



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

***Development of Per Capita  
Costs for the TennCare Program  
for State Fiscal Year 2001***

***April, 2000***

**PRICEWATERHOUSECOOPERS** 

*Prepared for the Tennessee Office of the Comptroller*

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## EXECUTIVE SUMMARY

PricewaterhouseCoopers LLP was retained by the Tennessee Office of the Comptroller to develop per capita costs for the TennCare program for Fiscal Year 2001. This analysis follows a detailed review of TennCare funding levels and health plan and provider experience, completed in March 1999.

This report describes the methods used to develop per capita costs for TennCare taking into account the unique characteristics of the program. Specifically, we have developed expected per capita costs under two scenarios of implied payment levels considering the particular population enrolled. Because the State of Tennessee does not currently operate a fee-for-service Medicaid program, the process for developing the proposed funding level relies on a combination of encounter data reported by health plans and assumed average payment levels per unit of service. The final determination of the appropriate funding level will depend on policy decisions regarding what is necessary to achieve the state's goals.

We have structured our analysis around several general concepts:

- The per capita funding for TennCare should be appropriate for a publicly funded program.
- Payments should be sufficient to assure adequate access to necessary services.
- Variation in payment amounts among population groups and health plans should reflect underlying differences in health care need.
- TennCare-specific utilization data should be accounted for in the calculations.
- Anticipated changes in program administration should be considered in the analysis.
- Health plan administrative costs should be reasonably funded.

TennCare is currently funded through multiple sources, including the following:

- Direct capitation payments made to health plans;

- Payments made through the Adverse Selection Pool;
- Offsets to capitation payments resulting from expected reductions in charity care;
- Contributions from local governments;
- Offsets to capitation payments resulting from expected collection of third party liability claims (TPL); and
- Premium and copay contributions made by TennCare enrollees.

In this report we show the total expected per capita cost of the program based on the assumptions described here. We have not applied any offsets to these per capita amounts to reflect expected contributions from sources other than the TennCare Bureau; we have estimated the value of Third Party Liability and participant cost sharing to provide an understanding of the order of magnitude of these items. We expect to conduct further research to confirm the value of these items. These calculations include costs that are currently covered by Adverse Selection Pool supplemental payments.

### **Our Approach**

The per capita costs shown in this report are developed based on actual TennCare utilization experience subset by 20 demographic and eligibility categories. After considering a wide range of options for defining costs we determined an expected cost per unit of service under two scenarios:

- Scenario 1 uses payment rates based roughly on 85% of Medicare payments for professional services and a blend of commercial and Medicaid payment levels for hospital services.
- Scenario 2 uses payment rates comparable to those in place for Medicaid programs in two of the states surrounding Tennessee. These payment rates convert to approximately 60% of Medicare payments for professional services.

The per capita costs were then updated using inflation factors to reflect expected costs during Fiscal Year 2001. The following tables provide a summary of our results.

| <b>Table ES-1</b>                       |                        |                        |                                  |
|---|------------------------|------------------------|----------------------------------|
| <b>Summary of Total Per Capita Cost</b> |                        |                        |                                  |
| <b>Eligibility Group</b>                | <b>Per Capita Cost</b> | <b>Per Capita Cost</b> | <b>Average Members Per Month</b> |
|   | <b>Scenario 1</b>      | <b>Scenario 2</b>      |                                  |
| <b>Medicaid (TANF &amp; Related)</b>    | \$128.49               | \$108.17               | 524,814                          |
| <b>Uninsured</b>                        | \$137.25               | \$117.32               | 347,276                          |
| <b>Uninsurable</b>                      | \$324.64               | \$278.34               | 94,164                           |
| <b>Disabled<sup>1</sup></b>             | \$374.68               | \$325.94               | 151,908                          |
| <b>Duals (TennCare &amp; Medicare)</b>  | \$124.38               | \$123.00               | 180,201                          |
| <b>All Eligibility Groups</b>           | <b>\$173.29</b>        | <b>\$150.50</b>        | <b>1,298,363</b>                 |

We have separately calculated the per capita costs of prescription drug coverage; one of the policy proposals under discussion is to remove coverage of prescription drugs from the Managed Care Organization contracts and to cover those costs on a fee-for-service basis. Those results are shown below.

| <b>Table ES-2</b>                          |                        |                        |                                  |
|--|------------------------|------------------------|----------------------------------|
| <b>Summary of Pharmacy Per Capita Cost</b> |                        |                        |                                  |
| <b>Eligibility Group</b>                   | <b>Per Capita Cost</b> | <b>Per Capita Cost</b> | <b>Average Members Per Month</b> |
|  | <b>Scenario 1</b>      | <b>Scenario 2</b>      |                                  |
| <b>Medicaid (TANF &amp; Related)</b>       | \$12.00                | \$11.87                | 524,814                          |
| <b>Uninsured</b>                           | \$27.42                | \$27.12                | 347,276                          |
| <b>Uninsurable</b>                         | \$73.74                | \$72.92                | 94,164                           |
| <b>Disabled</b>                            | \$70.60                | \$69.81                | 151,908                          |
| <b>Duals (TennCare &amp; Medicare)</b>     | \$110.16               | \$108.93               | 180,201                          |
| <b>All Eligibility Groups</b>              | <b>\$41.08</b>         | <b>\$40.62</b>         | <b>1,298,363</b>                 |

<sup>1</sup> This presentation assumes an administrative change in the classification of Disabled TennCare eligibles. Those members previously classified as uninsured disabled and uninsurable disabled will no longer be classified as disabled but be classified according to age and gender within the uninsured and uninsurable eligibility groups.

The following tables illustrate the per capita costs by age and sex category.

| <b>Table ES-3</b>   |                                   |                                   |                                  |
|---|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Summary of Total Per Capita Cost by Demographic Category</b> |                                   |                                   |                                  |
| <b>Eligibility Groups</b>                                       | <b>Per Capita Cost Scenario 1</b> | <b>Per Capita Cost Scenario 2</b> | <b>Average Members Per Month</b> |
| <b>Medicaid (TANF &amp; Related)</b>                            |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 34,686                           |
| Age 1-13  | \$62.81                           | \$53.36                           | 268,595                          |
| Age 14-44 Female  | \$221.55                          | \$184.95                          | 161,931                          |
| Age 14-44 Male  | \$92.21                           | \$78.34                           | 46,712                           |
| Age 45-64   | \$295.79                          | \$253.17                          | 9,494                            |
| Age Over 65   | \$206.54                          | \$182.21                          | 3,396                            |
| <b>Weighted Average</b>   | <b>\$128.49</b>                   | <b>\$108.17</b>                   | <b>524,814</b>                   |
| <b>Uninsured</b>  |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 4,865                            |
| Age 1-13  | \$60.23                           | \$51.22                           | 102,428                          |
| Age 14-44 Female  | \$149.66                          | \$126.54                          | 98,428                           |
| Age 14-44 Male  | \$95.09                           | \$81.11                           | 73,314                           |
| Age 45-64   | \$283.03                          | \$243.72                          | 60,288                           |
| Age Over 65   | \$222.06                          | \$199.44                          | 7,953                            |
| <b>Weighted Average</b>   | <b>\$137.25</b>                   | <b>\$117.32</b>                   | <b>347,276</b>                   |
| <b>Uninsurable</b>  |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 37                               |
| Age 1-13  | \$80.85                           | \$70.25                           | 6,367                            |
| Age 14-44 Female  | \$255.48                          | \$216.80                          | 21,272                           |
| Age 14-44 Male  | \$249.12                          | \$213.39                          | 21,560                           |
| Age 45-64   | \$432.54                          | \$370.83                          | 41,465                           |
| Age Over 65   | \$377.21                          | \$337.14                          | 3,463                            |
| <b>Weighted Average</b>   | <b>\$324.64</b>                   | <b>\$278.34</b>                   | <b>94,164</b>                    |
| <b>Disabled</b>   | <b>\$374.68</b>                   | <b>\$325.94</b>                   | <b>151,908</b>                   |
| <b>Duals (TennCare &amp; Medicare)</b>                          | <b>\$124.38</b>                   | <b>\$123.00</b>                   | <b>180,201</b>                   |
| <b>All Eligibility Groups</b>                                   | <b>\$173.29</b>                   | <b>\$150.50</b>                   | <b>1,298,363</b>                 |

**Table ES-4  
Summary of Pharmacy Per Capita Cost by Demographic Category**

| <b>Eligibility Group</b>               | <b>Per Capita Cost<br/>Scenario 1</b> | <b>Per Capita Cost<br/>Scenario 2</b> | <b>Average<br/>Members Per<br/>Month</b> |
|--|---------------------------------------|---------------------------------------|--|
| <b>Medicaid (TANF &amp; Related)</b>   |                                       |                                       |  |
| Age Under 1                            | \$1.94                                | \$1.94                                | 34,686                                   |
| Age 1-13                               | \$7.20                                | \$7.12                                | 268,595                                  |
| Age 14-44 Female                       | \$18.51                               | \$18.30                               | 161,931                                  |
| Age 14-44 Male                         | \$9.63                                | \$9.52                                | 46,712                                   |
| Age 45-64                              | \$65.19                               | \$64.46                               | 9,494                                    |
| Age Over 65                            | \$67.97                               | \$67.21                               | 3,396                                    |
| <b>Weighted Average</b>                | <b>\$12.00</b>                        | <b>\$11.87</b>                        | <b>524,814</b>                           |
| <b>Uninsured</b>                       |                                       |                                       |  |
| Age Under 1                            | \$1.94                                | \$1.94                                | 4,865                                    |
| Age 1-13                               | \$7.34                                | \$7.25                                | 102,428                                  |
| Age 14-44 Female                       | \$22.72                               | \$22.47                               | 98,428                                   |
| Age 14-44 Male                         | \$16.31                               | \$16.13                               | 73,314                                   |
| Age 45-64                              | \$74.64                               | \$73.81                               | 60,288                                   |
| Age Over 65                            | \$104.31                              | \$103.15                              | 7,953                                    |
| <b>Weighted Average</b>                | <b>\$27.42</b>                        | <b>\$27.12</b>                        | <b>347,276</b>                           |
| <b>Uninsurable</b>                     |                                       |                                       |  |
| Age Under 1                            | \$1.94                                | \$1.94                                | 37                                       |
| Age 1-13                               | \$14.57                               | \$14.41                               | 6,367                                    |
| Age 14-44 Female                       | \$43.17                               | \$42.69                               | 21,272                                   |
| Age 14-44 Male                         | \$49.79                               | \$49.24                               | 21,560                                   |
| Age 45-64                              | \$103.39                              | \$102.25                              | 41,465                                   |
| Age Over 65                            | \$165.08                              | \$163.25                              | 3,463                                    |
| <b>Weighted Average</b>                | <b>\$73.74</b>                        | <b>\$72.92</b>                        | <b>94,164</b>                            |
| <b>Disabled</b>                        | <b>\$70.60</b>                        | <b>\$69.81</b>                        | <b>151,908</b>                           |
| <b>Duals (TennCare &amp; Medicare)</b> | <b>\$110.16</b>                       | <b>\$108.93</b>                       | <b>180,201</b>                           |
| <b>All Eligibility Groups</b>          | <b>\$41.08</b>                        | <b>\$40.62</b>                        | <b>1,298,363</b>                         |

### Third Party Liability and Participant Cost Sharing

We have estimated the effect of Third Party Liability and point-of-service cost sharing on the per capita costs. These payments would reduce the amount of funding required from the state, as the MCOs have responsibility for securing payment from members. The following table provides a high level estimate of the effect of these two member contributions on the per capita costs of the program. We have relied on our experience in other state Medicaid programs as well as actual Tennessee experience prior to implementation of the TennCare program to develop estimates of expected contributions for Third Party Liability by eligibility category. Point-of-service cost sharing is required only for those individuals who are in the Uninsured and Uninsurable eligibility categories; the calculations shown here reflect this requirement.

| <b>Table ES-5</b>   |                        |                    |                             |                                 |
|---|------------------------|--------------------|-----------------------------|---------------------------------|
| <b>Effect Of Estimated TPL and Member Cost Sharing - Scenario 1</b> |                        |                    |                             |                                 |
| <b>Eligibility Group</b>  | <b>Per Capita Cost</b> | <b>TPL Percent</b> | <b>Cost Sharing Percent</b> | <b>Adjusted Per Capita Cost</b> |
| Medicaid (TNF & Related)  | \$128.49               | 5%                 | 0.0%                        | \$122.07                        |
| Uninsured*  | \$137.25               | 0%                 | 2.7%                        | \$133.54                        |
| Uninsurable*  | \$324.64               | 0%                 | 3.5%                        | \$313.28                        |
| Disabled  | \$374.68               | 5%                 | 0.0%                        | \$355.95                        |
| Duals (TennCare & Medicare)*  | \$124.38               | 0%                 | 0.0%                        | \$124.38                        |
| Total   | \$173.29               |                    |                             | \$166.69                        |

\*We have assumed that TPL will be nominal for the Uninsured, Uninsurable and Dual eligible populations. A small amount of TPL may be collected through disability and accident coverage.

| <b>Table ES-6</b>   |                        |                    |                             |                                 |
|---|------------------------|--------------------|-----------------------------|---------------------------------|
| <b>Effect of Estimated TPL and Member Cost Sharing - Scenario 2</b> |                        |                    |                             |                                 |
| <b>Eligibility Group</b>  | <b>Per Capita Cost</b> | <b>TPL Percent</b> | <b>Cost Sharing Percent</b> | <b>Adjusted Per Capita Cost</b> |
| Medicaid (TANF & Related)   | \$108.17               | 5%                 | 0.0%                        | \$102.76                        |
| Uninsured   | \$117.32               | 0%                 | 2.7%                        | \$114.15                        |
| Uninsurable   | \$278.34               | 0%                 | 3.5%                        | \$268.60                        |
| Disabled  | \$325.94               | 5%                 | 0.0%                        | \$309.64                        |
| Duals (TennCare & Medicare)   | \$123.00               | 0%                 | 0.0%                        | \$123.00                        |
| Total   | \$150.50               |                    |                             | \$144.85                        |

These per capita costs will ultimately be converted to capitation rates. The capitation rates will determine the amount paid to each health plan based on their particular mix of enrollees. We are currently working with the TennCare Bureau to consider options for the capitation rate payment structure. Several alternatives will be studied, including regional variation and risk adjustment. We believe that a fair payment structure must include some form of diagnostic risk adjustment to accommodate differences in the risk faced by each of the TennCare health plans.

### **Special Adjustments**

In addition to developing per capita costs based on recent experience, we have also reviewed issues related to the Grier decision and have estimated the cost effect of these changes in policy on the per capita costs. (Refer to the Appendix for a more detailed review of the Grier decision.) The main impacts are expected to be in administrative costs due to notice requirements, appeals and MCO initiated discharges, and pharmacy increases due to the requirement to provide a 14 day supply of non-formulary medications in certain circumstances. These increases have not been calculated separately but are incorporated into the adjustments to the base costs. Grier administrative costs are included in the administrative component add-on for Scenario 1. The pharmacy increase is incorporated into the estimate of cost per unit of service (intensity) through the pharmacy benefit conversion factor.

### **Acknowledgements**

We received significant assistance in obtaining data and background information for this report from: the TennCare Bureau, the Office of the Comptroller of the Treasury, Division of State Audit and Office of Research, the Department of Health, and several TennCare health plans.

A large project team at PricewaterhouseCoopers prepared this report. Questions regarding the report should be addressed to Sandra Hunt, the Engagement Partner or Martin Staehlin, the Project Manager.

## I. INTRODUCTION

At the request of the Tennessee Office of the Comptroller, PricewaterhouseCoopers LLP (PwC) has calculated per capita costs for the TennCare program for State Fiscal Year 2001. The per capita costs shown in this report are calculated to assure an actuarially sound funding level for managed care plans. This report follows a detailed analysis of TennCare funding levels completed by PricewaterhouseCoopers LLP and released in March 1999.<sup>2</sup> In that report we recommended a significant increase in per capita funding for TennCare. Those recommendations were implemented in July 1999, with a \$16.00 per capita increase in funding to health plans. The increased funding was split between health plan administrative costs and provider payments. Health plans were required to submit detailed spending plans to be eligible for the increased funding level.

The purpose of this report is to calculate the level of funding needed by TennCare for Fiscal Year 2001 to assure that the rates paid to managed care plans are actuarially sound. We have not applied any offsets to these per capita amounts to reflect expected contributions from sources other than the TennCare Bureau and members; we have estimated the value of Third Party Liability and participant cost sharing to provide an understanding of the order of magnitude of these items. We expect to conduct further research to confirm the value of these items. These calculations include costs that are currently covered by Adverse Selection Pool supplemental payments. Consequently, the amounts shown here should not be interpreted as likely capitation payment amounts. Instead, they should be used to gain an understanding of the total level of funding needed to cover the costs of TennCare enrollees in a manner that meets the state's overall policy goals.

In developing per capita cost levels it is important to note that there is no single correct answer to the level of funding required. Instead, the per capita cost development relies on a combination of data and assumptions regarding utilization levels and costs per unit of service. States may choose to build into their capitation payments varying cost per unit of service values. A fee-for-service Medicaid program operates similarly, with the State determining the payments that will apply on a periodic basis. Payment levels per service

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<sup>2</sup> Actuarial Review of Capitation Rates in the TennCare Program, March 1999, PricewaterhouseCoopers LLP.

represent a primary area of flexibility available to states in managing the costs of their Medicaid program. Other areas of flexibility are the types of individuals eligible for coverage and to some extent the type and number of services covered. Underlying utilization rates are more difficult for the state to control, but are a critical component of the calculation of per capita cost.

Unlike most states with Medicaid managed care plans, TennCare operates under a section 1115 waiver. TennCare has been in operation since 1994, and there is no current fee-for-service system in place that can be used to estimate the costs of providing services to the Medicaid population in the absence of managed care. Because fee-for-service data are not available, different approaches must be used to estimate program costs.

In our 1999 report we approached the question of actuarial soundness from the perspective of changes that occurred in TennCare since the program's inception. That report relied on information from secondary sources regarding payment levels and health plan financial viability. We also examined changes in program operations over time and the effect of those changes on expected costs to health plans. Starting with the premise that the rates paid to health plans in 1994 were sufficient to attract an adequate supply of providers and that the state's policy goals had not changed, we calculated the adjustment to capitation rates necessary to accommodate the program changes.

In this report we have developed a per capita funding level "from the bottom up." In other words, we obtained primary data on utilization rates for TennCare enrollees from the TennCare Bureau. We then developed assumptions regarding payment rates per unit of service based on levels we believe will be sufficient to attract an adequate supply of high quality providers, adjusted the data to bring it forward to FY2001, and added an allocation for administrative costs.

In this report we describe varying approaches to estimating the funding needs of the program. We have structured our analysis around several general concepts:

- The per capita funding for TennCare should be appropriate for a publicly funded program.

- Payments should be sufficient to assure adequate access to necessary services.
- Variation in payment amounts among population groups and health plans should reflect underlying differences in health care need.
- TennCare-specific utilization data should be accounted for in the calculations.
- Anticipated changes in program administration should be considered in the analysis.
- Health plan administrative costs should be reasonably funded.

TennCare currently uses eight rate cells for making payments to managed care organizations (MCOs). Individuals who are disabled or who are dually eligible for TennCare and Medicare have specific rate cells. All other TennCare enrollees, including those who are Medicaid-eligible under TANF and related categories, those who are uninsured, and those who are uninsurable and not dually covered by Medicare are divided into rate cells by age group. The same payment rate is made for these three types of enrollees within the age groupings.<sup>3</sup> In our 1999 report we discussed the issues associated with combining these groups of individuals, and in this analysis have segregated the data by group to measure the differences in utilization that occur.

