0.951	0.947	0.964	0.920
(3) Completed Base Period PMG non-Rx PMPM (1) / (2)	$36.92	$40.76	$34.18	$44.70	$33.85	$34.59
(4) Adjustment for Jan-Feb 2012 Understatement	1.027	1.027	1.027	1.000	1.031	1.016
(5) Base Period PMG non-Rx PMPM (3) x (4)	$37.91	$41.85	$35.10	$44.70	$34.90	$35.14
(6) Annual Utilization Trend	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(7) Annual Average Charge Trend	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(8) Projected PMG Rx (5) x [(1+ (6))^(18/12)] x [(1+ (7))^(18/12)]	$37.91	$41.85	$35.10	$44.70	$34.90	$35.14
(9) Base Period Capitation Paid PMG	$9.94	$9.94	$12.50	$9.94	$9.94	$13.75
(10) Annual Trend	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(11) Projected Capitation Paid PMG	$9.94	$9.94	$12.50	$9.94	$9.94	$13.75
(12) Base Period PMG Rx Paid PMPM	$9.39	$9.06	$8.22	$9.23	$6.08	$9.35
(13) Completion Factor	1.000	1.000	1.000	1.000	1.000	1.000
(14) Completed Base Period FFS non-Rx PMPM (12) / (13)	$9.39	$9.06	$8.22	$9.23	$6.08	$9.40
(15) Annual Utilization Trend	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
(16) Annual Average Charge Trend	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
(17) Projected FFS non-Rx (14) x [(1+ (15))^(18/12)] x [(1+(16))^(18/12]	$10.28	$9.91	$9.00	$10.10	$6.65	$10.28
(18) Total PMG Risk (8) + (11) + (17)	$58.13	$61.70	$56.59	$64.74	$51.49	$59.18

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Actuarial Certification for Administración de Seguros de Salud

Mi Salud Program: East, Southeast, and Southwest Regions

October 1, 2013 through June 30, 2014

I, Susan E. Pantely, Principal and Consulting Actuary, am an employee of Milliman, Inc. Consultants and Actuaries. I am a Member of the American Academy of Actuaries, and meet its Qualification Standards for issuing Actuarial Statements of Opinion for Medicaid premium rate development. I have been retained by Administración de Seguros de Salud (ASES) to develop the capitation rates for the Mi Salud program for the period October 1, 2013 through June 30, 2014. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP no. 8.

This actuarial certification covers the fixed payments for the Preferred Medical Group (PMG) fund and administrative fee for these regions.

In developing the fixed payment rates, I relied on data provided by ASES and managed care organizations under the Government Health Insurance program (GHIP) regarding:

- Claims incurred January 2010 through December 2012, paid through December 2012
- Data concerning capitations, administrative costs, and other program costs for the period January 2010 through December 2012.

The conclusions reached as a result of my review are contingent on the accuracy of the data provided. The data was used without independent audit, having been evaluated for reasonableness and consistency by comparing to financial statements and other control totals reported by the managed care organizations. To the extent that the underlying data and information is inaccurate, the fixed payment rates certified here may also be inaccurate.

The fixed payment rates were developed based on GHIP claims, utilization and membership data, and include allowance only for benefits covered under the Mi Salud program. Adjustments were made to account for such factors as medical trend, incomplete data, and program changes. Separate rates were not developed by other categories including age, gender, or eligibility category, consistent with past practice. Demographic profiles for regions studied previously did not vary

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Contrato Número
14-041

materially, and the adjustments would be modest relative to the fixed payment rates developed. Use of the single rate approach is considered actuarially sound.

The conclusions reached as a result of my review are contingent on the accuracy of the data provided. The data was used without independent audit, having been evaluated for reasonableness and consistency by comparing to financial statements and other control totals reported by the managed care organizations. To the extent that the underlying data and information is inaccurate, the premium rates certified here may also be inaccurate.

I hereby certify that, to the best of my knowledge and judgment, the methodologies used to develop the PCP capitation rate, PMG fund, and administrative per member per month (PMPM) fee for the Mi Salud program are appropriate and developed in accordance with generally accepted actuarial principles and practices and are not excessive, inadequate, or unfairly discriminatory in relation to benefits. In my opinion, The primary care physician (PCP) capitation, PMG fund, and administrative fees are actuarially sound, as defined in 42 CFR § 438.6(c), were 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 administrative fee and PMG fund payments can be found in Attachments 1 and 2, respectively.

This certification is intended for ASES and CMS 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 projections of the type in this certification, so as to properly interpret the projection results.

It should be emphasized that fixed payment rates are a projection of future costs based on a set of assumptions. These assumptions may not be appropriate for all organizations. Each organization should consider a number of factors, including but not limited to, provider contracts, medical management, and administrative requirements. Actual experience will differ from projected amounts to the extent that the actual experience deviates from the projected experience.

ADMINISTRACION DE SEGUROS DE SALUD
Contrato Número
14-047

This opinion has been prepared specifically for the Mi Salud program rates and may not be appropriate for other purposes. This certification is intended for ASES and CMS and should not be relied on by other parties.

Susan E. Pantely, FSA, MAAA

June 28, 2013

415-394-3756

ADMINISTRACION DE SEGUROS DE SALUD
Contrato Número
14-040

Overview

There are eight distinct regions for the Mi Salud program: Southeast, East, North, San Juan, Metro North, Northeast, and Southwest plus the Virtual region. These regions have distinct utilization and cost patterns and the capitated rates reflect these regional variations. Medical services within a region are provided by one MCO and one MBHO. As the regions reflect large stable populations, the capitation rate development does not explicitly consider age, gender or eligibility category. This actuarial certification covers the fixed payment components for the Triple S regions of East, Southeast, and Southwest. Projected fixed payments under the contract are approximately $323,981,000.

