

Table 1
State of Connecticut Model Design
Per Capita Health Care Cost and Health Care Cost Trend Estimates

	Medicaid/CHIP								Private/ Other				Medicare							
	Adult		Child		Duals (only)		Disabled/Elderly (without duals)		Individual		Family		Dual Eligible		Medicare FFS		Medicare Part D		Medicare Advantage	
Health Care Expenditure Category	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. Per Family of Four Health Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate	Est. PMPM Cost	Est. Most Recent Annual Trend Rate
Total Cost of Care -- All Service	\$327.39	12.00%	\$285.17	20.00%	\$2,186.07	2.30%	\$2,372.25	6.20%	\$610.45	9.00%	\$1,764.09	9.00%	1,365	-0.70%	\$888.00	4.20%	\$185.15	7.40%	see note	see note
Other components -- details as needed	\$ -	0%	\$ -	0%			\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%
Total	\$327.39	12.00%	\$285.17	20.00%	\$2,186.07	2.30%	\$2,372.25	6.20%	\$610.45	9.00%	\$1,764.09	9.00%	1,365	-0.70%	\$888.00	4.20%	\$185.15	7.40%	see note	see note

Note: PMPM = Per Member (i.e., beneficiary) Per Month
Note: Cost trend should be based on the average of the most recent three years available.

Medicaid: We used Connecticut data from the Medicaid Statistical Information System (MSIS) to estimate the PMPM cost and trend rate for each Medicaid group. The PMPM costs were calculated using CY 2010 data, and the trend rates were calculated as the average trend using 2008, 2009 and 2010 data. We note changes in the adult eligibility related to Medicaid expansion programs that may have an impact on the overall cost trends. We used 2009 and 2010 data to calculate trends for the Adult and Child populations due to a discrepancy in the State's overall expenditures, likely related to changes in third party administrators during that time period.

Private / other is based on a general population modeled using Milliman's Managed Care Rating Model. We assumed that the "Individual" category refers to people with single coverage in the individual market and those with single coverage in the group market and that family refers to family units consisting of two or more individuals.

In addition, we used data from Milliman's Health Cost Guidelines to estimate the PMPM cost and trend rate for those with private coverage in general. The PMPM costs were calculated by inputting a plan design that is at the gold level (80% actuarial value) into the Milliman 2012 Managed Care Rating Model (MCRM) for Connecticut. Since the MCRM produces rates for large commercial groups, we used selection factors to adjust those rates so that the costs would be

The State collects detailed claims data for this population and has engaged in a controlled implementation of cost savings programs through its Health Enhancement Plan. The Estimated PMPM is \$470.00 and Est. Most Recent Trend is 6.15%. These figures are current as of July 2012.

Trend rates were calculated as the average of the composite trends from the 2012, 2011 and 2010 MCRMs. The default Milliman trend assumptions in the model have been relatively stable over the past three model years. We did not calculate trend separately for individuals and families, since we assume that medical trend should not differ between the two groups.

Medicare FFS: Using a geographic variation study conducted by the Institute of Medicine, we estimated the CY2010 PMPM costs for a Medicare FFS individual to be \$888. We arrived at this number by dividing the "Actual Per Capita" for the state of Connecticut costs by 12. The data can be found at the following website: <http://www.iom.edu/Activities/HealthServices/GeographicVariation/Data-Resources.aspx>

The Medicare FFS trend was derived by weighting the Milliman historical allowed PMPM trends for the national Medicare aged fee-for-service population, by service category, in 2007, 2008, and 2009, with the distribution of Medicare spending by service category in 2007. We assumed the distribution of spending by service category for Medicare Parts A and B would be relatively stable over 2007, 2008 and 2009. The distribution of Medicare spending by service category in 2007 was pulled from a KFF study.

Medicare Part D: The PMPM cost for Medicare Part D was assumed to be the gross claim cost, gross any rebates, member cost sharing, and federal reinsurance. We derived this value for CY2012 using the manual pricing feature in Milliman's Medicare Part D Analysis and Rating Tool (DART). We calibrated the DART to develop the gross cost for non-low-income (NL) members only in the state of Connecticut, assuming Milliman's projected 2012 rebates, discounts and dispensing fees at the 50th percentile. The Medicare Part D trend value is the standard composite (utilization/ charge, generic/brand/specialty) Milliman trend assumption used to develop the 2013 bids from 2011 data. The gross trend value is before member cost sharing or rebates, before adjusting for client-specific circumstances, and for populations using 3-5 prescriptions per month, a Milliman recommendation for defining non-special needs Medicare Part D recipients.

Medicare Advantage: A publicly available source of information for a statewide average for Medicare Advantage PMPM and cost trend was not available. We expect to review this question in further detail as part of the Financial Modeling tasks during Model Design.