This report addresses the per capita funding requirement for TennCare based on the health care utilization patterns of TennCare enrollees. In a separate report, to be completed over the next two months, we will make recommendations on capitation rates to be paid to managed care plans contracting with TennCare and the structure of those rates. We have structured this analysis to facilitate that later decision-making process.

### **Generally Accepted Methods for Calculating Per Capita Costs**

Per capita costs are generally calculated by multiplying the rate of utilization of covered services by the average payment per unit of service. The utilization rate is typically expressed in terms of the number of services

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<sup>3</sup> Individuals can also be designated as Disabled/Uninsured or Disabled/Uninsurable. Health plans are currently paid the Disabled capitation rate for these enrollees.

provided per 1,000 eligibles (or enrollees) in a program per year. The number of eligibles per year is typically expressed in terms of the number of member-months of eligibility. (A member is an enrollee or a dependent of an enrollee.) Thus, a person eligible for the entire year would have twelve member-months of eligibility, while a person eligible for only half of the year would be counted as having six member-months of eligibility.

For example, the amount to be paid for covered inpatient services would generally be expressed in terms of the number of inpatient days or the number of admissions per 1,000 members per year. This utilization rate is then converted into a measure per person per month by dividing by 12 and dividing by 1,000. The average payment (or reimbursement) per unit of service is then multiplied by this utilization rate to determine the per capita cost per month for that service. Similar calculations are made for the other categories of service and appropriate adjustments are applied to reflect changes in covered services, eligibility, or the change in the cost per unit of service over time.

The sum of the required per capita costs for all contracted services is the total per capita cost for health care services. Under TennCare, health plans are also paid an allowance for administrative expenses, since managed care utilization data are used to determine the per capita costs and savings from managed care cannot be relied on to fund plan administration.

### **Risk Distribution**

In addition to developing the per capita cost, we were asked to comment on several issues related to the risk mix of the TennCare population. Specifically, questions were raised regarding the best methods for assuring that the program remains actuarially sound over time. In this analysis, we have subset the TennCare population into 20 demographic categories. The total state cost of the TennCare program results from multiplying the rates paid per rate cell by the number of people in each cell, and then adding in any additional payments made directly by the state. Payments made from other sources, including enrollees, reduce the amount paid by the state.

For the program to be actuarially sound from the perspective of health plans, the rate cells must reflect the health care needs of the individuals in those cells. To the extent that health care needs change due to changes in enrollment patterns that are not accounted for in the rate structure, the rates should also change. An actuarially sound program from the perspective of

providers depends in large part on the contractual arrangements between plans and providers and the extent to which provider payments reflect underlying health care service needs.

For any individual health plan, actuarially sound capitation rates must consider the specific population of enrollees in that plan. While we have distributed the utilization data into 20 demographic and eligibility categories for this analysis, further adjustments to the payment rates to individual health plans may still be required; some of the individual rate cells may also be combined. We plan to investigate whether adjustments to the average rates should be made to differentiate payment levels based on the region and health status mix of enrollees in each health plan. This type of adjustment may be required to assure an appropriate mix of providers in all parts of the State for all TennCare enrollees. These refinements to the rate setting methodology, combined with regular updates to the underlying data, should ensure that the rates remain actuarially sound.

## II. OUR APPROACH

To develop the per capita funding level for TennCare for Fiscal Year 2001, we started with detailed encounter data that reports all utilization by TennCare enrollees. This data is submitted by the health plans to the TennCare Bureau. We also established two options for defining the cost per unit of service and for establishing administrative costs. These amounts, when taken together, calculate the expected cost per person per month for services provided to TennCare enrollees in FY 2001. We have not adjusted these amounts for any payments made through contributions from other sources, although we have estimated the value of Third Party Liability and point of service patient payments.

Current funding for TennCare includes:

- Direct capitation payments made to health plans;
- Payments made through the Adverse Selection Pool;
- Offsets to capitation payments resulting from expected reductions in charity care;
- Contributions from local governments;

- Offsets to capitation payments resulting from expected collections of third party liability claims; and
- Premium and copay contributions made by TennCare enrollees.

## Demographic Groups

In our analysis we found that per capita costs for the TennCare program vary based on eligibility category and demographic group. We have calculated per capita costs for 20 demographic and eligibility categories. In future calculations we will make recommendations regarding the final structure of capitation payments, including the number of rate cells and other adjustments necessary to establish final payment amounts to each health plan. We have divided the data as follows:

- **Medicaid eligibles.** This group comprises those who qualify for TennCare under traditional eligibility rules, and include those with the Temporary Assistance to Needy Families designation as well as pregnant women, low income children, Old Age Assistance recipients without Medicare coverage, children in Foster Care, etc. Per capita costs have been calculated for the following demographic categories:
  - Under 1 year of age;
  - Age 1 – 14;
  - Age 14 – 44 Female;
  - Age 14-44 Male;
  - Age 45-64; and
  - Age 65 and over.
- **Uninsured.** This group includes those admitted to the TennCare program because they lack access to other insurance coverage. Per capita costs have been calculated for the same demographic groups described above for Medicaid eligibles.
- **Uninsurable.** This group includes members who have been denied insurance coverage in the open market, as well as those with a medical condition who have been determined through the course of treatment to lack

coverage and are presumptively uninsurable. Per capita costs for this group have been calculated by demographic group.

- **Blind/Disabled.** This group consists of members who qualify for traditional Medicaid as Blind or Disabled. A single rate is paid for this category across all age and sex groups.
- **Duals.** This group consists of members who qualify for TennCare and also have Medicare coverage. A single rate is paid for this category across all age and sex groups.

The following table shows the current number of TennCare enrollees in each category and their percentage of the population.

| <b>Table 1</b>  |   |                                       |
|---|---|---------------------------------------|
| <b>Distribution of TennCare Enrollees by Demographic Category</b> |   |                                       |
| <b>Eligibility Groups</b>   | <b>Average Monthly Eligibles (1/1/98 – 9/30/99)</b> | <b>Percent of TennCare Population</b> |
| <b>Medicaid (TANF &amp; Related)</b>                              |   |                                       |
| Age Under 1   | 34,686  | 2.7%                                  |
| Age 1-13  | 268,595   | 20.7%                                 |
| Age 14-44 Female  | 161,931   | 12.5%                                 |
| Age 14-44 Male  | 46,712  | 3.6%                                  |
| Age 45-64   | 9,494   | .7%                                   |
| Age 65 and Over   | 3,396   | .3%                                   |
| <b>Total Medicaid (TANF &amp; Related)</b>                        | <b>524,814</b>                                      | <b>40.4%</b>                          |
| <b>Uninsured</b>  |   |                                       |
| Age Under 1   | 4,865   | .4%                                   |
| Age 1-13  | 102,428   | 7.9%                                  |
| Age 14-44 Female  | 98,428  | 7.6%                                  |
| Age 14-44 Male  | 73,314  | 5.6%                                  |
| Age 45-64   | 60,288  | 4.6%                                  |
| Age 65 & Over   | 7,953   | .6%                                   |
| <b>Total Uninsured</b>  | <b>347,276</b>                                      | <b>26.7%</b>                          |
| <b>Uninsurable</b>  |   |                                       |
| Age Under 1   | 37  | 0%                                    |
| Age 1-13  | 6,367   | .5%                                   |
| Age 14-44 Female  | 21,272  | 1.6%                                  |
| Age 14-44 Male  | 21,560  | 1.7%                                  |
| Age 45-64   | 41,465  | 3.2%                                  |
| Age 65 & Over   | 3,463   | .3%                                   |
| <b>Total Uninsurable</b>  | <b>94,164</b>                                       | <b>7.3%</b>                           |
| <b>Disabled<sup>4</sup></b>                                       | <b>151,908</b>                                      | <b>11.7%</b>                          |
| <b>Duals (TennCare &amp; Medicare)</b>                            | <b>180,201</b>                                      | <b>13.9%</b>                          |
| <b>All Eligibility Groups</b>                                     | <b>1,298,363</b>                                    | <b>100%</b>                           |

<sup>4</sup> This presentation assumes an administrative change in the classification of Disabled TennCare eligibles. Those members previously classified as uninsured disabled and uninsurable disabled will no longer be classified as disabled but be classified according to age and gender within the uninsured and uninsurable eligibility groups.

We have combined the data for infants age 0-1 for the Medicaid, Uninsured, and Uninsurable categories. There are very few infants in the Uninsurable category, in particular, and we believe the data are not sufficiently stable to project a per capita cost for this population separately. In the next phase of our analysis we will work with the TennCare Bureau to determine the appropriate payment approach to cover the cost of these infants.

In the following section we describe the data sources used for our analysis and the considerations made in establishing the assumptions that are critical to the per capita cost development.

## **Data Sources**

### **Encounter Data**

PwC obtained detailed health plan encounter data submitted to the TennCare Bureau for calendar years 1998 and 1999. These data were segregated into the following broad service categories: inpatient hospital, outpatient hospital, home health care, professional, pharmacy and dental. The Bureau also provided control totals of claim counts and billed amounts by year and service category to which we matched in our initial data analyses.

PwC performed numerous diagnostic analyses of the data to ensure the data were credible. Detailed reviews of segments of the claim and eligibility records were performed by health plan, by claim service category and by eligibility group to ensure the units of service and resulting per-member-per-month raw values did not have poor data quality to a measurable degree. The results of the diagnostic testing indicated the use of all data provided to be appropriate. Additional analysis, as indicated below, dictated that specific adjustments to the data were necessary for the reasons described in the text.

The TennCare Bureau provided only final adjudicated encounters from its database of all health plan submissions. For claims that were adjusted by the plan in the adjudication process, only the final corrected records were provided to PwC. Similarly, duplicate claims and claims that were denied by the plan were removed by the Bureau. In our analysis we found that a small number of duplicate claims had been included in the data we received. Based on instructions from the Bureau PwC removed these claims from the inpatient database, the service category that was most impacted; approximately 1.9% of

the claims were removed, representing 2.7% of the reported inpatient paid amounts.

A review of prescription drug claims by therapeutic class indicated a small volume of claims reported which had been incurred by the BHOs. These claims occur in therapeutic classes 7, 11, 46 and 47. They were removed from the raw data as they should not be part of the per capita cost responsibility of the MCOs.

Due to the limited runout of claims data in the last months of 1999 and the large adjustment that would be required to estimate the missing information for some service types, we restricted our 1999 data analysis to services incurred from January through September 1999. The claims data shown in all of the attached exhibits and calculations therefore represents all encounters with dates of service from January 1998 through September 1999, with runout of claims payment/adjudication through December 31, 1999.

Encounters were classified into the detailed service categories shown in the attached tables using combinations of diagnosis codes, procedure codes, revenue codes and claim type indicators. After categorizing claims, the encounter data was summarized by: eligibility group, demographic group, calendar year and service category.

In this summarization process, unit counts were made for each service category. The following table details the types of units that were counted for each detailed service category. In the table, "Services" indicates the actual unit counts that were recorded on each claim. "Claims" or "Prescriptions" refers to a count of "1" for each claim record in the historical database. This count is used for services in which recorded units are not meaningful, such as for pharmacy where the units recorded is often the number of pills dispensed. "Days" are used for inpatient units, and represent the number of inpatient days that were covered by the managed care plan.

| <b>Table 2<br/>Definition of Service Units</b> |                      |
|--|----------------------|
| <b>Service Category</b>                        | <b>Units Counted</b> |
| Dental   | Claims               |
| Pharmacy                                       | Prescriptions        |
| Home Health Care                               | Claims               |
| Inpatient                                      | Days                 |
| Outpatient                                     | Claims               |
| Professional                                   | Services             |
| DME/Supplies                                   | Claims               |
| Lab  | Services             |
| Radiology                                      | Services             |
| Transportation/Ambulance                       | Claims               |

### **Eligibility Data**

Member months of eligibility were calculated and provided by the TennCare Bureau. Detailed counts of eligibility were provided for calendar years 1998 and 1999, segregated by: eligibility category, demographic group, health plan, region and month. The Bureau's calculations include counts of fractional months for members who started or ended their eligibility in the middle of the month.

### **Historical Data Exhibits**

Exhibit 1 shows unadjusted historical eligibility and encounter data, and is the basis of all future calculations described here. This exhibit shows, for informational purposes:

- Billed charges and member months of eligibility for calendar year 1998 and the first 9 months of 1999;
- Charges per member per month (PMPM) for each year,
- Unadjusted units of service by year,
- Units/1,000 members for each year, calculated as the total units of service divided by the appropriate member months, multiplied by 1,000, multiplied by 12, and

- Charges per unit of service for the combined years.

Exhibit 2 shows counts of inpatient admissions and admits per 1,000 members per year by rate cell and year for informational purposes. These data are not used in the calculation of per capita costs, but are shown here to provide additional information on the historical utilization rates of TennCare members.

## **Adjustments to Data**

### **Approach to Calculating Cost Per Unit of Service**

Among the most complex issues to be addressed in this analysis is determining the appropriate cost per unit of service. In most Medicaid rate setting analyses fee-for-service data can be used as a benchmark for calculating capitation payments under managed care. This is not a viable option for TennCare, as there is not currently a fee-for-service delivery system in place. As a substitute, we investigated numerous options for defining the cost per unit of service across an array of services. Options we investigated include:

- A percentage of the payments made by Medicare for fee-for-service recipients;
- Payments made by Medicaid programs in several other states; and
- Payments made for commercial health plan enrollees in Tennessee.

These payment arrangements were used to aid in our understanding of the rates necessary to cover the cost of providing services to TennCare enrollees. We also compared the per capita costs developed through this process to the amounts currently being spent by TennCare health plans, as reported in the spending plans required as part of the FY2000 contract.

Our analysis included obtaining information from the Medicaid programs in six states regarding their current fee-for-service payment levels, as well as data from the Health Care Financing Administration on payments under the Medicare program and from commercial health plans in Tennessee. For each of these data sources we compared the payments per unit of service for key service categories, including evaluation and management codes (generally

referred to as standard physician visits), high volume surgeries, maternity services, prescription drugs, inpatient services, and others. This comparison of payments per unit of service provided a broad understanding of common payment rates. From this base, we developed two scenarios that we believe to be realistic for the TennCare program.

### **Use of Commercial Payment Rates**

We began our analysis including the option of using commercial payment rates as a basis for establishing TennCare costs per unit of service. However, our calculations showed that an adjustment would need to be made to the underlying utilization data to attain reasonable results using commercial fee levels. The Uninsured population, in particular, has a level of health care service need that is comparable to that of commercial populations. Consequently, we would expect the per capita cost for that group to be similar to the premium rates charged for commercial enrollees. That result is not attained with the combination of detailed encounter data and commercial health plan payment rates. We have therefore not included commercial payment rates as a recommended option for developing the per capita funding requirement for TennCare. We have used information on commercial trends and costs for other portions of our analysis, as is described in the appropriate sections of this report.

### **Meaning of the Cost per Unit of Service Calculations**

The calculation of the cost per unit of service used in developing the per capita costs shown here is not intended to be an indication of the payment levels health plans are expected to negotiate with providers. Different health plans may choose to pay rates that vary significantly from the values shown here based on local circumstances and mix of enrollees. Health plans may also choose to reallocate funding from one service category to another.

Health plans with a mix of enrollees needing high levels of tertiary services may use a different mix of service than plans with relatively few high cost enrollees. In the capitation rate development process we will make recommendations on methods for recognizing these differences in enrollee mix.

### **Development of the Cost per Unit of Service**

We started our analysis of the cost per unit of service by collecting fee schedule information from Medicaid programs in six states, from the Health

Care Financing Administration for the Medicare program, and from commercial health plans in Tennessee. We then compared the payments per unit of service for each data source and reviewed the results for reasonableness. We included in our analysis a review of the current payment rates made by TennCare health plans to providers as reported in the spending plans filed with the state for FY 2000.

From the available options, we considered the level of payments that would be necessary to gain the provider participation desired by the TennCare Bureau using payment levels in other state Medicaid fee-for-service and managed care programs as a guideline. Because a range of options may achieve the state's policy goals, we calculated the costs per unit of service based on two scenarios:

- Scenario 1 uses payment rates based roughly on 85% of Medicare payments for professional services and a blend of commercial and Medicaid payment levels for hospital services.
- Scenario 2 uses payment rates comparable to those in place for Medicaid programs in two of the states surrounding Tennessee. These payment rates convert to approximately 60% of Medicare payments for professional services.

In general, costs were derived based on the billed amounts reported in the encounter data, and were converted to an implied cost per unit amount through the application of a conversion factor. We then checked the resulting cost per unit of service value for reasonableness against the various sources of payment information and our understanding of payment rates in other Medicaid managed care programs and payment rates in Tennessee. We settled on the fee schedules in two states that surround Tennessee as a benchmark for one of the scenarios because the demographic characteristics of those states are most similar to the characteristics of Tennessee.

The following table provides a summary of the average cost per unit of service used in each scenario. Note that these values vary by eligibility category, and the averages shown here do not represent the amount that any individual provider can expect to be paid for services.

| <b>Table 3</b>                      |  |  |  |  |
|-------------------------------------|--|--|--|--|
| <b>Weighted Average Cost / Unit</b> |  |  |  |  |
| <b>Service Category</b>             | <b>Scenario 1</b>                              |  | <b>Scenario 2</b>                              |  |
|                                     | <b>Cost/Unit<br/>TennCare Only<br/>Members</b> | <b>Cost/Unit<br/>Dual TennCare/<br/>Medicare<br/>Members</b> | <b>Cost/Unit<br/>TennCare Only<br/>Members</b> | <b>Cost/Unit<br/>Dual TennCare/<br/>Medicare<br/>Members</b> |
| Dental                              | \$42.54  | \$10.65  | \$42.54  | \$10.65  |
| Pharmacy                            | \$21.83  | \$21.32  | \$21.83  | \$21.32  |
| Home Health Care                    | \$359.21                                       | \$30.95  | \$359.21                                       | \$30.95  |
| Inpatient                           | \$800.00                                       | \$136.16   | \$700.00                                       | \$136.16   |
| Outpatient                          | \$228.88                                       | \$48.67  | \$200.27                                       | \$48.67  |
| Professional                        | \$46.25  | \$21.73  | \$34.65  | \$21.73  |
| DME/Supplies                        | \$143.57                                       | \$41.37  | \$143.57                                       | \$41.37  |
| Lab                                 | \$10.87  | \$9.39   | \$8.64   | \$9.39   |
| Radiology                           | \$32.06  | \$28.43  | \$25.46  | \$28.43  |
| Transportation/Ambulance            | \$80.51  | \$35.45  | \$80.51  | \$35.45  |

Please refer to Table 2 for a definition of the units associated with each service category.

For inpatient services we determined a reasonable cost amount per day based on other data sources and derived a conversion factor by dividing the cost per day by the billed amount per day. We used a cost per day of \$800 for Scenario 1 and \$700 for Scenario 2. This cost per day represents a blended average of all hospital days, including high cost tertiary care, maternity services, and medical/surgical services. We applied the same conversion factor to outpatient services.

For pharmacy data, information from the encounter data on historical payment levels compared to billed amounts was used to set the conversion factor. Claims that had a zero paid amount were excluded from the calculation. The paid amount is adjusted for rebates received by health plans from pharmaceutical manufacturers.

For professional services we calculated conversion factors by comparing the payment amount per unit of service by CPT4 code to payment amounts for each of the two scenarios described above. For this comparison, the CPT4

codes were grouped into 13 professional service categories. The detailed TennCare encounter data was matched by CPT4 code to the payment amounts in each scenario, and these payments and billed charges were summarized by service category. The ratio of the payments to the billed charges in each scenario is used as the professional conversion factors included in this report.

A conversion factor of 1.0 has been used for dental services. We understand based on our discussions with health plans that these amounts are an accurate representation of the payment levels made by health plans for these services. For DME/supplies, transportation/ambulance, and home health we compared the billed amounts to the payments reported in the spending plans reported to TennCare.

