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What is a Capitation Rate?

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What is a Capitation Rate?

- Fixed amount paid per member per month (PMPM) over a 12-month period.
- Rates are developed prospectively.
- Paid in advance to the MCO for the delivery of health care services.
- Uniform rate paid regardless of whether the members has higher or lower cost than expected.
 - Rates based on the average cost of a certain population not a single member.



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State and Federal Requirements

- **Federal Requirements**
 - CMS and Office of the Actuary Review.
 - Actuarial Soundness and Certification.
- **State Requirements**
 - All capitation rates are submitted to Legislative Budget Board and Governor's Office.



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Capitation Rate Components

- **Capitation Rates are intended to provide reasonable and appropriate compensation, and include the following costs:**
 - Client Services
 - Acute, Long-Term Care, Pharmacy, MDLCP Waiver Services, NEMT Services
 - Administrative Costs
 - Service Coordination
 - Premium Taxes
 - Risk Margin



Capitation Rate Development Overview

How are STAR Kids Rates Determined?

- Rates are updated each state fiscal year.
- Developed using actual STAR Kids costs.
- Include the most current, credible cost data available.



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Capitation Rate Development Overview

Capitation Rates vary by the following categories:

- **Geographic Service Area**
- **Risk Group:**
 - Homogenous groups with similar cost profiles
 - Examples include: MDCP, YES Waiver, Children ages 1 to 5
- **MCO:**
 - Recognize additional member acuity differences within each health plan.



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Rate Development Risk Groups

STAR Kids Risk Groups (or rating populations) used in the analysis are as follows:

- Medically Dependent Children Program (MDCP) waiver members
- Youth Empowerment Services (YES) waiver members
- Intellectual and Developmental Disabilities (IDD) waiver members
- Children under age one year
- Children ages 1-5
- Children ages 6-14
- Children ages 15-20



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MCO Payment Methodology

How are the MCOs Paid?

- Average cost (PMPM) that when applied to total membership is intended to provide reasonable and appropriate compensation to the MCOs for their entire population.
- Paid Monthly to MCOs, i.e., Membership x Capitation Rates (PMPM) equals the aggregate payment.
- HHSC pays a much higher capitation rate for children in the MCDP Waiver due to the higher costs associated with this population, MCO with more MDCP membership will receive a higher payment.



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Questions



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**Thank you for this opportunity
to meet with you.**