Milliman has relied on the following data sources as provided by Administración de Seguros de Salud (ASES):

- Detailed claim-level covering claims incurred during the period January 2010 through December 2012. This information was used to prepare claims lag reports (monthly paid claims by month of service) and to generate actuarial cost models by type of service (inpatient, outpatient, etc.).
- Monthly enrollment for the period January 2010 through December 2012.
- Information from the carrier regarding net capitated payment rates.
- Financial Reports as reported by the carrier.
- Incurred claims as reported by the carrier.

Although the above data was reviewed for reasonableness, Milliman did not audit the data. After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the HMOs, (ii) the claim amounts reported by ASES and (iii) the claim amounts in the financial statements. There was satisfactory consistency between the three claims data sources.

The actuarial model used to derive the October 1, 2013 to June 30, 2014 (Contract Period) PMG fund payments relies primarily on health plan experience. The historical claims experience by region for the Mi Salud program was analyzed and actuarial cost models for the Base Period were developed. The Base Period is claims incurred January 1, 2012 – December 31, 2012.

Therefore, the Base Period reflects services that are both eligible State Plan services and provided to members eligible for Mi Salud. (Checklist AA2.0)

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We had historical claims paid through December 2012. For claims incurred in the Base Period, we expect the medical claims data is incomplete. We reviewed the historical claims lag triangles by region. We adjusted the base period PMPM to account for claims incurred but not paid. The completion factors can be found in Attachment 2. (Checklist AA3.14)

These estimates were then projected forward to the Projection Period (October 1, 2013 – June 30, 2014) using assumed trend rates. Administrative expenses were added to the claims component in order to project the total Contract Period costs under the plan. The services used in the analysis include the following:

- Medical
- Prescription Drug

The analysis of Base Period claims experience attempted to identify and adjust for any distortions in the data. Significant variations in experience, including the impact from unusually large individual claims, were investigated. No adjustments for large claims were deemed necessary. (Checklist AA5.8)

The total projected medical costs for this population are comprised of fee-for-service (FFS) medical expenses and the PMG capitated expenses. This memorandum addresses the PMG capitated medical expenses only.

Member Months

Members move in and out of the program. Partial members are paid a pro rata portion of the premium. We increased the member months by 2% based on the assumption that partial month members are covered for one-half month. (Checklist AA3.4)

Trend Factors

The rating methodology uses trend factors to adjust the Base Period claims cost to the Projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. We developed the projected cost trend rate assumptions based on an analysis of recent experience and professional judgment regarding future cost increases.

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14-DH7

Annual utilization trends were set at 0.0% and 2.1% for medical and prescription drug, respectively. Annual average charge trend was set at 0.0% and 4.0% for medical and prescription drug, respectively. (Checklist AA3.11)

Mi Salud Changes

There were no programmatic changes from the Base Period to the Projection Period.

Administrative Fees

ASES pays a fixed monthly administrative fee for claims processing. The amount allocated for administrative expenses ranges from 3.7% to 4.6% of total projected medical expenses. The administrative fees are shown in Attachment 1.

* * *

Certified Rates

Attachment 1 to this report provides the administrative fees. Attachment 2 provides a buildup of the PMG fund payments by Region. These rates are only appropriate for the period October 1, 2013 to June 30, 2014.

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14-041

ATTACHMENT 1

ADMINISTRATIVE FEES PER MEMBER PER MONTH

Region	Per Member Per Month Administrative Fee
East	$ 5.21
Southeast	$ 5.50
Southwest	$ 5.44

ATTACHMENT 2 - DEVELOPMENT OF PMG FUND

	Midpoint			
Base Period = January 1, 2012 - December 31, 2012	7/1/2012			
Base Period FFS non-Rx = January 1, 2012 - December 31, 2012	7/1/2012	18.0		
Projection Period = October 1, 2013 - June 30, 2014	2/15/2014	19.5		

	East	Southeast	Southwest	Total
(1) Base Period PMG non-Rx Paid PMPM	$25.89	$25.61	$24.20	$25.34
(2) Completion Factor	0.840	0.841	0.846	0.842
(3) Completed Base Period PMG non-Rx PMPM (1) / (2)	$30.82	$30.47	$28.59	$30.10
(4) Annual Utilization Trend	0.0%	0.0%	0.0%	0.0%
(5) Annual Average Charge Trend	0.0%	0.0%	0.0%	0.0%
(6) Projected PMG Rx (3) x [(1+ (4))^(19.5/12)] x [(1+ (5))^(19.5/12)]	$30.82	$30.47	$28.59	$30.10
(7) Base Period Capitation Paid PMG	$27.81	$15.92	$11.27	$19.51
(8) Annual Trend	0.0%	0.0%	0.0%	0.0%
(9) Projected Capitation Paid PMG	$27.81	$15.92	$11.27	$19.51
(10) Base Period PMG Rx Paid PMPM	$12.29	$10.34	$10.75	$11.25
(11) Completion Factor	0.988	0.989	0.987	1.000
(12) Completed Base Period FFS non-Rx PMPM (10) / (11)	$12.44	$10.46	$10.89	$11.39
(13) Annual Utilization Trend	2.1%	2.1%	2.1%	2.1%
(14) Annual Average Charge Trend	4.0%	4.0%	4.0%	4.0%
(15) Projected FFS non-Rx (12) x [(1+ (13))^(19.5/12)] x [(1+(14))^(19.5/12]	$13.71	$11.53	$12.00	$12.55
(16) Total PMG Risk (6) + (9) + (15)	$72.35	$57.91	$51.87	$62.17

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14-047