The resulting conversion factors are shown in Exhibits 3a and 3b. Separate conversion factors are shown for Dual-eligibles and all others. Under TennCare, the state pays the cost of Medicare deductibles and copayments. Consequently, the cost to health plans of serving Dual-eligibles includes only those costs that are not part of the Medicare benefit package. This difference is evident in the Weighted Average Cost/Unit columns in Exhibits 3a and 3b.

### **IBNR and Trend**

The claims data covers dates of service from January 1998 through September 1999, with runout through December 1999. These data must be adjusted to reflect claims that were Incurred But Not Reported (IBNR) in order to “complete” the starting claims database. Incurred But Not Reported claims have been estimated using standard actuarial methods on the 21 months of data used for this analysis.

Additionally, the claims data used in this report represent charge and utilization levels that were present in 1998 and 1999, the data period used for these calculations. These data must therefore be adjusted to reflect the anticipated cost and usage levels in the contract period, FY 2001.

Trend rates are comprised of changes in cost per unit of service as well as changes in the volume of services used per person over time. PwC has examined the historical data and has calculated utilization trend rates from this information using a linear or least-squares regression method. For inpatient and outpatient services, where the conversion factor assumes a fixed overall cost per unit of service, the cost component of trend is not required.

Similarly, for professional services, our calculations of payments per unit of service are based on a comparison to FY 2000 payment rates in the Medicare program, and only a utilization trend is required. For other service categories, a cost component has been added. We estimated changes in the cost per unit of service over time based on a review of market trends in Tennessee and our experience with Medicaid managed care programs in other states.

This combination of cost and utilization trends has been applied to move the data forward from the midpoint of the historical period (November 15, 1998) to the end of the data period (January 1, 2000).

An additional trend factor is calculated to move the per member per month costs to the midpoint of the contract period (January 1, 2001). The estimation of contract period trend is complicated in the present TennCare program both in light of potential changes in funding levels (i.e., to an actuarially sound level) and in view of trends in managed care generally. Several service categories have experienced strong upward utilization trends in the historical period studied. However, the reimbursement per unit of service is relatively low when historic data is compared to the current per capita cost estimates.

Movement to capitation rates based on the per capita cost estimates included in this report is expected to place the program on a level in which commercial trend estimates are more likely to be an appropriate estimator of near-term future costs. The contract trend rates used to estimate Fiscal Year 2001 per capita costs are derived from the data on commercial trend rates in Tennessee as reported to us by health plans with the exception of prescription drug trends for the Disabled and Dual eligible populations. For these groups we used the trend rates reflected in the TennCare data and compared the results to trend rates in other state Medicaid programs. Commercial trend data for these two unique population groups was not considered to be meaningful. These rates have been compared to other surveys and sources available to us and are judged to be reasonable estimates of the trend in per capita costs for the TennCare program as currently understood. These historical and contract period annual trend factors are reported in Exhibit 3c.

### **Seasonality Adjustment**

The historical data used for this rate development includes all 12 months of 1998 claims and the first 9 months of 1999. An analysis of TennCare seasonality changes in 1998 indicates that the last 3 months of the calendar

year are slightly lower cost than the first 9 months. Specifically, for hospital and professional services, the last 3 months of the year appear to have approximately 3% lower PMPM cost than the first 9 months. No seasonality influences are apparent in the home health, dental and pharmacy service categories.

To accommodate for the slightly unbalanced data used in these calculations, a seasonality adjustment is applied to the 1998 and 1999 inpatient, outpatient and professional service categories; the factor to be applied to the entire 21-month historical data period for these services is 0.996. This seasonality effect also moderates the trend factors described above.

### **Administrative Cost**

In a traditional calculation of Medicaid managed care per capita costs, historical Medicaid fee-for-service (FFS) payments form the basis of health plan payment rates. In that situation, health plans are assumed to be able to sufficiently reduce utilization below historical FFS levels in order to cover health plan administrative cost. Since this rate development process uses health plan encounter data as the base, it is necessary to add an amount to cover health plan administration. Additionally, in Tennessee plans are required to pay a 2% premium tax on their premium revenues.

In our Scenario 1 we have included an administrative cost load of 11%. Common administrative cost allowances in other state Medicaid managed care programs, including premium tax, range from 8% to 10%. In addition, our analysis of the Grier consent decree indicates potential areas for administrative cost increases. The Grier consent decree is specifically analyzed later in the report and there is an analysis of the adequacy of the current administrative cost structure. In Scenario 2 we have reduced this value to 10%.<sup>5</sup>

### **Calculation of Per Capita Costs**

The per capita costs for Fiscal Year 2001 are calculated based on the historical data shown in Exhibit 1, adjusted to reflect the estimated cost and volume of

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<sup>5</sup> The 11% and 10% describe the percent of total revenue needed to cover administrative costs. These values are applied to the per member per month claims costs by dividing by 1 minus the value. The result of this calculation is that the claims costs are increased by 12.36% and 11.11%, respectively.

services during the contract period, as described above. Resulting per capita costs are calculated in Exhibit 4a for Scenario 1 and 4b for Scenario 2 for each of the TennCare per capita cost cells.

The steps used for calculating the per capita costs are as follows:

1. The billed claims, units of service and member months for each rate cell and service category are brought forward to Exhibit 4a and 4b from the corresponding rate cell in Exhibit 1. This information serves as the starting point for the per capita cost calculation.
2. The cost per unit is calculated for informational purposes as the billed charges, divided by the units of service, multiplied by the conversion factor.
3. The billed claims are converted to their corresponding cost levels by multiplying by the conversion factor.
4. These cost amounts are then multiplied by the seasonality adjustment and multiplied by appropriate trend and IBNR adjustment factors to move the data from the midpoint of the historical data period (November 15, 1998) to the end of the historical period (September 30, 1999), and finally to the midpoint of the contract period (January 1, 2001).
5. The claims costs from Step 4 are divided by the count of member months for each rate cell to arrive at PMPM costs by service category.
6. The PMPM costs are summarized by rate cell across all service categories to arrive at the total claims cost for each rate cell.
7. An administrative cost percentage is then added to this total PMPM cost to calculate the per capita costs for FY 2001.
8. Final per capita costs are also shown in this report excluding the cost of prescription drugs. This amount is calculated as the sum of PMPM costs for all other services, multiplied by the factor for administrative expense.

### **Summary Results**

Exhibits 5a and 5b display the final per capita costs for Scenario 1. Exhibit 5a shows the total per capita cost for all services. Exhibit 5b shows the

calculated per capita costs for pharmacy services. Exhibits 6a and 6b show this same information for Scenario 2. The Per Capita Costs for the two scenarios are summarized in the following table.

Scenario 1 has been adjusted for anticipated changes in utilization due to the Grier Consent Decree. The effect of that ruling is discussed in the Appendix.

| <b>Table 4</b>  |                                   |                                   |                                  |
|---|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Summary of Total Per Capita Cost by Demographic Category</b> |                                   |                                   |                                  |
| <b>Eligibility Groups</b>                                       | <b>Per Capita Cost Scenario 1</b> | <b>Per Capita Cost Scenario 2</b> | <b>Average Members Per Month</b> |
| <b>Medicaid (TANF &amp; Related)</b>                            |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 34,686                           |
| Age 1-13  | \$62.81                           | \$53.36                           | 268,595                          |
| Age 14-44 Female  | \$221.55                          | \$184.95                          | 161,931                          |
| Age 14-44 Male  | \$92.21                           | \$78.34                           | 46,712                           |
| Age 45-64   | \$295.79                          | \$253.17                          | 9,494                            |
| Age Over 65   | \$206.54                          | \$182.21                          | 3,396                            |
| <b>Weighted Average</b>   | <b>\$128.49</b>                   | <b>\$108.17</b>                   | <b>524,814</b>                   |
| <b>Uninsured</b>  |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 4,865                            |
| Age 1-13  | \$60.23                           | \$51.22                           | 102,428                          |
| Age 14-44 Female  | \$149.66                          | \$126.54                          | 98,428                           |
| Age 14-44 Male  | \$95.09                           | \$81.11                           | 73,314                           |
| Age 45-64   | \$283.03                          | \$243.72                          | 60,288                           |
| Age Over 65   | \$222.06                          | \$199.44                          | 7,953                            |
| <b>Weighted Average</b>   | <b>\$137.25</b>                   | <b>\$117.32</b>                   | <b>347,276</b>                   |
| <b>Uninsurable</b>  |                                   |                                   |                                  |
| Age Under 1   | \$198.03                          | \$167.47                          | 37                               |
| Age 1-13  | \$80.85                           | \$70.25                           | 6,367                            |
| Age 14-44 Female  | \$255.48                          | \$216.80                          | 21,272                           |
| Age 14-44 Male  | \$249.12                          | \$213.39                          | 21,560                           |
| Age 45-64   | \$432.54                          | \$370.83                          | 41,465                           |
| Age Over 65   | \$377.21                          | \$337.14                          | 3,463                            |
| <b>Weighted Average</b>   | <b>\$324.64</b>                   | <b>\$278.34</b>                   | <b>94,164</b>                    |
| <b>Disabled</b>   | <b>\$374.68</b>                   | <b>\$325.94</b>                   | <b>151,908</b>                   |
| <b>Duals (TennCare &amp; Medicare)</b>                          | <b>\$124.38</b>                   | <b>\$123.00</b>                   | <b>180,201</b>                   |
| <b>All Eligibility Groups</b>                                   | <b>\$173.29</b>                   | <b>\$150.50</b>                   | <b>1,298,363</b>                 |

| <b>Table 5</b>   |                                   |                                   |                                  |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Summary of Pharmacy Per Capita Cost by Demographic Category</b> |                                   |                                   |                                  |
| <b>Eligibility Group</b>   | <b>Per Capita Cost Scenario 1</b> | <b>Per Capita Cost Scenario 2</b> | <b>Average Members Per Month</b> |
| <b>Medicaid (TANF &amp; Related)</b>                               |                                   |                                   |                                  |
| Age Under 1  | \$1.94                            | \$1.94                            | 34,686                           |
| Age 1-13   | \$7.20                            | \$7.12                            | 268,595                          |
| Age 14-44 Female   | \$18.51                           | \$18.30                           | 161,931                          |
| Age 14-44 Male   | \$9.63                            | \$9.52                            | 46,712                           |
| Age 45-64  | \$65.19                           | \$64.46                           | 9,494                            |
| Age Over 65  | \$67.97                           | \$67.21                           | 3,396                            |
| <b>Weighted Average</b>  | <b>\$12.00</b>                    | <b>\$11.87</b>                    | <b>524,814</b>                   |
| <b>Uninsured</b>   |                                   |                                   |                                  |
| Age Under 1  | \$1.94                            | \$1.94                            | 4,865                            |
| Age 1-13   | \$7.34                            | \$7.25                            | 102,428                          |
| Age 14-44 Female   | \$22.72                           | \$22.47                           | 98,428                           |
| Age 14-44 Male   | \$16.31                           | \$16.13                           | 73,314                           |
| Age 45-64  | \$74.64                           | \$73.81                           | 60,288                           |
| Age Over 65  | \$104.31                          | \$103.15                          | 7,953                            |
| <b>Weighted Average</b>  | <b>\$27.42</b>                    | <b>\$27.12</b>                    | <b>347,276</b>                   |
| <b>Uninsurable</b>   |                                   |                                   |                                  |
| Age Under 1  | \$1.94                            | \$1.94                            | 37                               |
| Age 1-13   | \$14.57                           | \$14.41                           | 6,367                            |
| Age 14-44 Female   | \$43.17                           | \$42.69                           | 21,272                           |
| Age 14-44 Male   | \$49.79                           | \$49.24                           | 21,560                           |
| Age 45-64  | \$103.39                          | \$102.25                          | 41,465                           |
| Age Over 65  | \$165.08                          | \$163.25                          | 3,463                            |
| <b>Weighted Average</b>  | <b>\$73.74</b>                    | <b>\$72.92</b>                    | <b>94,164</b>                    |
| <b>Disabled</b>  | <b>\$70.60</b>                    | <b>\$69.81</b>                    | <b>151,908</b>                   |
| <b>Duals (TennCare &amp; Medicare)</b>                             | <b>\$110.16</b>                   | <b>\$108.93</b>                   | <b>180,201</b>                   |
| <b>All Eligibility Groups</b>                                      | <b>\$41.08</b>                    | <b>\$40.62</b>                    | <b>1,298,363</b>                 |

### **Third Party Liability and Participant Cost Sharing**

The calculations thus far reflect total per capita costs before considering offsets for a number of items. The final cost of the program to the State will

be adjusted to reflect participant contributions through point-of-service cost sharing as well as reductions for expected collections from third parties. Collection of these amounts is the responsibility of the health plans, and capitation payments will be reduced to reflect this expectation.

We have estimated the amount of Third Party Liability we consider to be reasonable for TennCare based on our experience in other states and on the experience in the Tennessee Medicaid program prior to the implementation of TennCare.

Current TennCare program rules require individuals in the Uninsured and Uninsurable categories to pay deductibles and coinsurance, with the amount varying by income level. TennCare enrollees in families with income up to 100% of the federal poverty level have no cost sharing requirements. We used an actuarial model to estimate the effect of the current level of deductibles and coinsurance on the cost of providing services to the Uninsured and Uninsurable populations. Approximately 2.7% of the costs of the uninsured population and 3.5% of the costs of the uninsurable population should be covered by the current cost sharing requirements.<sup>6</sup> Tables 6 and 7 show the effect of applying these contributions of TPL and cost sharing to the total per capita costs.

| <b>Table 6<br/>Effect of Estimated TPL and Member Cost Sharing - Scenario 1</b> |                        |                    |                             |                                 |
|---|------------------------|--------------------|-----------------------------|---------------------------------|
| <b>Eligibility Group</b>  | <b>Per Capita Cost</b> | <b>TPL Percent</b> | <b>Cost Sharing Percent</b> | <b>Adjusted Per Capita Cost</b> |
| Medicaid (TANF & Related)   | \$128.49               | 5%                 | 0.0%                        | \$122.07                        |
| Uninsured*  | \$137.25               | 0%                 | 2.7%                        | \$133.54                        |
| Uninsurable*  | \$324.64               | 0%                 | 3.5%                        | \$313.28                        |
| Disabled  | \$374.68               | 5%                 | 0.0%                        | \$355.95                        |
| Duals (TennCare & Medicare)*  | \$124.38               | 0%                 | 0.0%                        | \$124.38                        |
| Total   | \$173.29               |                    |                             | \$166.69                        |

\*We have assumed that TPL will be nominal for the Uninsured, Uninsurable and Dual eligible populations. A small amount of TPL may be collected through disability and accident coverage.

<sup>6</sup> The cost sharing requirements vary by income level. We have calculated an average value for cost sharing across the entire uninsured and uninsurable populations. Approximately 78% of the current uninsured population have an income below 100% of the federal poverty level and have no cost sharing obligation.

| Table 7<br>Effect of Estimated TPL and Member Cost Sharing - Scenario 2 |                 |             |                      |                          |
|---|-----------------|-------------|----------------------|--------------------------|
| Eligibility Group   | Per Capita Cost | TPL Percent | Cost Sharing Percent | Adjusted Per Capita Cost |
| Medicaid (TANF & Related)   | \$108.17        | 5%          | 0.0%                 | \$102.76                 |
| Uninsured*  | \$117.32        | 0%          | 2.7%                 | \$114.15                 |
| Uninsurable*  | \$278.34        | 0%          | 3.5%                 | \$268.60                 |
| Disabled  | \$325.94        | 5%          | 0.0%                 | \$309.64                 |
| Duals (TennCare & Medicare)*  | \$123.00        | 0%          | 0.0%                 | \$123.00                 |
| Total   | \$150.50        |             |                      | \$144.85                 |

Other offsets to costs, such as premium contributions, reductions for charity care and local government contributions have not been applied.

## APPENDIX

### Overview of the Grier Decision<sup>7</sup>

Engquist, Pelrine & Powell, Inc. (EP&P) is a health care and management consulting firm located in Washington, D.C. that assists public and private sector organizations to design, implement, evaluate and improve health care and social service programs.

EP&P was retained by the State of Tennessee to determine how the Grier Revised Consent Decree affects the current responsibilities of the TennCare managed care organizations (MCOs) as outlined in the current Contractor Risk Agreement. The Revised Consent Decree Governing TennCare Appeals was entered into following a motion by the plaintiffs to hold the defendants in contempt of court for violation of the second consent decree as modified by the Agreed Order entered on August 27, 1996. To ensure compliance, the court has permanently enjoined the defendants to adequately protect the due process rights of plaintiff class members in the context of managed care. The parties agreed on the provisions outlined in the order as one means of achieving that result. In agreeing to the order, the parties recognized that certain provisions actually expand the protections afforded by federal law relating to Medicaid fee-for-service programs. In addition, in some instances, the provisions of the order are more prescriptive than the current requirements in the TennCare Contractor Risk Agreement. The extent of the impact of the Revised Consent Decree on the business operations of the MCOs has been difficult to determine, however; and this is the task that EP&P was assigned.

To accomplish this task, EP&P staff met individually with representatives from each of the MCOs participating in TennCare. (One MCO discussion was held after the report was finalized, but no materially different information was obtained from that meeting.) The objective of these meetings was to discuss each MCOs' interpretation of and concerns about the Revised Consent Decree, how the requirements of the Decree varied from their current appeals and grievance processes, and their recommendations for implementing the intent of the Decree.

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<sup>7</sup> This description of the Grier decision was prepared by Engquist, Pelrine & Powell, Inc.

In addition, meetings were held with plaintiff counsel both before and after meetings with the MCOs to understand plaintiff objectives and to express clearly any operational issues that have arisen for MCOs as a result of the Revised Consent Decree. It was important to try to reach a clear understanding from both the MCOs and the plaintiffs about the terms of the Revised Consent Decree.

Each MCO meeting lasted approximately two hours and usually included the Medical Director for the MCO, or another individual responsible for grievance and appeals, and the Chief Operating Officer or Medicaid Program Officer. The comments and questions collected during this meeting were compiled and separated into two categories: (1) general issues related to the operation of the TennCare program; and (2) issues specifically related to the Decree.

After meeting with each of the MCOs, a separate meeting was held with State staff to review the comments and questions collected during the MCO meetings, clarify the interpretation of the Revised Consent Decree, identify options to simplify implementation of the Decree, and forward to the State issues raised by the MCOs that were not specifically related to the Decree.

Next, EP&P staff researched and compared current federal Medicaid law, proposed Medicaid managed care regulations, the TennCare Contractor Risk Agreement and Medicare+Choice grievance and appeals requirements. This analysis was used as the basis for developing a side-by-side comparison of the Revised Consent Decree requirements to the requirements of the current TennCare Contractor Risk Agreement and for outlining the potential impact of the Revised Consent Decree on the current business operations of the MCOs.

A final memo summarizing the impact of the Grier Revised Consent Decree was issued to the State's actuary, PricewaterhouseCoopers.

### **Impact of the Grier Decision<sup>8</sup>**

Three sets of issues have been considered in evaluating the impact of the Grier Consent Decree on the operation of the TennCare program. Since the data in the experience period will not reflect the new requirements, adjustments

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<sup>8</sup> The description of the impact of the Grier decision was prepared by PricewaterhouseCoopers LLP.

necessary as a result of the consent decree will need to be built into the program rates to be effective July 1<sup>st</sup>, 2000.

### ***Adequacy of the Current Administrative Cost Structure***

An administrative cost allowance is sometimes measured in relation to members, sometimes to claims (medical expense) and sometimes to premium. There are various components of administrative expense and each has a percentage of fixed cost as well as a percentage of variable cost. In point of fact, certain components of expense are more dependent on members (e.g., member services), certain on premium (e.g., premium tax) and certain on claims expense (e.g., claims processing cost). In adjusting the actuarial rates presented in this report, we have relied on comparable Medicaid managed care programs in other States as reflective of current federal requirements for the administration of a Medicaid managed care program. The administrative cost included in the rates presented is judged reasonable on the whole for the TennCare program.

### ***Differentiate Administrative Cost Structure for Incremental Changes Introduced by the Grier Consent Decree***

An assessment of the incremental changes introduced by the Grier consent decree requires consideration of potential cost increases. The two noted changes are as follows:

- **Standardized Notices.** Grier requires the use of standardized notices that supercede any notices currently in use.
- **New Notice Requirements.** Grier requires that notice be provided when there is a change in Primary Care Provider, termination of a provider contract, inability to provide an adequate network or expiration of a prior authorization.

Any managed care program requires the ability to provide standardized notices that often vary based on health plan contract or the wide variety of constituents. The administrative cost structure currently reflected in the rate development has implicitly incorporated a component of administrative cost for information systems costs. There will be times when little information systems activity is anticipated and other times when a higher volume of activity is anticipated due to program changes, administrative changes, or

efficiency initiatives at the managed care organization. The administrative cost allocation in the per capita cost amount incorporates such potential changes.

***Provide Consideration for Additional Medical Costs that may Result from the Grier Consent Decree***

We have been provided with an independent assessment of the areas in which medical costs related to the TennCare program may potentially increase as a result of the Grier consent decree. Each of these issues are reviewed below:

- **Prior Authorization Notice.** The process followed in the preparation of rates on an actuarially sound basis has increased utilization of generally underserved categories of service by increasing all targets to the average in the current system. The specific services most impacted, according to the analysis we were provided, have already experienced an increase by adjusting to higher per unit costs than are currently in the system. No further adjustment in expected medical costs is necessary at this time.
- **Provider-Initiated Actions.** There are two factors that will result in increased costs. The first would result from an inability to comply with advance notice requirements. The first comment to consider is that providers are due to receive adequate compensation for services rendered. It should be explained in provider contract negotiations and provider education situations that an MCO's ability to pass the implied cost per unit of service to providers will be dependent on maintaining hospital utilization at current levels. A review of the current program utilization indicates levels to be reasonable. If the utilization were to increase, MCOs would be expected to manage other portions of the delivery of care to meet the current underlying assumptions. The second factor at issue is one of additional costs for second opinions to continue to authorize care. Although this factor is considered a potential increase in cost, the significant historical trend applied to bring the data to the current timeframe (See Exhibit 3c) anticipates continued upward pressure on program utilization.

- **MCO-Initiated Discharges** This requirement in and of itself is not an additional cost, but additional costs may be introduced by more stringent monitoring and enforcement of the Grier requirement. Since the newly derived actuarially sound rates include an increased administrative allowance on a per-member-per-month basis, the increased allowance should be adequate to cover new administrative costs associated with this issue.
- **Appeal Rights** The anticipated cost impact is minimal because the appeal itself would have been protected under federal regulation. In addition, to the extent appeals impact BHO issues or inter-organizational issues between BHOs and MCOs, they are beyond the scope of this study.
- **Two-Week Prescription Drug Supply** A review of the data underlying the current pharmacy benefit utilization in the TennCare program indicates that an increase from a three day to a 14 day supply for prescriptions of non-formulary medications may result in increased pharmacy costs in the range of 1.5% to 3.5%; taken as a percentage of total costs, the effect of this change ranges from 0.4% to 0.8%. Rather than developing a separate factor for the Grier consent decree, this increase was taken into account in the final conversion factors for pharmacy benefits.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| All Eligibility Categories<br>All Age Groups |                          |                           |                               |                               |                   |                   |                         |                         |                |
|--|--------------------------|---------------------------|-------------------------------|-------------------------------|-------------------|-------------------|-------------------------|-------------------------|----------------|
|  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998  | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                         | 15,367,054               | 11,898,586                |                               |                               |                   |                   |                         |                         |                |
| <b>Service Category</b>                      |                          |                           |                               |                               |                   |                   |                         |                         |                |
| Dental - Orthodontics                        | \$906,084                | \$246,273                 | \$0.06                        | \$0.02                        | 2,155             | 1,815             | 2                       | 2                       | \$290.25       |
| Dental - Other                               | \$59,011,099             | \$44,900,008              | \$3.84                        | \$3.77                        | 1,425,501         | 1,040,695         | 1,113                   | 1,050                   | \$42.13        |
| Pharmacy                                     | \$498,699,239            | \$431,955,478             | \$32.45                       | \$36.30                       | 18,504,575        | 15,155,700        | 14,450                  | 15,285                  | \$27.65        |
| Home Health Care                             | \$39,336,977             | \$26,958,867              | \$2.56                        | \$2.27                        | 80,199            | 87,521            | 63                      | 88                      | \$395.28       |
| IP - Maternity                               | \$157,562,157            | \$119,495,448             | \$10.25                       | \$10.04                       | 99,043            | 64,852            | 77                      | 65                      | \$1,690.46     |
| IP - Newborn                                 | \$125,312,728            | \$93,968,304              | \$8.15                        | \$7.90                        | 89,741            | 73,248            | 70                      | 74                      | \$1,345.37     |
| IP - Other                                   | \$886,513,022            | \$691,894,019             | \$57.69                       | \$58.15                       | 437,814           | 271,727           | 342                     | 274                     | \$2,224.55     |
| OP - Emergency Room                          | \$148,847,655            | \$91,377,386              | \$9.69                        | \$7.68                        | 384,553           | 221,792           | 300                     | 224                     | \$396.19       |
| OP - Other                                   | \$554,310,807            | \$516,796,221             | \$36.07                       | \$43.43                       | 854,690           | 816,405           | 667                     | 823                     | \$640.96       |
| Prof - Anesthesia                            | \$79,072,857             | \$64,040,213              | \$5.15                        | \$5.38                        | 1,575,770         | 639,715           | 1,231                   | 645                     | \$64.60        |
| Prof - Digestive System                      | \$37,446,016             | \$28,279,930              | \$2.44                        | \$2.38                        | 63,144            | 42,989            | 49                      | 43                      | \$619.28       |
| Prof - Ears/Nose/Throat                      | \$44,422,984             | \$35,023,236              | \$2.89                        | \$2.94                        | 74,633            | 57,364            | 58                      | 58                      | \$601.88       |
| Prof - Evaluation & Management               | \$481,900,571            | \$395,930,511             | \$31.36                       | \$33.28                       | 8,315,179         | 6,663,781         | 6,493                   | 6,721                   | \$58.60        |
| Prof - Female Genital                        | \$19,147,913             | \$14,003,515              | \$1.25                        | \$1.18                        | 47,708            | 30,890            | 37                      | 31                      | \$421.78       |
| Prof - Integumentary System                  | \$20,186,931             | \$15,080,773              | \$1.31                        | \$1.27                        | 106,505           | 81,644            | 83                      | 82                      | \$187.45       |
| Prof - Laparoscopy                           | \$21,254,812             | \$15,632,473              | \$1.38                        | \$1.31                        | 21,443            | 11,372            | 17                      | 11                      | \$1,124.11     |
| Prof - Male Genital                          | \$2,498,441              | \$2,024,584               | \$0.16                        | \$0.17                        | 6,160             | 4,663             | 5                       | 5                       | \$417.93       |
| Prof - Maternity                             | \$80,724,930             | \$59,416,236              | \$5.25                        | \$4.99                        | 168,343           | 90,155            | 131                     | 91                      | \$542.14       |
| Prof - Musculoskeletal System                | \$46,546,818             | \$38,436,563              | \$3.03                        | \$3.23                        | 86,927            | 66,164            | 68                      | 67                      | \$555.12       |
| Prof - Other                                 | \$15,279,766             | \$13,467,871              | \$0.99                        | \$1.13                        | 1,260,965         | 1,238,902         | 985                     | 1,249                   | \$11.50        |
| Prof - Respiratory/Cardiology                | \$40,878,740             | \$30,217,473              | \$2.66                        | \$2.54                        | 403,878           | 357,655           | 315                     | 361                     | \$93.36        |
| Prof - Urinary                               | \$10,189,410             | \$8,080,225               | \$0.66                        | \$0.68                        | 23,578            | 16,140            | 18                      | 16                      | \$459.98       |
| DME/Supplies                                 | \$47,399,647             | \$38,877,181              | \$3.08                        | \$3.27                        | 298,299           | 241,263           | 233                     | 243                     | \$159.90       |
| Lab  | \$74,534,901             | \$63,017,051              | \$4.85                        | \$5.30                        | 2,749,305         | 2,515,006         | 2,147                   | 2,536                   | \$26.13        |
| Radiology                                    | \$122,705,908            | \$100,201,933             | \$7.98                        | \$8.42                        | 1,310,946         | 1,031,417         | 1,024                   | 1,040                   | \$95.16        |
| Transportation/Ambulance                     | \$48,668,966             | \$38,808,857              | \$3.17                        | \$3.26                        | 786,719           | 584,429           | 614                     | 589                     | \$63.80        |
| <b>Total</b>                                 | <b>\$3,663,359,377</b>   | <b>\$2,978,130,628</b>    | <b>\$238.39</b>               | <b>\$250.29</b>               | <b>39,177,775</b> | <b>31,407,302</b> |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                   |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|-------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>All Age Groups</b>                |                          |                           |                               |                               |                   |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998  | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 6,417,419                | 4,603,704                 |                               |                               |                   |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                   |                   |                         |                         |                |
| Dental - Orthodontics                | \$501,809                | \$105,411                 | \$0.08                        | \$0.02                        | 1,128             | 752               | 2                       | 2                       | \$322.91       |
| Dental - Other                       | \$34,250,260             | \$23,604,191              | \$5.34                        | \$5.13                        | 853,878           | 570,821           | 1,597                   | 1,488                   | \$40.61        |
| Pharmacy                             | \$57,790,576             | \$45,326,995              | \$9.01                        | \$9.85                        | 3,056,367         | 2,325,252         | 5,715                   | 6,061                   | \$19.16        |
| Home Health Care                     | \$3,094,686              | \$1,933,666               | \$0.48                        | \$0.42                        | 10,303            | 8,066             | 19                      | 21                      | \$273.74       |
| IP - Maternity                       | \$130,850,073            | \$96,350,116              | \$20.39                       | \$20.93                       | 83,863            | 52,794            | 157                     | 138                     | \$1,662.55     |
| IP - Newborn                         | \$103,047,151            | \$74,788,552              | \$16.06                       | \$16.25                       | 73,495            | 59,374            | 137                     | 155                     | \$1,338.43     |
| IP - Other                           | \$169,032,094            | \$122,057,551             | \$26.34                       | \$26.51                       | 100,758           | 53,737            | 188                     | 140                     | \$1,884.13     |
| OP - Emergency Room                  | \$62,618,553             | \$37,162,610              | \$9.76                        | \$8.07                        | 192,355           | 109,267           | 360                     | 285                     | \$330.82       |
| OP - Other                           | \$165,373,754            | \$145,724,093             | \$25.77                       | \$31.65                       | 316,386           | 285,205           | 592                     | 743                     | \$517.12       |
| Prof - Anesthesia                    | \$34,788,847             | \$26,881,934              | \$5.42                        | \$5.84                        | 642,306           | 274,775           | 1,201                   | 716                     | \$67.25        |
| Prof - Digestive System              | \$9,467,927              | \$6,171,213               | \$1.48                        | \$1.34                        | 15,739            | 9,063             | 29                      | 24                      | \$630.56       |
| Prof - Ears/Nose/Throat              | \$11,179,898             | \$7,993,383               | \$1.74                        | \$1.74                        | 27,518            | 18,986            | 51                      | 49                      | \$412.30       |
| Prof - Evaluation & Management       | \$183,811,337            | \$141,946,384             | \$28.64                       | \$30.83                       | 3,319,679         | 2,450,787         | 6,208                   | 6,388                   | \$56.45        |
| Prof - Female Genital                | \$9,347,517              | \$6,282,125               | \$1.46                        | \$1.36                        | 28,183            | 16,742            | 53                      | 44                      | \$347.91       |
| Prof - Integumentary System          | \$5,666,673              | \$3,898,784               | \$0.88                        | \$0.85                        | 32,261            | 22,117            | 60                      | 58                      | \$175.91       |
| Prof - Laparoscopy                   | \$8,732,818              | \$5,654,126               | \$1.36                        | \$1.23                        | 10,538            | 4,673             | 20                      | 12                      | \$945.85       |
| Prof - Male Genital                  | \$1,259,078              | \$957,717                 | \$0.20                        | \$0.21                        | 3,840             | 2,817             | 7                       | 7                       | \$332.99       |
| Prof - Maternity                     | \$67,730,415             | \$48,451,141              | \$10.55                       | \$10.52                       | 144,117           | 73,400            | 269                     | 191                     | \$534.13       |
| Prof - Musculoskeletal System        | \$10,876,187             | \$8,798,699               | \$1.69                        | \$1.91                        | 23,695            | 16,041            | 44                      | 42                      | \$495.15       |
| Prof - Other                         | \$4,664,480              | \$3,579,729               | \$0.73                        | \$0.78                        | 178,443           | 123,450           | 334                     | 322                     | \$27.31        |
| Prof - Respiratory/Cardiology        | \$7,053,459              | \$4,549,452               | \$1.10                        | \$0.99                        | 115,829           | 100,104           | 217                     | 261                     | \$53.73        |
| Prof - Urinary                       | \$2,404,052              | \$1,655,351               | \$0.37                        | \$0.36                        | 6,456             | 3,729             | 12                      | 10                      | \$398.56       |
| DME/Supplies                         | \$4,994,806              | \$4,211,911               | \$0.78                        | \$0.91                        | 42,697            | 32,879            | 80                      | 86                      | \$121.82       |
| Lab                                  | \$27,778,106             | \$22,581,376              | \$4.33                        | \$4.91                        | 1,103,595         | 925,887           | 2,064                   | 2,413                   | \$24.81        |
| Radiology                            | \$39,406,247             | \$29,772,176              | \$6.14                        | \$6.47                        | 436,535           | 320,248           | 816                     | 835                     | \$91.41        |
| Transportation/Ambulance             | \$9,178,977              | \$7,244,116               | \$1.43                        | \$1.57                        | 91,440            | 66,247            | 171                     | 173                     | \$104.15       |
| <b>Total</b>                         | <b>\$1,164,899,780</b>   | <b>\$877,682,801</b>      | <b>\$181.52</b>               | <b>\$190.65</b>               | <b>10,911,405</b> | <b>7,927,214</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Medicaid (TANF & Related)      |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| Age Under 1                    |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| Member Months                  | 415,697                  | 312,714                   |                               |                               |                  |                   |                         |                         |                |
| Service Category               |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics          | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                 | \$2,684                  | \$494                     | \$0.01                        | \$0.00                        | 99               | 14                | 3                       | 1                       | \$28.03        |
| Pharmacy                       | \$810,601                | \$308,427                 | \$1.95                        | \$0.99                        | 75,756           | 33,850            | 2,187                   | 1,299                   | \$10.21        |
| Home Health Care               | \$264,468                | \$52,307                  | \$0.64                        | \$0.17                        | 1,143            | 404               | 33                      | 16                      | \$204.75       |
| IP - Maternity                 | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                   | \$103,047,151            | \$74,788,552              | \$247.89                      | \$239.16                      | 73,495           | 59,374            | 2,122                   | 2,278                   | \$1,338.43     |
| IP - Other                     | \$18,790,361             | \$9,638,906               | \$45.20                       | \$30.82                       | 20,364           | 5,166             | 588                     | 198                     | \$1,113.54     |
| OP - Emergency Room            | \$2,975,079              | \$739,298                 | \$7.16                        | \$2.36                        | 11,438           | 2,729             | 330                     | 105                     | \$262.18       |
| OP - Other                     | \$3,406,621              | \$2,660,799               | \$8.19                        | \$8.51                        | 8,787            | 8,366             | 254                     | 321                     | \$353.72       |
| Prof - Anesthesia              | \$590,261                | \$354,813                 | \$1.42                        | \$1.13                        | 15,126           | 3,212             | 437                     | 123                     | \$51.54        |
| Prof - Digestive System        | \$561,730                | \$384,499                 | \$1.35                        | \$1.23                        | 604              | 353               | 17                      | 14                      | \$987.95       |
| Prof - Ears/Nose/Throat        | \$425,562                | \$241,778                 | \$1.02                        | \$0.77                        | 1,416            | 667               | 41                      | 26                      | \$320.41       |
| Prof - Evaluation & Management | \$18,271,941             | \$11,096,360              | \$43.95                       | \$35.48                       | 305,126          | 182,539           | 8,808                   | 7,005                   | \$60.22        |
| Prof - Female Genital          | \$12,516                 | \$550                     | \$0.03                        | \$0.00                        | 13               | 2                 | 0                       | 0                       | \$859.35       |
| Prof - Integumentary System    | \$83,779                 | \$33,713                  | \$0.20                        | \$0.11                        | 435              | 261               | 13                      | 10                      | \$168.82       |
| Prof - Laparoscopy             | \$19,724                 | \$11,279                  | \$0.05                        | \$0.04                        | 48               | 15                | 1                       | 1                       | \$489.53       |
| Prof - Male Genital            | \$396,928                | \$292,413                 | \$0.95                        | \$0.94                        | 2,358            | 1,830             | 68                      | 70                      | \$164.58       |
| Prof - Maternity               | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System  | \$125,959                | \$73,775                  | \$0.30                        | \$0.24                        | 266              | 171               | 8                       | 7                       | \$457.77       |
| Prof - Other                   | \$10,781                 | \$5,422                   | \$0.03                        | \$0.02                        | 269              | 140               | 8                       | 5                       | \$39.63        |
| Prof - Respiratory/Cardiology  | \$664,699                | \$328,754                 | \$1.60                        | \$1.05                        | 3,418            | 1,735             | 99                      | 67                      | \$192.78       |
| Prof - Urinary                 | \$114,475                | \$44,195                  | \$0.28                        | \$0.14                        | 573              | 241               | 17                      | 9                       | \$194.76       |
| DME/Supplies                   | \$626,046                | \$400,218                 | \$1.51                        | \$1.28                        | 4,294            | 2,526             | 124                     | 97                      | \$150.48       |
| Lab                            | \$359,064                | \$193,621                 | \$0.86                        | \$0.62                        | 15,434           | 7,996             | 446                     | 307                     | \$23.59        |
| Radiology                      | \$957,489                | \$492,241                 | \$2.30                        | \$1.57                        | 18,187           | 9,496             | 525                     | 364                     | \$52.37        |
| Transportation/Ambulance       | \$371,694                | \$256,449                 | \$0.89                        | \$0.82                        | 2,336            | 1,508             | 67                      | 58                      | \$163.39       |
| <b>Total</b>                   | <b>\$152,889,613</b>     | <b>\$102,398,861</b>      | <b>\$367.79</b>               | <b>\$327.45</b>               | <b>560,985</b>   | <b>322,598</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Ages 1 - 13</b>                   |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 3,290,753                | 2,349,750                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                | \$248,314                | \$44,747                  | \$0.08                        | \$0.02                        | 431              | 312               | 2                       | 2                       | \$394.56       |
| Dental - Other                       | \$21,807,724             | \$14,716,415              | \$6.63                        | \$6.26                        | 599,457          | 394,338           | 2,186                   | 2,014                   | \$36.75        |
| Pharmacy                             | \$17,819,346             | \$13,827,494              | \$5.41                        | \$5.88                        | 1,034,896        | 801,381           | 3,774                   | 4,093                   | \$17.23        |
| Home Health Care                     | \$824,898                | \$586,623                 | \$0.25                        | \$0.25                        | 4,148            | 3,221             | 15                      | 16                      | \$191.54       |
| IP - Maternity                       | \$128,598                | \$63,233                  | \$0.04                        | \$0.03                        | 70               | 36                | 0                       | 0                       | \$1,805.33     |
| IP - Newborn                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                           | \$39,834,744             | \$34,841,268              | \$12.11                       | \$14.83                       | 35,492           | 19,464            | 129                     | 99                      | \$1,358.84     |
| OP - Emergency Room                  | \$20,818,171             | \$14,032,182              | \$6.33                        | \$5.97                        | 82,668           | 52,885            | 301                     | 270                     | \$257.10       |
| OP - Other                           | \$42,710,274             | \$40,665,824              | \$12.98                       | \$17.31                       | 93,405           | 92,177            | 341                     | 471                     | \$449.27       |
| Prof - Anesthesia                    | \$6,190,273              | \$4,975,959               | \$1.88                        | \$2.12                        | 139,999          | 50,705            | 511                     | 259                     | \$58.55        |
| Prof - Digestive System              | \$3,447,642              | \$2,343,037               | \$1.05                        | \$1.00                        | 6,550            | 3,657             | 24                      | 19                      | \$567.34       |
| Prof - Ears/Nose/Throat              | \$4,641,647              | \$3,580,617               | \$1.41                        | \$1.52                        | 13,363           | 9,768             | 49                      | 50                      | \$355.47       |
| Prof - Evaluation & Management       | \$69,107,605             | \$57,124,658              | \$21.00                       | \$24.31                       | 1,524,106        | 1,188,534         | 5,558                   | 6,070                   | \$46.53        |
| Prof - Female Genital                | \$33,765                 | \$30,464                  | \$0.01                        | \$0.01                        | 145              | 127               | 1                       | 1                       | \$235.59       |
| Prof - Integumentary System          | \$1,887,311              | \$1,397,185               | \$0.57                        | \$0.59                        | 12,997           | 9,214             | 47                      | 47                      | \$147.88       |
| Prof - Laparoscopy                   | \$115,811                | \$114,261                 | \$0.04                        | \$0.05                        | 113              | 118               | 0                       | 1                       | \$993.72       |
| Prof - Male Genital                  | \$758,072                | \$586,786                 | \$0.23                        | \$0.25                        | 1,279            | 859               | 5                       | 4                       | \$629.30       |
| Prof - Maternity                     | \$54,662                 | \$29,656                  | \$0.02                        | \$0.01                        | 55               | 91                | 0                       | 0                       | \$576.27       |
| Prof - Musculoskeletal System        | \$2,438,705              | \$1,866,454               | \$0.74                        | \$0.79                        | 6,761            | 4,019             | 25                      | 21                      | \$399.37       |
| Prof - Other                         | \$2,325,617              | \$1,840,743               | \$0.71                        | \$0.78                        | 83,922           | 65,653            | 306                     | 335                     | \$27.85        |
| Prof - Respiratory/Cardiology        | \$1,752,649              | \$1,112,777               | \$0.53                        | \$0.47                        | 30,249           | 28,733            | 110                     | 147                     | \$48.58        |
| Prof - Urinary                       | \$449,433                | \$444,692                 | \$0.14                        | \$0.19                        | 1,795            | 1,230             | 7                       | 6                       | \$295.56       |
| DME/Supplies                         | \$1,506,458              | \$1,370,152               | \$0.46                        | \$0.58                        | 18,493           | 15,219            | 67                      | 78                      | \$85.33        |
| Lab                                  | \$5,509,809              | \$4,310,796               | \$1.67                        | \$1.83                        | 272,407          | 212,855           | 993                     | 1,087                   | \$20.24        |
| Radiology                            | \$5,771,063              | \$4,431,121               | \$1.75                        | \$1.89                        | 105,673          | 80,933            | 385                     | 413                     | \$54.67        |
| Transportation/Ambulance             | \$2,149,415              | \$1,828,424               | \$0.65                        | \$0.78                        | 24,985           | 18,184            | 91                      | 93                      | \$92.15        |
| <b>Total</b>                         | <b>\$252,332,008</b>     | <b>\$206,165,568</b>      | <b>\$76.68</b>                | <b>\$87.74</b>                | <b>4,093,458</b> | <b>3,053,712</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Ages 14 - 44 Female</b>           |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 1,988,420                | 1,412,139                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                | \$170,035                | \$37,319                  | \$0.09                        | \$0.03                        | 470              | 286               | 3                       | 2                       | \$274.35       |
| Dental - Other                       | \$8,499,684              | \$6,046,803               | \$4.27                        | \$4.28                        | 175,086          | 120,553           | 1,057                   | 1,024                   | \$49.20        |
| Pharmacy                             | \$27,843,373             | \$21,230,459              | \$14.00                       | \$15.03                       | 1,486,521        | 1,101,185         | 8,971                   | 9,358                   | \$18.96        |
| Home Health Care                     | \$1,377,089              | \$859,238                 | \$0.69                        | \$0.61                        | 3,534            | 2,871             | 21                      | 24                      | \$349.16       |
| IP - Maternity                       | \$130,565,315            | \$96,192,066              | \$65.66                       | \$68.12                       | 83,730           | 52,728            | 505                     | 448                     | \$1,661.74     |
| IP - Newborn                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                           | \$66,406,673             | \$48,787,739              | \$33.40                       | \$34.55                       | 28,223           | 18,907            | 170                     | 161                     | \$2,444.19     |
| OP - Emergency Room                  | \$31,157,510             | \$17,938,153              | \$15.67                       | \$12.70                       | 79,069           | 42,924            | 477                     | 365                     | \$402.45       |
| OP - Other                           | \$96,131,091             | \$81,941,037              | \$48.35                       | \$58.03                       | 180,745          | 153,955           | 1,091                   | 1,308                   | \$532.04       |
| Prof - Anesthesia                    | \$25,410,643             | \$19,615,764              | \$12.78                       | \$13.89                       | 435,909          | 202,792           | 2,631                   | 1,723                   | \$70.50        |
| Prof - Digestive System              | \$3,841,757              | \$2,367,897               | \$1.93                        | \$1.68                        | 6,075            | 3,491             | 37                      | 30                      | \$649.14       |
| Prof - Ears/Nose/Throat              | \$3,949,155              | \$2,679,680               | \$1.99                        | \$1.90                        | 10,017           | 6,625             | 60                      | 56                      | \$398.33       |
| Prof - Evaluation & Management       | \$78,710,603             | \$59,933,133              | \$39.58                       | \$42.44                       | 1,193,687        | 861,377           | 7,204                   | 7,320                   | \$67.46        |
| Prof - Female Genital                | \$8,938,308              | \$6,040,882               | \$4.50                        | \$4.28                        | 27,483           | 16,267            | 166                     | 138                     | \$342.39       |
| Prof - Integumentary System          | \$2,610,746              | \$1,761,563               | \$1.31                        | \$1.25                        | 13,198           | 8,795             | 80                      | 75                      | \$198.80       |
| Prof - Laparoscopy                   | \$8,167,615              | \$5,201,241               | \$4.11                        | \$3.68                        | 10,045           | 4,327             | 61                      | 37                      | \$930.24       |
| Prof - Male Genital                  | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Maternity                     | \$67,654,285             | \$48,400,313              | \$34.02                       | \$34.27                       | 144,038          | 73,289            | 869                     | 623                     | \$534.01       |
| Prof - Musculoskeletal System        | \$4,979,400              | \$4,139,716               | \$2.50                        | \$2.93                        | 10,828           | 7,663             | 65                      | 65                      | \$493.17       |
| Prof - Other                         | \$1,625,681              | \$1,184,189               | \$0.82                        | \$0.84                        | 54,771           | 39,954            | 331                     | 340                     | \$29.66        |
| Prof - Respiratory/Cardiology        | \$2,959,847              | \$1,995,870               | \$1.49                        | \$1.41                        | 68,016           | 58,371            | 410                     | 496                     | \$39.21        |
| Prof - Urinary                       | \$1,284,790              | \$829,625                 | \$0.65                        | \$0.59                        | 3,281            | 1,799             | 20                      | 15                      | \$416.20       |
| DME/Supplies                         | \$2,029,177              | \$1,716,654               | \$1.02                        | \$1.22                        | 12,803           | 9,723             | 77                      | 83                      | \$166.29       |
| Lab                                  | \$19,766,392             | \$16,322,554              | \$9.94                        | \$11.56                       | 736,881          | 631,957           | 4,447                   | 5,370                   | \$26.36        |
| Radiology                            | \$27,445,816             | \$20,921,334              | \$13.80                       | \$14.82                       | 248,868          | 182,715           | 1,502                   | 1,553                   | \$112.07       |
| Transportation/Ambulance             | \$5,000,131              | \$3,877,470               | \$2.51                        | \$2.75                        | 49,344           | 35,233            | 298                     | 299                     | \$104.97       |
| <b>Total</b>                         | <b>\$626,525,117</b>     | <b>\$470,020,699</b>      | <b>\$315.09</b>               | <b>\$332.84</b>               | <b>5,062,620</b> | <b>3,637,787</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Ages 14 - 44 Male</b>             |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 571,639                  | 409,319                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                | \$83,460                 | \$23,345                  | \$0.15                        | \$0.06                        | 227              | 155               | 5                       | 5                       | \$279.66       |
| Dental - Other                       | \$3,767,572              | \$2,729,503               | \$6.59                        | \$6.67                        | 75,525           | 53,117            | 1,585                   | 1,557                   | \$50.51        |
| Pharmacy                             | \$4,085,240              | \$3,280,115               | \$7.15                        | \$8.01                        | 184,566          | 143,144           | 3,874                   | 4,197                   | \$22.48        |
| Home Health Care                     | \$306,078                | \$226,799                 | \$0.54                        | \$0.55                        | 695              | 771               | 15                      | 23                      | \$363.41       |
| IP - Maternity                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                           | \$23,341,415             | \$14,832,813              | \$40.83                       | \$36.24                       | 8,236            | 4,803             | 173                     | 141                     | \$2,927.84     |
| OP - Emergency Room                  | \$5,760,168              | \$3,275,487               | \$10.08                       | \$8.00                        | 15,633           | 8,599             | 328                     | 252                     | \$372.89       |
| OP - Other                           | \$12,921,291             | \$11,865,083              | \$22.60                       | \$28.99                       | 20,093           | 19,462            | 422                     | 571                     | \$626.62       |
| Prof - Anesthesia                    | \$1,536,405              | \$1,118,443               | \$2.69                        | \$2.73                        | 31,686           | 10,561            | 665                     | 310                     | \$62.84        |
| Prof - Digestive System              | \$845,627                | \$512,673                 | \$1.48                        | \$1.25                        | 1,286            | 732               | 27                      | 21                      | \$673.14       |
| Prof - Ears/Nose/Throat              | \$1,141,437              | \$719,337                 | \$2.00                        | \$1.76                        | 1,459            | 1,058             | 31                      | 31                      | \$739.30       |
| Prof - Evaluation & Management       | \$10,293,897             | \$8,091,993               | \$18.01                       | \$19.77                       | 176,244          | 130,008           | 3,700                   | 3,811                   | \$60.04        |
| Prof - Female Genital                | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Integumentary System          | \$783,711                | \$518,008                 | \$1.37                        | \$1.27                        | 4,210            | 2,874             | 88                      | 84                      | \$183.76       |
| Prof - Laparoscopy                   | \$182,739                | \$112,787                 | \$0.32                        | \$0.28                        | 132              | 68                | 3                       | 2                       | \$1,474.04     |
| Prof - Male Genital                  | \$88,532                 | \$48,582                  | \$0.15                        | \$0.12                        | 147              | 93                | 3                       | 3                       | \$569.94       |
| Prof - Maternity                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System        | \$2,437,593              | \$2,049,079               | \$4.26                        | \$5.01                        | 4,166            | 2,823             | 87                      | 83                      | \$641.91       |
| Prof - Other                         | \$503,403                | \$410,747                 | \$0.88                        | \$1.00                        | 17,522           | 13,867            | 368                     | 407                     | \$29.12        |
| Prof - Respiratory/Cardiology        | \$781,729                | \$498,584                 | \$1.37                        | \$1.22                        | 6,652            | 5,018             | 140                     | 147                     | \$109.71       |
| Prof - Urinary                       | \$238,873                | \$191,895                 | \$0.42                        | \$0.47                        | 280              | 178               | 6                       | 5                       | \$940.35       |
| DME/Supplies                         | \$420,439                | \$332,352                 | \$0.74                        | \$0.81                        | 3,640            | 2,478             | 76                      | 73                      | \$123.06       |
| Lab                                  | \$982,612                | \$819,453                 | \$1.72                        | \$2.00                        | 38,413           | 35,278            | 806                     | 1,034                   | \$24.45        |
| Radiology                            | \$2,798,682              | \$2,133,550               | \$4.90                        | \$5.21                        | 39,916           | 29,591            | 838                     | 868                     | \$70.96        |
| Transportation/Ambulance             | \$1,134,404              | \$859,281                 | \$1.98                        | \$2.10                        | 8,243            | 6,094             | 173                     | 179                     | \$139.06       |
| <b>Total</b>                         | <b>\$74,435,310</b>      | <b>\$54,649,908</b>       | <b>\$130.21</b>               | <b>\$133.51</b>               | <b>638,970</b>   | <b>470,773</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Ages 45 - 64</b>                  |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 116,277                  | 83,093                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                       | \$162,754                | \$101,095                 | \$1.40                        | \$1.22                        | 3,447            | 2,530             | 356                     | 365                     | \$44.14        |
| Pharmacy                             | \$5,604,510              | \$4,528,454               | \$48.20                       | \$54.50                       | 206,717          | 162,564           | 21,334                  | 23,477                  | \$27.44        |
| Home Health Care                     | \$228,993                | \$111,468                 | \$1.97                        | \$1.34                        | 570              | 380               | 59                      | 55                      | \$358.66       |
| IP - Maternity                       | \$156,160                | \$94,817                  | \$1.34                        | \$1.14                        | 63               | 30                | 7                       | 4                       | \$2,692.07     |
| IP - Newborn                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                           | \$15,935,226             | \$10,370,680              | \$137.05                      | \$124.81                      | 6,286            | 3,814             | 649                     | 551                     | \$2,604.49     |
| OP - Emergency Room                  | \$1,720,950              | \$1,069,987               | \$14.80                       | \$12.88                       | 3,309            | 1,985             | 342                     | 287                     | \$527.22       |
| OP - Other                           | \$8,930,950              | \$7,388,585               | \$76.81                       | \$88.92                       | 11,717           | 9,773             | 1,209                   | 1,411                   | \$759.40       |
| Prof - Anesthesia                    | \$920,626                | \$675,186                 | \$7.92                        | \$8.13                        | 17,455           | 6,354             | 1,801                   | 918                     | \$67.03        |
| Prof - Digestive System              | \$627,419                | \$491,101                 | \$5.40                        | \$5.91                        | 1,007            | 726               | 104                     | 105                     | \$645.39       |
| Prof - Ears/Nose/Throat              | \$836,677                | \$552,669                 | \$7.20                        | \$6.65                        | 1,077            | 616               | 111                     | 89                      | \$820.60       |
| Prof - Evaluation & Management       | \$6,486,585              | \$4,800,995               | \$55.79                       | \$57.78                       | 107,044          | 75,023            | 11,047                  | 10,835                  | \$62.00        |
| Prof - Female Genital                | \$348,991                | \$202,002                 | \$3.00                        | \$2.43                        | 530              | 334               | 55                      | 48                      | \$637.68       |
| Prof - Integumentary System          | \$270,052                | \$161,724                 | \$2.32                        | \$1.95                        | 1,231            | 813               | 127                     | 117                     | \$211.15       |
| Prof - Laparoscopy                   | \$217,035                | \$202,538                 | \$1.87                        | \$2.44                        | 161              | 129               | 17                      | 19                      | \$1,443.43     |
| Prof - Male Genital                  | \$12,650                 | \$22,043                  | \$0.11                        | \$0.27                        | 49               | 22                | 5                       | 3                       | \$487.43       |
| Prof - Maternity                     | \$21,468                 | \$21,172                  | \$0.18                        | \$0.25                        | 24               | 20                | 2                       | 3                       | \$966.82       |
| Prof - Musculoskeletal System        | \$819,799                | \$605,026                 | \$7.05                        | \$7.28                        | 1,551            | 1,264             | 160                     | 183                     | \$506.05       |
| Prof - Other                         | \$148,600                | \$110,760                 | \$1.28                        | \$1.33                        | 20,154           | 2,997             | 2,080                   | 433                     | \$11.20        |
| Prof - Respiratory/Cardiology        | \$690,992                | \$472,294                 | \$5.94                        | \$5.68                        | 6,399            | 5,185             | 660                     | 749                     | \$100.42       |
| Prof - Urinary                       | \$271,665                | \$134,802                 | \$2.34                        | \$1.62                        | 457              | 255               | 47                      | 37                      | \$570.30       |
| DME/Supplies                         | \$348,475                | \$301,052                 | \$3.00                        | \$3.62                        | 2,858            | 2,260             | 295                     | 326                     | \$126.91       |
| Lab                                  | \$1,031,618              | \$811,921                 | \$8.87                        | \$9.77                        | 35,498           | 32,790            | 3,663                   | 4,735                   | \$27.00        |
| Radiology                            | \$2,113,222              | \$1,528,298               | \$18.17                       | \$18.39                       | 20,537           | 14,871            | 2,119                   | 2,148                   | \$102.84       |
| Transportation/Ambulance             | \$365,359                | \$285,547                 | \$3.14                        | \$3.44                        | 4,531            | 3,249             | 468                     | 469                     | \$83.66        |
| <b>Total</b>                         | <b>\$48,270,775</b>      | <b>\$35,044,216</b>       | <b>\$415.14</b>               | <b>\$421.75</b>               | <b>452,675</b>   | <b>327,985</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Medicaid (TANF &amp; Related)</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Age Over 65</b>                   |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                      | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                 | 34,633                   | 36,689                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>              |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                       | \$9,842                  | \$9,882                   | \$0.28                        | \$0.27                        | 263              | 270               | 91                      | 88                      | \$36.99        |
| Pharmacy                             | \$1,627,507              | \$2,152,047               | \$46.99                       | \$58.66                       | 67,911           | 83,127            | 23,530                  | 27,189                  | \$25.02        |
| Home Health Care                     | \$93,159                 | \$97,232                  | \$2.69                        | \$2.65                        | 214              | 419               | 74                      | 137                     | \$301.09       |
| IP - Maternity                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                           | \$4,723,674              | \$3,586,144               | \$136.39                      | \$97.74                       | 2,158            | 1,583             | 748                     | 518                     | \$2,221.40     |
| OP - Emergency Room                  | \$186,674                | \$107,503                 | \$5.39                        | \$2.93                        | 238              | 145               | 82                      | 48                      | \$768.25       |
| OP - Other                           | \$1,273,526              | \$1,202,765               | \$36.77                       | \$32.78                       | 1,640            | 1,473             | 568                     | 482                     | \$795.68       |
| Prof - Anesthesia                    | \$140,639                | \$141,768                 | \$4.06                        | \$3.86                        | 2,132            | 1,151             | 739                     | 376                     | \$86.02        |
| Prof - Digestive System              | \$143,752                | \$72,006                  | \$4.15                        | \$1.96                        | 218              | 103               | 75                      | 34                      | \$672.59       |
| Prof - Ears/Nose/Throat              | \$185,420                | \$219,301                 | \$5.35                        | \$5.98                        | 187              | 252               | 65                      | 83                      | \$921.98       |
| Prof - Evaluation & Management       | \$940,706                | \$899,246                 | \$27.16                       | \$24.51                       | 13,471           | 13,305            | 4,668                   | 4,352                   | \$68.72        |
| Prof - Female Genital                | \$13,937                 | \$8,227                   | \$0.40                        | \$0.22                        | 12               | 12                | 4                       | 4                       | \$921.38       |
| Prof - Integumentary System          | \$31,073                 | \$26,590                  | \$0.90                        | \$0.72                        | 191              | 159               | 66                      | 52                      | \$164.84       |
| Prof - Laparoscopy                   | \$29,893                 | \$12,021                  | \$0.86                        | \$0.33                        | 38               | 15                | 13                      | 5                       | \$788.87       |
| Prof - Male Genital                  | \$2,896                  | \$7,893                   | \$0.08                        | \$0.22                        | 7                | 13                | 2                       | 4                       | \$538.31       |
| Prof - Maternity                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System        | \$74,732                 | \$64,649                  | \$2.16                        | \$1.76                        | 123              | 100               | 43                      | 33                      | \$623.57       |
| Prof - Other                         | \$50,399                 | \$27,867                  | \$1.46                        | \$0.76                        | 1,805            | 839               | 625                     | 274                     | \$29.61        |
| Prof - Respiratory/Cardiology        | \$203,542                | \$141,173                 | \$5.88                        | \$3.85                        | 1,095            | 1,061             | 379                     | 347                     | \$159.89       |
| Prof - Urinary                       | \$44,816                 | \$10,142                  | \$1.29                        | \$0.28                        | 70               | 24                | 24                      | 8                       | \$583.19       |
| DME/Supplies                         | \$64,210                 | \$91,484                  | \$1.85                        | \$2.49                        | 610              | 674               | 211                     | 221                     | \$121.27       |
| Lab                                  | \$128,611                | \$123,032                 | \$3.71                        | \$3.35                        | 4,962            | 5,011             | 1,719                   | 1,639                   | \$25.23        |
| Radiology                            | \$319,975                | \$265,632                 | \$9.24                        | \$7.24                        | 3,354            | 2,642             | 1,162                   | 864                     | \$97.67        |
| Transportation/Ambulance             | \$157,974                | \$136,945                 | \$4.56                        | \$3.73                        | 2,001            | 1,979             | 694                     | 647                     | \$74.10        |
| <b>Total</b>                         | <b>\$10,446,957</b>      | <b>\$9,403,549</b>        | <b>\$301.65</b>               | <b>\$256.30</b>               | <b>102,697</b>   | <b>114,358</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>All Age Groups</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|-------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                     | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                | 3,926,996                | 3,365,785                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>             |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics               | \$338,748                | \$126,122                 | \$0.09                        | \$0.04                        | 821              | 965               | 3                       | 3                       | \$260.28       |
| Dental - Other                      | \$16,802,752             | \$14,808,935              | \$4.28                        | \$4.40                        | 382,624          | 326,166           | 1,169                   | 1,163                   | \$44.60        |
| Pharmacy                            | \$81,215,001             | \$74,689,783              | \$20.68                       | \$22.19                       | 3,157,847        | 2,772,496         | 9,650                   | 9,885                   | \$26.29        |
| Home Health Care                    | \$3,331,482              | \$2,360,412               | \$0.85                        | \$0.70                        | 7,802            | 7,477             | 24                      | 27                      | \$372.51       |
| IP - Maternity                      | \$15,738,591             | \$15,245,610              | \$4.01                        | \$4.53                        | 8,902            | 7,920             | 27                      | 28                      | \$1,841.79     |
| IP - Newborn                        | \$11,228,626             | \$12,709,056              | \$2.86                        | \$3.78                        | 8,775            | 9,134             | 27                      | 33                      | \$1,336.64     |
| IP - Other                          | \$161,645,544            | \$128,589,258             | \$41.16                       | \$38.20                       | 64,362           | 46,741            | 197                     | 167                     | \$2,612.30     |
| OP - Emergency Room                 | \$33,928,374             | \$22,029,819              | \$8.64                        | \$6.55                        | 86,556           | 52,766            | 264                     | 188                     | \$401.65       |
| OP - Other                          | \$140,251,632            | \$139,246,537             | \$35.71                       | \$41.37                       | 208,124          | 221,407           | 636                     | 789                     | \$650.71       |
| Prof - Anesthesia                   | \$17,274,693             | \$14,913,091              | \$4.40                        | \$4.43                        | 340,695          | 148,542           | 1,041                   | 530                     | \$65.79        |
| Prof - Digestive System             | \$9,789,654              | \$7,639,562               | \$2.49                        | \$2.27                        | 16,664           | 12,080            | 51                      | 43                      | \$606.36       |
| Prof - Ears/Nose/Throat             | \$10,976,046             | \$8,821,473               | \$2.80                        | \$2.62                        | 16,597           | 14,957            | 51                      | 53                      | \$627.43       |
| Prof - Evaluation & Management      | \$113,533,959            | \$100,820,603             | \$28.91                       | \$29.95                       | 2,127,475        | 1,824,589         | 6,501                   | 6,505                   | \$54.24        |
| Prof - Female Genital               | \$4,904,686              | \$3,894,466               | \$1.25                        | \$1.16                        | 10,663           | 7,851             | 33                      | 28                      | \$475.26       |
| Prof - Integumentary System         | \$5,513,460              | \$4,408,243               | \$1.40                        | \$1.31                        | 31,898           | 25,830            | 97                      | 92                      | \$171.87       |
| Prof - Laparoscopy                  | \$6,304,564              | \$5,107,794               | \$1.61                        | \$1.52                        | 5,440            | 3,585             | 17                      | 13                      | \$1,264.50     |
| Prof - Male Genital                 | \$589,531                | \$555,232                 | \$0.15                        | \$0.16                        | 1,138            | 987               | 3                       | 4                       | \$538.63       |
| Prof - Maternity                    | \$8,455,455              | \$7,584,511               | \$2.15                        | \$2.25                        | 14,909           | 11,519            | 46                      | 41                      | \$606.93       |
| Prof - Musculoskeletal System       | \$13,130,581             | \$10,841,018              | \$3.34                        | \$3.22                        | 25,274           | 19,853            | 77                      | 71                      | \$531.20       |
| Prof - Other                        | \$2,892,281              | \$2,877,969               | \$0.74                        | \$0.86                        | 95,588           | 99,781            | 292                     | 356                     | \$29.54        |
| Prof - Respiratory/Cardiology       | \$9,109,807              | \$7,159,720               | \$2.32                        | \$2.13                        | 105,018          | 98,272            | 321                     | 350                     | \$80.03        |
| Prof - Urinary                      | \$2,825,918              | \$2,359,856               | \$0.72                        | \$0.70                        | 6,075            | 4,542             | 19                      | 16                      | \$488.46       |
| DME/Supplies                        | \$5,226,930              | \$4,442,229               | \$1.33                        | \$1.32                        | 39,940           | 33,620            | 122                     | 120                     | \$131.44       |
| Lab                                 | \$19,605,554             | \$17,039,434              | \$4.99                        | \$5.06                        | 719,413          | 692,580           | 2,198                   | 2,469                   | \$25.95        |
| Radiology                           | \$30,711,888             | \$25,947,788              | \$7.82                        | \$7.71                        | 333,793          | 274,220           | 1,020                   | 978                     | \$93.19        |
| Transportation/Ambulance            | \$5,712,726              | \$4,985,726               | \$1.45                        | \$1.48                        | 54,562           | 44,454            | 167                     | 158                     | \$108.05       |
| <b>Total</b>                        | <b>\$731,038,483</b>     | <b>\$639,204,247</b>      | <b>\$186.16</b>               | <b>\$189.91</b>               | <b>7,870,958</b> | <b>6,762,334</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>Age Under 1</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|----------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>             | 53,150                   | 49,012                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>          |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics            | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                   | \$679                    | \$323                     | \$0.01                        | \$0.01                        | 17               | 15                | 4                       | 4                       | \$31.06        |
| Pharmacy                         | \$103,256                | \$42,431                  | \$1.94                        | \$0.87                        | 9,286            | 4,668             | 2,097                   | 1,143                   | \$10.44        |
| Home Health Care                 | \$57,339                 | \$10,845                  | \$1.08                        | \$0.22                        | 147              | 48                | 33                      | 12                      | \$349.34       |
| IP - Maternity                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                     | \$11,228,626             | \$12,709,056              | \$211.26                      | \$259.30                      | 8,775            | 9,134             | 1,981                   | 2,236                   | \$1,336.64     |
| IP - Other                       | \$1,265,032              | \$1,058,173               | \$23.80                       | \$21.59                       | 779              | 482               | 176                     | 118                     | \$1,843.11     |
| OP - Emergency Room              | \$281,706                | \$85,232                  | \$5.30                        | \$1.74                        | 1,066            | 327               | 241                     | 80                      | \$263.28       |
| OP - Other                       | \$452,136                | \$377,839                 | \$8.51                        | \$7.71                        | 1,197            | 1,213             | 270                     | 297                     | \$344.35       |
| Prof - Anesthesia                | \$90,377                 | \$61,840                  | \$1.70                        | \$1.26                        | 4,283            | 1,096             | 967                     | 268                     | \$28.30        |
| Prof - Digestive System          | \$64,404                 | \$47,434                  | \$1.21                        | \$0.97                        | 48               | 41                | 11                      | 10                      | \$1,250.56     |
| Prof - Ears/Nose/Throat          | \$45,180                 | \$35,669                  | \$0.85                        | \$0.73                        | 160              | 74                | 36                      | 18                      | \$345.06       |
| Prof - Evaluation & Management   | \$2,207,910              | \$1,754,520               | \$41.54                       | \$35.80                       | 38,986           | 27,531            | 8,802                   | 6,741                   | \$59.57        |
| Prof - Female Genital            | \$650                    | \$0                       | \$0.01                        | \$0.00                        | 2                | 0                 | 0                       | 0                       | \$324.38       |
| Prof - Integumentary System      | \$5,478                  | \$3,456                   | \$0.10                        | \$0.07                        | 55               | 51                | 12                      | 13                      | \$84.09        |
| Prof - Laparoscopy               | \$2,392                  | \$1,266                   | \$0.04                        | \$0.03                        | 2                | 10                | 0                       | 2                       | \$310.22       |
| Prof - Male Genital              | \$40,452                 | \$52,401                  | \$0.76                        | \$1.07                        | 217              | 261               | 49                      | 64                      | \$194.07       |
| Prof - Maternity                 | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System    | \$27,404                 | \$59,062                  | \$0.52                        | \$1.21                        | 23               | 24                | 5                       | 6                       | \$1,840.68     |
| Prof - Other                     | \$1,623                  | \$728                     | \$0.03                        | \$0.01                        | 46               | 16                | 10                      | 4                       | \$37.67        |
| Prof - Respiratory/Cardiology    | \$71,694                 | \$47,763                  | \$1.35                        | \$0.97                        | 476              | 267               | 107                     | 65                      | \$160.65       |
| Prof - Urinary                   | \$12,794                 | \$5,200                   | \$0.24                        | \$0.11                        | 70               | 33                | 16                      | 8                       | \$175.07       |
| DME/Supplies                     | \$84,359                 | \$89,122                  | \$1.59                        | \$1.82                        | 531              | 447               | 120                     | 109                     | \$177.36       |
| Lab                              | \$49,697                 | \$24,027                  | \$0.94                        | \$0.49                        | 2,140            | 1,042             | 483                     | 255                     | \$23.17        |
| Radiology                        | \$102,022                | \$73,420                  | \$1.92                        | \$1.50                        | 1,934            | 1,427             | 437                     | 349                     | \$52.20        |
| Transportation/Ambulance         | \$30,362                 | \$26,100                  | \$0.57                        | \$0.53                        | 180              | 96                | 41                      | 23                      | \$204.50       |
| <b>Total</b>                     | <b>\$16,225,571</b>      | <b>\$16,565,905</b>       | <b>\$305.28</b>               | <b>\$338.00</b>               | <b>70,423</b>    | <b>48,303</b>     |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>Ages 1 - 13</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|----------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>             | 1,095,853                | 1,055,139                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>          |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics            | \$129,367                | \$49,235                  | \$0.12                        | \$0.05                        | 259              | 333               | 3                       | 4                       | \$302.04       |
| Dental - Other                   | \$8,298,823              | \$7,139,502               | \$7.57                        | \$6.77                        | 214,885          | 181,179           | 2,353                   | 2,061                   | \$38.98        |
| Pharmacy                         | \$6,102,373              | \$6,200,439               | \$5.57                        | \$5.88                        | 317,145          | 312,507           | 3,473                   | 3,554                   | \$19.54        |
| Home Health Care                 | \$307,932                | \$317,642                 | \$0.28                        | \$0.30                        | 1,180            | 1,425             | 13                      | 16                      | \$240.16       |
| IP - Maternity                   | \$14,090                 | \$6,297                   | \$0.01                        | \$0.01                        | 7                | 3                 | 0                       | 0                       | \$2,033.68     |
| IP - Newborn                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                       | \$10,775,037             | \$9,602,893               | \$9.83                        | \$9.10                        | 5,310            | 5,027             | 58                      | 57                      | \$1,971.41     |
| OP - Emergency Room              | \$5,559,272              | \$3,971,183               | \$5.07                        | \$3.76                        | 21,526           | 14,742            | 236                     | 168                     | \$262.78       |
| OP - Other                       | \$14,730,144             | \$18,551,425              | \$13.44                       | \$17.58                       | 28,200           | 39,357            | 309                     | 448                     | \$492.64       |
| Prof - Anesthesia                | \$2,400,158              | \$2,410,972               | \$2.19                        | \$2.28                        | 58,763           | 23,479            | 643                     | 267                     | \$58.50        |
| Prof - Digestive System          | \$1,260,217              | \$1,105,150               | \$1.15                        | \$1.05                        | 2,184            | 1,662             | 24                      | 19                      | \$615.02       |
| Prof - Ears/Nose/Throat          | \$1,672,223              | \$1,745,565               | \$1.53                        | \$1.65                        | 4,248            | 4,282             | 47                      | 49                      | \$400.70       |
| Prof - Evaluation & Management   | \$22,278,524             | \$22,834,799              | \$20.33                       | \$21.64                       | 527,558          | 517,710           | 5,777                   | 5,888                   | \$43.16        |
| Prof - Female Genital            | \$9,113                  | \$8,409                   | \$0.01                        | \$0.01                        | 35               | 35                | 0                       | 0                       | \$249.75       |
| Prof - Integumentary System      | \$755,462                | \$632,604                 | \$0.69                        | \$0.60                        | 5,298            | 4,673             | 58                      | 53                      | \$139.21       |
| Prof - Laparoscopy               | \$49,246                 | \$60,666                  | \$0.04                        | \$0.06                        | 42               | 39                | 0                       | 0                       | \$1,353.81     |
| Prof - Male Genital              | \$236,884                | \$249,020                 | \$0.22                        | \$0.24                        | 346              | 283               | 4                       | 3                       | \$773.16       |
| Prof - Maternity                 | \$12,139                 | \$4,006                   | \$0.01                        | \$0.00                        | 17               | 2                 | 0                       | 0                       | \$847.51       |
| Prof - Musculoskeletal System    | \$1,023,564              | \$890,073                 | \$0.93                        | \$0.84                        | 2,323            | 2,013             | 25                      | 23                      | \$441.33       |
| Prof - Other                     | \$874,600                | \$870,323                 | \$0.80                        | \$0.82                        | 31,051           | 32,469            | 340                     | 369                     | \$27.47        |
| Prof - Respiratory/Cardiology    | \$572,417                | \$503,969                 | \$0.52                        | \$0.48                        | 9,933            | 12,392            | 109                     | 141                     | \$48.21        |
| Prof - Urinary                   | \$203,954                | \$209,168                 | \$0.19                        | \$0.20                        | 665              | 560               | 7                       | 6                       | \$337.29       |
| DME/Supplies                     | \$520,472                | \$500,292                 | \$0.47                        | \$0.47                        | 5,504            | 5,221             | 60                      | 59                      | \$95.17        |
| Lab                              | \$1,975,983              | \$1,872,777               | \$1.80                        | \$1.77                        | 94,024           | 92,167            | 1,030                   | 1,048                   | \$20.67        |
| Radiology                        | \$1,986,194              | \$1,849,767               | \$1.81                        | \$1.75                        | 35,094           | 32,368            | 384                     | 368                     | \$56.86        |
| Transportation/Ambulance         | \$461,057                | \$442,356                 | \$0.42                        | \$0.42                        | 3,205            | 2,859             | 35                      | 33                      | \$148.98       |
| <b>Total</b>                     | <b>\$82,209,246</b>      | <b>\$82,028,533</b>       | <b>\$75.02</b>                | <b>\$77.74</b>                | <b>1,368,805</b> | <b>1,286,785</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured</b>               |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| <b>Ages 14 - 44 Female</b>     |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>           | 1,111,819                | 955,160                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>        |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics          | \$125,127                | \$43,370                  | \$0.11                        | \$0.05                        | 357              | 337               | 4                       | 4                       | \$242.93       |
| Dental - Other                 | \$4,930,426              | \$4,529,405               | \$4.43                        | \$4.74                        | 94,653           | 83,356            | 1,022                   | 1,047                   | \$53.14        |
| Pharmacy                       | \$19,090,415             | \$17,521,837              | \$17.17                       | \$18.34                       | 881,019          | 774,070           | 9,509                   | 9,725                   | \$22.12        |
| Home Health Care               | \$700,343                | \$395,605                 | \$0.63                        | \$0.41                        | 1,636            | 1,226             | 18                      | 15                      | \$382.83       |
| IP - Maternity                 | \$15,523,067             | \$15,060,414              | \$13.96                       | \$15.77                       | 8,831            | 7,857             | 95                      | 99                      | \$1,832.60     |
| IP - Newborn                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                     | \$31,801,190             | \$28,048,431              | \$28.60                       | \$29.37                       | 12,898           | 10,132            | 139                     | 127                     | \$2,598.67     |
| OP - Emergency Room            | \$12,153,970             | \$8,006,382               | \$10.93                       | \$8.38                        | 30,562           | 18,936            | 330                     | 238                     | \$407.29       |
| OP - Other                     | \$48,183,707             | \$49,108,608              | \$43.34                       | \$51.41                       | 74,388           | 81,350            | 803                     | 1,022                   | \$624.72       |
| Prof - Anesthesia              | \$6,881,987              | \$6,312,386               | \$6.19                        | \$6.61                        | 126,503          | 62,987            | 1,365                   | 791                     | \$69.63        |
| Prof - Digestive System        | \$2,324,948              | \$1,872,768               | \$2.09                        | \$1.96                        | 3,910            | 3,017             | 42                      | 38                      | \$605.97       |
| Prof - Ears/Nose/Throat        | \$2,155,140              | \$1,943,574               | \$1.94                        | \$2.03                        | 3,425            | 3,317             | 37                      | 42                      | \$607.90       |
| Prof - Evaluation & Management | \$35,028,702             | \$32,011,765              | \$31.51                       | \$33.51                       | 658,791          | 564,712           | 7,110                   | 7,095                   | \$54.79        |
| Prof - Female Genital          | \$3,414,810              | \$2,862,133               | \$3.07                        | \$3.00                        | 8,442            | 6,271             | 91                      | 79                      | \$426.61       |
| Prof - Integumentary System    | \$1,660,092              | \$1,313,333               | \$1.49                        | \$1.37                        | 9,197            | 7,575             | 99                      | 95                      | \$177.28       |
| Prof - Laparoscopy             | \$4,375,175              | \$3,571,565               | \$3.94                        | \$3.74                        | 4,023            | 2,631             | 43                      | 33                      | \$1,194.31     |
| Prof - Male Genital            | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Maternity               | \$8,437,034              | \$7,566,230               | \$7.59                        | \$7.92                        | 14,862           | 11,492            | 160                     | 144                     | \$607.25       |
| Prof - Musculoskeletal System  | \$3,649,557              | \$3,199,887               | \$3.28                        | \$3.35                        | 7,139            | 6,009             | 77                      | 75                      | \$520.97       |
| Prof - Other                   | \$792,067                | \$796,270                 | \$0.71                        | \$0.83                        | 27,708           | 27,707            | 299                     | 348                     | \$28.66        |
| Prof - Respiratory/Cardiology  | \$1,668,477              | \$1,416,676               | \$1.50                        | \$1.48                        | 34,568           | 34,032            | 373                     | 428                     | \$44.97        |
| Prof - Urinary                 | \$837,271                | \$777,801                 | \$0.75                        | \$0.81                        | 2,038            | 1,531             | 22                      | 19                      | \$452.61       |
| DME/Supplies                   | \$918,856                | \$853,017                 | \$0.83                        | \$0.89                        | 7,777            | 6,776             | 84                      | 85                      | \$121.75       |
| Lab                            | \$8,765,996              | \$7,900,934               | \$7.88                        | \$8.27                        | 316,592          | 304,130           | 3,417                   | 3,821                   | \$26.85        |
| Radiology                      | \$11,028,547             | \$9,838,715               | \$9.92                        | \$10.30                       | 111,180          | 95,402            | 1,200                   | 1,199                   | \$101.01       |
| Transportation/Ambulance       | \$1,641,005              | \$1,499,403               | \$1.48                        | \$1.57                        | 14,800           | 12,407            | 160                     | 156                     | \$115.43       |
| <b>Total</b>                   | <b>\$226,087,910</b>     | <b>\$206,450,508</b>      | <b>\$203.35</b>               | <b>\$216.14</b>               | <b>2,455,301</b> | <b>2,127,262</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>Ages 14 - 44 Male</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>                   | 863,903                  | 675,687                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>                |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics                  | \$84,255                 | \$33,517                  | \$0.10                        | \$0.05                        | 206              | 296               | 3                       | 5                       | \$235.03       |
| Dental - Other                         | \$2,992,774              | \$2,659,377               | \$3.46                        | \$3.94                        | 58,065           | 49,614            | 807                     | 881                     | \$52.49        |
| Pharmacy                               | \$10,510,274             | \$9,071,095               | \$12.17                       | \$13.42                       | 351,566          | 284,354           | 4,883                   | 5,050                   | \$30.79        |
| Home Health Care                       | \$608,190                | \$427,347                 | \$0.70                        | \$0.63                        | 973              | 1,292             | 14                      | 23                      | \$457.19       |
| IP - Maternity                         | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                           | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                             | \$30,834,797             | \$22,133,519              | \$35.69                       | \$32.76                       | 11,282           | 7,110             | 157                     | 126                     | \$2,879.98     |
| OP - Emergency Room                    | \$8,065,578              | \$4,807,433               | \$9.34                        | \$7.11                        | 19,757           | 10,919            | 274                     | 194                     | \$419.64       |
| OP - Other                             | \$22,028,524             | \$21,611,273              | \$25.50                       | \$31.98                       | 31,378           | 33,456            | 436                     | 594                     | \$673.10       |
| Prof - Anesthesia                      | \$2,265,718              | \$1,708,267               | \$2.62                        | \$2.53                        | 48,138           | 17,197            | 669                     | 305                     | \$60.82        |
| Prof - Digestive System                | \$1,594,964              | \$1,069,200               | \$1.85                        | \$1.58                        | 3,038            | 1,675             | 42                      | 30                      | \$565.23       |
| Prof - Ears/Nose/Throat                | \$1,917,859              | \$1,288,424               | \$2.22                        | \$1.91                        | 2,588            | 1,897             | 36                      | 34                      | \$714.80       |
| Prof - Evaluation & Management         | \$16,017,271             | \$13,219,838              | \$18.54                       | \$19.57                       | 271,044          | 208,775           | 3,765                   | 3,708                   | \$60.93        |
| Prof - Female Genital                  | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Integumentary System            | \$1,055,541              | \$830,927                 | \$1.22                        | \$1.23                        | 6,608            | 5,107             | 92                      | 91                      | \$161.02       |
| Prof - Laparoscopy                     | \$357,843                | \$267,040                 | \$0.41                        | \$0.40                        | 226              | 160               | 3                       | 3                       | \$1,619.24     |
| Prof - Male Genital                    | \$150,486                | \$134,954                 | \$0.17                        | \$0.20                        | 359              | 224               | 5                       | 4                       | \$489.27       |
| Prof - Maternity                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System          | \$3,814,598              | \$2,901,377               | \$4.42                        | \$4.29                        | 6,711            | 4,436             | 93                      | 79                      | \$602.46       |
| Prof - Other                           | \$412,422                | \$383,837                 | \$0.48                        | \$0.57                        | 13,212           | 13,144            | 184                     | 233                     | \$30.21        |
| Prof - Respiratory/Cardiology          | \$1,323,815              | \$989,660                 | \$1.53                        | \$1.46                        | 12,556           | 10,410            | 174                     | 185                     | \$100.73       |
| Prof - Urinary                         | \$419,115                | \$362,743                 | \$0.49                        | \$0.54                        | 557              | 464               | 8                       | 8                       | \$766.25       |
| DME/Supplies                           | \$852,655                | \$639,181                 | \$0.99                        | \$0.95                        | 5,711            | 4,342             | 79                      | 77                      | \$148.40       |
| Lab                                    | \$1,930,162              | \$1,492,914               | \$2.23                        | \$2.21                        | 69,362           | 62,658            | 963                     | 1,113                   | \$25.93        |
| Radiology                              | \$4,693,538              | \$3,701,301               | \$5.43                        | \$5.48                        | 60,218           | 46,499            | 836                     | 826                     | \$78.66        |
| Transportation/Ambulance               | \$1,456,357              | \$1,340,511               | \$1.69                        | \$1.98                        | 11,028           | 9,326             | 153                     | 166                     | \$137.41       |
| <b>Total</b>                           | <b>\$113,386,735</b>     | <b>\$91,073,734</b>       | <b>\$131.25</b>               | <b>\$134.79</b>               | <b>984,583</b>   | <b>773,356</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>Ages 45 - 64</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|-----------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                   | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>              | 716,279                  | 549,761                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>           |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics             | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                    | \$544,062                | \$447,153                 | \$0.76                        | \$0.81                        | 13,971           | 11,047            | 234                     | 241                     | \$39.62        |
| Pharmacy                          | \$38,837,314             | \$34,841,879              | \$54.22                       | \$63.38                       | 1,364,277        | 1,152,846         | 22,856                  | 25,164                  | \$29.27        |
| Home Health Care                  | \$1,507,334              | \$1,062,733               | \$2.10                        | \$1.93                        | 3,377            | 2,869             | 57                      | 63                      | \$411.44       |
| IP - Maternity                    | \$201,434                | \$178,898                 | \$0.28                        | \$0.33                        | 64               | 60                | 1                       | 1                       | \$3,060.15     |
| IP - Newborn                      | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                        | \$80,958,206             | \$62,783,174              | \$113.03                      | \$114.20                      | 31,493           | 22,019            | 528                     | 481                     | \$2,686.18     |
| OP - Emergency Room               | \$7,533,496              | \$4,931,907               | \$10.52                       | \$8.97                        | 13,121           | 7,515             | 220                     | 164                     | \$604.07       |
| OP - Other                        | \$51,854,201             | \$46,700,275              | \$72.39                       | \$84.95                       | 68,956           | 62,206            | 1,155                   | 1,358                   | \$751.39       |
| Prof - Anesthesia                 | \$5,269,505              | \$4,119,435               | \$7.36                        | \$7.49                        | 97,309           | 40,408            | 1,630                   | 882                     | \$68.18        |
| Prof - Digestive System           | \$4,252,384              | \$3,284,685               | \$5.94                        | \$5.97                        | 7,050            | 5,288             | 118                     | 115                     | \$610.88       |
| Prof - Ears/Nose/Throat           | \$4,721,334              | \$3,410,118               | \$6.59                        | \$6.20                        | 5,646            | 4,742             | 95                      | 103                     | \$782.84       |
| Prof - Evaluation & Management    | \$35,516,397             | \$28,647,016              | \$49.58                       | \$52.11                       | 592,815          | 467,958           | 9,932                   | 10,214                  | \$60.49        |
| Prof - Female Genital             | \$1,412,525              | \$948,135                 | \$1.97                        | \$1.72                        | 2,100            | 1,454             | 35                      | 32                      | \$664.34       |
| Prof - Integumentary System       | \$1,923,667              | \$1,513,414               | \$2.69                        | \$2.75                        | 10,110           | 7,646             | 169                     | 167                     | \$193.58       |
| Prof - Laparoscopy                | \$1,465,068              | \$1,163,312               | \$2.05                        | \$2.12                        | 1,118            | 710               | 19                      | 16                      | \$1,437.56     |
| Prof - Male Genital               | \$141,274                | \$106,417                 | \$0.20                        | \$0.19                        | 186              | 199               | 3                       | 4                       | \$643.57       |
| Prof - Maternity                  | \$6,281                  | \$14,275                  | \$0.01                        | \$0.03                        | 30               | 25                | 1                       | 1                       | \$372.87       |
| Prof - Musculoskeletal System     | \$4,372,513              | \$3,609,365               | \$6.10                        | \$6.57                        | 8,701            | 6,972             | 146                     | 152                     | \$509.29       |
| Prof - Other                      | \$734,157                | \$761,615                 | \$1.02                        | \$1.39                        | 20,917           | 24,626            | 350                     | 538                     | \$32.84        |
| Prof - Respiratory/Cardiology     | \$4,967,266              | \$3,819,749               | \$6.93                        | \$6.95                        | 44,168           | 38,124            | 740                     | 832                     | \$106.78       |
| Prof - Urinary                    | \$1,287,355              | \$917,374                 | \$1.80                        | \$1.67                        | 2,596            | 1,776             | 43                      | 39                      | \$504.24       |
| DME/Supplies                      | \$2,500,409              | \$2,021,676               | \$3.49                        | \$3.68                        | 18,230           | 14,612            | 305                     | 319                     | \$137.69       |
| Lab                               | \$6,503,107              | \$5,351,483               | \$9.08                        | \$9.73                        | 223,383          | 216,343           | 3,742                   | 4,722                   | \$26.96        |
| Radiology                         | \$12,095,978             | \$9,706,328               | \$16.89                       | \$17.66                       | 117,636          | 91,452            | 1,971                   | 1,996                   | \$104.27       |
| Transportation/Ambulance          | \$1,832,212              | \$1,478,498               | \$2.56                        | \$2.69                        | 20,300           | 16,013            | 340                     | 350                     | \$91.17        |
| <b>Total</b>                      | <b>\$270,437,479</b>     | <b>\$221,818,915</b>      | <b>\$377.56</b>               | <b>\$403.48</b>               | <b>2,667,555</b> | <b>2,196,910</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsured<br/>Age Over 65</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|----------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>             | 85,992                   | 81,026                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>          |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics            | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                   | \$35,987                 | \$33,176                  | \$0.42                        | \$0.41                        | 1,033            | 954               | 144                     | 141                     | \$34.82        |
| Pharmacy                         | \$6,571,369              | \$7,012,102               | \$76.42                       | \$86.54                       | 234,553          | 244,051           | 32,731                  | 36,144                  | \$28.38        |
| Home Health Care                 | \$150,344                | \$146,241                 | \$1.75                        | \$1.80                        | 488              | 617               | 68                      | 91                      | \$268.29       |
| IP - Maternity                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                       | \$6,011,282              | \$4,963,069               | \$69.91                       | \$61.25                       | 2,601            | 1,971             | 363                     | 292                     | \$2,400.48     |
| OP - Emergency Room              | \$334,353                | \$227,682                 | \$3.89                        | \$2.81                        | 523              | 327               | 73                      | 48                      | \$661.19       |
| OP - Other                       | \$3,002,920              | \$2,897,117               | \$34.92                       | \$35.76                       | 4,004            | 3,825             | 559                     | 566                     | \$753.62       |
| Prof - Anesthesia                | \$366,948                | \$300,191                 | \$4.27                        | \$3.70                        | 5,699            | 3,374             | 795                     | 500                     | \$73.53        |
| Prof - Digestive System          | \$292,738                | \$260,325                 | \$3.40                        | \$3.21                        | 433              | 397               | 60                      | 59                      | \$666.41       |
| Prof - Ears/Nose/Throat          | \$464,310                | \$398,123                 | \$5.40                        | \$4.91                        | 529              | 645               | 74                      | 96                      | \$734.22       |
| Prof - Evaluation & Management   | \$2,485,154              | \$2,352,666               | \$28.90                       | \$29.04                       | 38,281           | 37,902            | 5,342                   | 5,613                   | \$63.50        |
| Prof - Female Genital            | \$67,588                 | \$75,788                  | \$0.79                        | \$0.94                        | 84               | 91                | 12                      | 14                      | \$817.44       |
| Prof - Integumentary System      | \$113,220                | \$114,509                 | \$1.32                        | \$1.41                        | 630              | 777               | 88                      | 115                     | \$161.84       |
| Prof - Laparoscopy               | \$54,841                 | \$43,945                  | \$0.64                        | \$0.54                        | 29               | 35                | 4                       | 5                       | \$1,540.07     |
| Prof - Male Genital              | \$20,435                 | \$12,440                  | \$0.24                        | \$0.15                        | 30               | 20                | 4                       | 3                       | \$655.92       |
| Prof - Maternity                 | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System    | \$242,944                | \$181,254                 | \$2.83                        | \$2.24                        | 377              | 400               | 53                      | 59                      | \$546.11       |
| Prof - Other                     | \$77,412                 | \$65,196                  | \$0.90                        | \$0.80                        | 2,652            | 1,818             | 370                     | 269                     | \$31.90        |
| Prof - Respiratory/Cardiology    | \$506,138                | \$381,903                 | \$5.89                        | \$4.71                        | 3,316            | 3,047             | 463                     | 451                     | \$139.57       |
| Prof - Urinary                   | \$65,429                 | \$87,570                  | \$0.76                        | \$1.08                        | 149              | 178               | 21                      | 26                      | \$466.84       |
| DME/Supplies                     | \$350,178                | \$338,941                 | \$4.07                        | \$4.18                        | 2,187            | 2,222             | 305                     | 329                     | \$156.30       |
| Lab                              | \$380,610                | \$397,300                 | \$4.43                        | \$4.90                        | 13,913           | 16,241            | 1,942                   | 2,405                   | \$25.80        |
| Radiology                        | \$805,609                | \$778,257                 | \$9.37                        | \$9.61                        | 7,729            | 7,072             | 1,079                   | 1,047                   | \$107.01       |
| Transportation/Ambulance         | \$291,734                | \$198,858                 | \$3.39                        | \$2.45                        | 5,049            | 3,754             | 705                     | 556                     | \$55.73        |
| <b>Total</b>                     | <b>\$22,691,541</b>      | <b>\$21,266,653</b>       | <b>\$263.88</b>               | <b>\$262.47</b>               | <b>324,292</b>   | <b>329,717</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Uninsurable<br>All Age Groups  |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>           | 1,045,312                | 932,122                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>        |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics          | \$29,198                 | \$7,223                   | \$0.03                        | \$0.01                        | 70               | 41                | 1                       | 1                       | \$327.34       |
| Dental - Other                 | \$2,385,714              | \$1,862,479               | \$2.28                        | \$2.00                        | 54,477           | 38,905            | 625                     | 501                     | \$45.49        |
| Pharmacy                       | \$55,456,200             | \$58,231,278              | \$53.05                       | \$62.47                       | 1,691,120        | 1,646,089         | 19,414                  | 21,192                  | \$34.07        |
| Home Health Care               | \$3,175,258              | \$2,674,164               | \$3.04                        | \$2.87                        | 6,926            | 8,296             | 80                      | 107                     | \$384.27       |
| IP - Maternity                 | \$3,579,288              | \$2,674,043               | \$3.42                        | \$2.87                        | 2,251            | 1,360             | 26                      | 18                      | \$1,731.43     |
| IP - Newborn                   | \$952,721                | \$1,039,017               | \$0.91                        | \$1.11                        | 884              | 992               | 10                      | 13                      | \$1,061.87     |
| IP - Other                     | \$147,628,399            | \$137,740,420             | \$141.23                      | \$147.77                      | 57,789           | 46,807            | 663                     | 603                     | \$2,728.30     |
| OP - Emergency Room            | \$14,837,544             | \$10,136,011              | \$14.19                       | \$10.87                       | 29,174           | 18,423            | 335                     | 237                     | \$524.68       |
| OP - Other                     | \$85,605,123             | \$88,751,162              | \$81.89                       | \$95.21                       | 100,867          | 109,963           | 1,158                   | 1,416                   | \$827.00       |
| Prof - Anesthesia              | \$9,760,507              | \$9,105,933               | \$9.34                        | \$9.77                        | 237,785          | 92,206            | 2,730                   | 1,187                   | \$57.17        |
| Prof - Digestive System        | \$6,712,024              | \$5,702,883               | \$6.42                        | \$6.12                        | 11,024           | 8,392             | 127                     | 108                     | \$639.40       |
| Prof - Ears/Nose/Throat        | \$8,304,427              | \$7,137,587               | \$7.94                        | \$7.66                        | 10,325           | 7,936             | 119                     | 102                     | \$845.59       |
| Prof - Evaluation & Management | \$57,243,348             | \$52,209,321              | \$54.76                       | \$56.01                       | 906,361          | 844,322           | 10,405                  | 10,870                  | \$62.52        |
| Prof - Female Genital          | \$2,320,447              | \$2,028,046               | \$2.22                        | \$2.18                        | 3,899            | 2,932             | 45                      | 38                      | \$636.58       |
| Prof - Integumentary System    | \$3,548,572              | \$2,774,488               | \$3.39                        | \$2.98                        | 17,003           | 14,104            | 195                     | 182                     | \$203.27       |
| Prof - Laparoscopy             | \$2,877,152              | \$2,467,330               | \$2.75                        | \$2.65                        | 2,648            | 1,524             | 30                      | 20                      | \$1,281.02     |
| Prof - Male Genital            | \$277,634                | \$224,882                 | \$0.27                        | \$0.24                        | 494              | 385               | 6                       | 5                       | \$571.65       |
| Prof - Maternity               | \$1,549,925              | \$1,160,587               | \$1.48                        | \$1.25                        | 2,952            | 1,759             | 34                      | 23                      | \$575.32       |
| Prof - Musculoskeletal System  | \$8,530,681              | \$7,847,873               | \$8.16                        | \$8.42                        | 13,602           | 11,913            | 156                     | 153                     | \$641.92       |
| Prof - Other                   | \$1,429,237              | \$1,439,804               | \$1.37                        | \$1.54                        | 63,159           | 48,789            | 725                     | 628                     | \$25.63        |
| Prof - Respiratory/Cardiology  | \$8,583,014              | \$6,959,524               | \$8.21                        | \$7.47                        | 67,865           | 65,300            | 779                     | 841                     | \$116.72       |
| Prof - Urinary                 | \$2,061,421              | \$1,749,887               | \$1.97                        | \$1.88                        | 4,241            | 3,050             | 49                      | 39                      | \$522.80       |
| DME/Supplies                   | \$4,358,058              | \$4,153,249               | \$4.17                        | \$4.46                        | 28,424           | 27,215            | 326                     | 350                     | \$152.97       |
| Lab                            | \$9,908,348              | \$9,470,463               | \$9.48                        | \$10.16                       | 328,851          | 358,501           | 3,775                   | 4,615                   | \$28.19        |
| Radiology                      | \$18,695,781             | \$17,314,825              | \$17.89                       | \$18.58                       | 176,479          | 157,445           | 2,026                   | 2,027                   | \$107.84       |
| Transportation/Ambulance       | \$2,918,435              | \$3,005,084               | \$2.79                        | \$3.22                        | 28,953           | 30,047            | 332                     | 387                     | \$100.40       |
| <b>Total</b>                   | <b>\$462,728,458</b>     | <b>\$437,867,565</b>      | <b>\$442.67</b>               | <b>\$469.75</b>               | <b>3,847,624</b> | <b>3,546,695</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsurable<br/>Age Under 1</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                    | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>               | 599                      | 179                       |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>            |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics              | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Pharmacy                           | \$469                    | \$163                     | \$0.78                        | \$0.91                        | 39               | 12                | 783                     | 802                     | \$12.39        |
| Home Health Care                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Maternity                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                       | \$952,721                | \$1,039,017               | \$1,590.52                    | \$5,804.57                    | 884              | 992               | 17,710                  | 66,481                  | \$1,061.87     |
| IP - Other                         | \$18,679                 | \$1,548                   | \$31.18                       | \$8.65                        | 11               | 2                 | 221                     | 146                     | \$1,532.39     |
| OP - Emergency Room                | \$261                    | \$0                       | \$0.43                        | \$0.00                        | 3                | 0                 | 60                      | 0                       | \$86.64        |
| OP - Other                         | \$4,940                  | \$0                       | \$8.25                        | \$0.00                        | 8                | 0                 | 161                     | 0                       | \$616.03       |
| Prof - Anesthesia                  | \$586                    | \$0                       | \$0.98                        | \$0.00                        | 6                | 0                 | 120                     | 0                       | \$97.47        |
| Prof - Digestive System            | \$766                    | \$0                       | \$1.28                        | \$0.00                        | 2                | 0                 | 40                      | 0                       | \$382.36       |
| Prof - Ears/Nose/Throat            | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Evaluation & Management     | \$8,613                  | \$976                     | \$14.38                       | \$5.45                        | 130              | 22                | 2,610                   | 1,458                   | \$63.06        |
| Prof - Female Genital              | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Integumentary System        | \$4,851                  | \$0                       | \$8.10                        | \$0.00                        | 4                | 0                 | 80                      | 0                       | \$1,210.07     |
| Prof - Laparoscopy                 | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Male Genital                | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Maternity                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System      | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Other                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Respiratory/Cardiology      | \$0                      | \$23                      | \$0.00                        | \$0.13                        | 0                | 2                 | 0                       | 146                     | \$10.53        |
| Prof - Urinary                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| DME/Supplies                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Lab                                | \$453                    | \$107                     | \$0.76                        | \$0.60                        | 7                | 7                 | 141                     | 437                     | \$41.37        |
| Radiology                          | \$638                    | \$656                     | \$1.07                        | \$3.66                        | 9                | 7                 | 181                     | 437                     | \$83.26        |
| Transportation/Ambulance           | \$614                    | \$0                       | \$1.03                        | \$0.00                        | 4                | 0                 | 80                      | 0                       | \$153.20       |
| <b>Total</b>                       | <b>\$993,591</b>         | <b>\$1,042,491</b>        | <b>\$1,658.75</b>             | <b>\$5,823.97</b>             | <b>1,108</b>     | <b>1,043</b>      |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsurable<br/>Ages 1 - 13</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                    | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>               | 80,385                   | 53,321                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>            |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics              | \$8,275                  | \$3,742                   | \$0.10                        | \$0.07                        | 11               | 12                | 2                       | 3                       | \$521.31       |
| Dental - Other                     | \$633,860                | \$374,699                 | \$7.89                        | \$7.03                        | 16,485           | 9,508             | 2,461                   | 2,140                   | \$38.80        |
| Pharmacy                           | \$873,490                | \$645,806                 | \$10.87                       | \$12.11                       | 26,122           | 16,825            | 3,899                   | 3,786                   | \$35.38        |
| Home Health Care                   | \$296,556                | \$154,245                 | \$3.69                        | \$2.89                        | 358              | 355               | 53                      | 80                      | \$632.59       |
| IP - Maternity                     | \$3,204                  | \$0                       | \$0.04                        | \$0.00                        | 2                | 0                 | 0                       | 0                       | \$1,597.50     |
| IP - Newborn                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                         | \$1,581,620              | \$758,033                 | \$19.68                       | \$14.22                       | 1,245            | 265               | 186                     | 60                      | \$1,548.51     |
| OP - Emergency Room                | \$413,784                | \$170,642                 | \$5.15                        | \$3.20                        | 1,469            | 634               | 219                     | 143                     | \$277.88       |
| OP - Other                         | \$1,301,279              | \$1,065,126               | \$16.19                       | \$19.98                       | 2,591            | 2,130             | 387                     | 479                     | \$501.25       |
| Prof - Anesthesia                  | \$188,081                | \$128,689                 | \$2.34                        | \$2.41                        | 5,671            | 1,137             | 847                     | 256                     | \$46.53        |
| Prof - Digestive System            | \$94,786                 | \$73,562                  | \$1.18                        | \$1.38                        | 318              | 84                | 47                      | 19                      | \$418.75       |
| Prof - Ears/Nose/Throat            | \$176,947                | \$66,520                  | \$2.20                        | \$1.25                        | 281              | 128               | 42                      | 29                      | \$595.27       |
| Prof - Evaluation & Management     | \$1,802,681              | \$1,075,709               | \$22.43                       | \$20.17                       | 43,504           | 25,224            | 6,494                   | 5,677                   | \$41.88        |
| Prof - Female Genital              | \$982                    | \$125                     | \$0.01                        | \$0.00                        | 2                | 1                 | 0                       | 0                       | \$368.17       |
| Prof - Integumentary System        | \$65,191                 | \$31,952                  | \$0.81                        | \$0.60                        | 455              | 235               | 68                      | 53                      | \$140.65       |
| Prof - Laparoscopy                 | \$8,335                  | \$3,716                   | \$0.10                        | \$0.07                        | 5                | 2                 | 1                       | 0                       | \$1,717.21     |
| Prof - Male Genital                | \$9,887                  | \$4,184                   | \$0.12                        | \$0.08                        | 16               | 5                 | 2                       | 1                       | \$668.35       |
| Prof - Maternity                   | \$2,508                  | \$0                       | \$0.03                        | \$0.00                        | 1                | 0                 | 0                       | 0                       | \$2,500.78     |
| Prof - Musculoskeletal System      | \$93,541                 | \$106,751                 | \$1.16                        | \$2.00                        | 204              | 126               | 30                      | 28                      | \$607.34       |
| Prof - Other                       | \$72,181                 | \$50,512                  | \$0.90                        | \$0.95                        | 2,386            | 1,657             | 356                     | 373                     | \$30.35        |
| Prof - Respiratory/Cardiology      | \$100,868                | \$52,800                  | \$1.25                        | \$0.99                        | 808              | 708               | 121                     | 159                     | \$101.33       |
| Prof - Urinary                     | \$24,992                 | \$15,464                  | \$0.31                        | \$0.29                        | 51               | 20                | 8                       | 5                       | \$568.40       |
| DME/Supplies                       | \$130,702                | \$98,361                  | \$1.63                        | \$1.84                        | 765              | 521               | 114                     | 117                     | \$178.11       |
| Lab                                | \$158,696                | \$95,741                  | \$1.97                        | \$1.80                        | 7,421            | 4,807             | 1,108                   | 1,082                   | \$20.81        |
| Radiology                          | \$181,305                | \$100,372                 | \$2.26                        | \$1.88                        | 2,998            | 1,828             | 448                     | 411                     | \$58.36        |
| Transportation/Ambulance           | \$58,774                 | \$16,526                  | \$0.73                        | \$0.31                        | 360              | 171               | 54                      | 39                      | \$141.73       |
| <b>Total</b>                       | <b>\$8,282,526</b>       | <b>\$5,093,277</b>        | <b>\$103.04</b>               | <b>\$95.52</b>                | <b>113,529</b>   | <b>66,385</b>     |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Uninsurable<br>Ages 14 - 44 Female |                          |                           |                               |                               |                  |                   |                         |                         |                |
|------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                    | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| Member Months                      | 240,253                  | 206,450                   |                               |                               |                  |                   |                         |                         |                |
| Service Category                   |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics              | \$15,085                 | \$2,613                   | \$0.06                        | \$0.01                        | 44               | 27                | 2                       | 2                       | \$248.68       |
| Dental - Other                     | \$750,886                | \$639,063                 | \$3.13                        | \$3.10                        | 16,038           | 11,460            | 801                     | 666                     | \$50.55        |
| Pharmacy                           | \$7,713,005              | \$7,321,977               | \$32.10                       | \$35.47                       | 278,114          | 249,284           | 13,891                  | 14,490                  | \$28.51        |
| Home Health Care                   | \$710,970                | \$382,441                 | \$2.96                        | \$1.85                        | 1,235            | 1,392             | 62                      | 81                      | \$416.23       |
| IP - Maternity                     | \$3,305,071              | \$2,575,965               | \$13.76                       | \$12.48                       | 2,145            | 1,339             | 107                     | 78                      | \$1,687.85     |
| IP - Newborn                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                         | \$20,050,879             | \$17,231,934              | \$83.46                       | \$83.47                       | 8,406            | 6,390             | 420                     | 371                     | \$2,519.84     |
| OP - Emergency Room                | \$4,004,117              | \$2,623,040               | \$16.67                       | \$12.71                       | 9,222            | 5,531             | 461                     | 321                     | \$449.20       |
| OP - Other                         | \$17,626,809             | \$18,130,398              | \$73.37                       | \$87.82                       | 23,883           | 25,618            | 1,193                   | 1,489                   | \$722.37       |
| Prof - Anesthesia                  | \$2,425,564              | \$2,173,248               | \$10.10                       | \$10.53                       | 61,690           | 25,784            | 3,081                   | 1,499                   | \$52.57        |
| Prof - Digestive System            | \$1,203,982              | \$891,736                 | \$5.01                        | \$4.32                        | 2,043            | 1,358             | 102                     | 79                      | \$616.19       |
| Prof - Ears/Nose/Throat            | \$1,225,563              | \$1,042,162               | \$5.10                        | \$5.05                        | 1,874            | 1,284             | 94                      | 75                      | \$717.98       |
| Prof - Evaluation & Management     | \$11,316,868             | \$10,081,944              | \$47.10                       | \$48.83                       | 202,484          | 175,924           | 10,114                  | 10,226                  | \$56.55        |
| Prof - Female Genital              | \$1,278,169              | \$1,110,155               | \$5.32                        | \$5.38                        | 2,356            | 1,726             | 118                     | 100                     | \$585.00       |
| Prof - Integumentary System        | \$775,861                | \$504,001                 | \$3.23                        | \$2.44                        | 3,062            | 2,411             | 153                     | 140                     | \$233.82       |
| Prof - Laparoscopy                 | \$1,424,052              | \$1,204,796               | \$5.93                        | \$5.84                        | 1,462            | 848               | 73                      | 49                      | \$1,138.25     |
| Prof - Male Genital                | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Maternity                   | \$1,543,756              | \$1,159,050               | \$6.43                        | \$5.61                        | 2,947            | 1,757             | 147                     | 102                     | \$574.54       |
| Prof - Musculoskeletal System      | \$1,648,524              | \$1,313,659               | \$6.86                        | \$6.36                        | 2,562            | 2,490             | 128                     | 145                     | \$586.39       |
| Prof - Other                       | \$209,004                | \$160,405                 | \$0.87                        | \$0.78                        | 6,326            | 4,924             | 316                     | 286                     | \$32.84        |
| Prof - Respiratory/Cardiology      | \$744,924                | \$604,869                 | \$3.10                        | \$2.93                        | 12,048           | 11,361            | 602                     | 660                     | \$57.66        |
| Prof - Urinary                     | \$377,487                | \$335,026                 | \$1.57                        | \$1.62                        | 908              | 634               | 45                      | 37                      | \$461.88       |
| DME/Supplies                       | \$608,913                | \$551,063                 | \$2.53                        | \$2.67                        | 4,425            | 3,624             | 221                     | 211                     | \$144.12       |
| Lab                                | \$2,620,305              | \$2,400,930               | \$10.91                       | \$11.63                       | 85,550           | 85,849            | 4,273                   | 4,990                   | \$29.30        |
| Radiology                          | \$3,890,242              | \$3,447,148               | \$16.19                       | \$16.70                       | 36,854           | 32,023            | 1,841                   | 1,861                   | \$106.53       |
| Transportation/Ambulance           | \$551,469                | \$547,540                 | \$2.30                        | \$2.65                        | 5,241            | 5,115             | 262                     | 297                     | \$106.12       |
| <b>Total</b>                       | <b>\$86,021,507</b>      | <b>\$76,435,164</b>       | <b>\$358.05</b>               | <b>\$370.24</b>               | <b>770,923</b>   | <b>658,152</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Uninsurable<br>Ages 14 - 44 Male |                          |                           |                               |                               |                  |                   |                         |                         |                |
|----------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                  | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| Member Months                    | 235,457                  | 217,305                   |                               |                               |                  |                   |                         |                         |                |
| Service Category                 |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics            | \$5,838                  | \$868                     | \$0.02                        | \$0.00                        | 15               | 2                 | 1                       | 0                       | \$393.44       |
| Dental - Other                   | \$580,493                | \$460,755                 | \$2.47                        | \$2.12                        | 11,580           | 8,885             | 590                     | 491                     | \$50.88        |
| Pharmacy                         | \$8,838,554              | \$8,738,584               | \$37.54                       | \$40.21                       | 181,626          | 173,816           | 9,257                   | 9,598                   | \$49.45        |
| Home Health Care                 | \$505,641                | \$649,670                 | \$2.15                        | \$2.99                        | 1,018            | 1,816             | 52                      | 100                     | \$407.65       |
| IP - Maternity                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                       | \$29,505,499             | \$31,749,331              | \$125.31                      | \$146.10                      | 11,343           | 10,327            | 578                     | 570                     | \$2,826.72     |
| OP - Emergency Room              | \$4,123,382              | \$2,723,872               | \$17.51                       | \$12.53                       | 8,707            | 5,561             | 444                     | 307                     | \$479.90       |
| OP - Other                       | \$13,046,772             | \$15,505,698              | \$55.41                       | \$71.35                       | 15,070           | 19,067            | 768                     | 1,053                   | \$836.41       |
| Prof - Anesthesia                | \$1,614,333              | \$1,591,550               | \$6.86                        | \$7.32                        | 38,365           | 15,002            | 1,955                   | 828                     | \$60.07        |
| Prof - Digestive System          | \$1,048,029              | \$936,845                 | \$4.45                        | \$4.31                        | 1,608            | 1,299             | 82                      | 72                      | \$682.61       |
| Prof - Ears/Nose/Throat          | \$1,627,052              | \$1,465,175               | \$6.91                        | \$6.74                        | 1,633            | 1,420             | 83                      | 78                      | \$1,012.83     |
| Prof - Evaluation & Management   | \$8,561,922              | \$8,307,970               | \$36.36                       | \$38.23                       | 121,750          | 122,679           | 6,205                   | 6,775                   | \$69.02        |
| Prof - Female Genital            | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Integumentary System      | \$606,130                | \$519,060                 | \$2.57                        | \$2.39                        | 2,885            | 2,377             | 147                     | 131                     | \$213.82       |
| Prof - Laparoscopy               | \$200,020                | \$226,231                 | \$0.85                        | \$1.04                        | 123              | 113               | 6                       | 6                       | \$1,801.99     |
| Prof - Male Genital              | \$81,252                 | \$52,096                  | \$0.35                        | \$0.24                        | 172              | 134               | 9                       | 7                       | \$434.76       |
| Prof - Maternity                 | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System    | \$2,544,249              | \$2,293,156               | \$10.81                       | \$10.55                       | 2,754            | 2,509             | 140                     | 139                     | \$919.29       |
| Prof - Other                     | \$170,292                | \$181,114                 | \$0.72                        | \$0.83                        | 5,544            | 5,541             | 283                     | 306                     | \$31.70        |
| Prof - Respiratory/Cardiology    | \$1,137,175              | \$940,024                 | \$4.83                        | \$4.33                        | 8,682            | 8,285             | 442                     | 458                     | \$122.43       |
| Prof - Urinary                   | \$367,762                | \$324,606                 | \$1.56                        | \$1.49                        | 526              | 354               | 27                      | 20                      | \$786.70       |
| DME/Supplies                     | \$788,068                | \$756,545                 | \$3.35                        | \$3.48                        | 4,184            | 4,003             | 213                     | 221                     | \$188.65       |
| Lab                              | \$1,356,528              | \$1,314,700               | \$5.76                        | \$6.05                        | 42,289           | 48,423            | 2,155                   | 2,674                   | \$29.45        |
| Radiology                        | \$2,592,946              | \$2,550,720               | \$11.01                       | \$11.74                       | 29,233           | 27,142            | 1,490                   | 1,499                   | \$91.24        |
| Transportation/Ambulance         | \$750,657                | \$826,812                 | \$3.19                        | \$3.80                        | 5,971            | 6,406             | 304                     | 354                     | \$127.45       |
| <b>Total</b>                     | <b>\$80,052,596</b>      | <b>\$82,115,384</b>       | <b>\$339.99</b>               | <b>\$377.88</b>               | <b>495,082</b>   | <b>465,161</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Uninsurable<br>Ages 45 - 64    |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>           | 455,415                  | 415,344                   |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>        |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics          | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                 | \$400,830                | \$366,408                 | \$0.88                        | \$0.88                        | 9,910            | 8,559             | 261                     | 247                     | \$41.54        |
| Pharmacy                       | \$34,171,454             | \$36,023,494              | \$75.03                       | \$86.73                       | 1,074,078        | 1,035,842         | 28,302                  | 29,927                  | \$33.27        |
| Home Health Care               | \$1,556,165              | \$1,349,938               | \$3.42                        | \$3.25                        | 4,095            | 4,418             | 108                     | 128                     | \$341.36       |
| IP - Maternity                 | \$271,013                | \$98,078                  | \$0.60                        | \$0.24                        | 104              | 21                | 3                       | 1                       | \$2,945.08     |
| IP - Newborn                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                     | \$92,458,298             | \$83,173,479              | \$203.02                      | \$200.25                      | 35,028           | 28,103            | 923                     | 812                     | \$2,782.01     |
| OP - Emergency Room            | \$6,096,236              | \$4,418,259               | \$13.39                       | \$10.64                       | 9,492            | 6,431             | 250                     | 186                     | \$660.34       |
| OP - Other                     | \$50,872,424             | \$51,481,518              | \$111.71                      | \$123.95                      | 56,924           | 60,053            | 1,500                   | 1,735                   | \$874.99       |
| Prof - Anesthesia              | \$5,327,713              | \$4,935,598               | \$11.70                       | \$11.88                       | 127,778          | 47,645            | 3,367                   | 1,377                   | \$58.51        |
| Prof - Digestive System        | \$4,179,554              | \$3,597,139               | \$9.18                        | \$8.66                        | 6,777            | 5,327             | 179                     | 154                     | \$642.53       |
| Prof - Ears/Nose/Throat        | \$5,006,330              | \$4,236,652               | \$10.99                       | \$10.20                       | 6,265            | 4,698             | 165                     | 136                     | \$843.13       |
| Prof - Evaluation & Management | \$34,072,376             | \$30,684,731              | \$74.82                       | \$73.88                       | 516,226          | 489,645           | 13,602                  | 14,147                  | \$64.38        |
| Prof - Female Genital          | \$999,064                | \$887,975                 | \$2.19                        | \$2.14                        | 1,476            | 1,153             | 39                      | 33                      | \$717.74       |
| Prof - Integumentary System    | \$2,009,212              | \$1,599,786               | \$4.41                        | \$3.85                        | 10,029           | 8,315             | 264                     | 240                     | \$196.74       |
| Prof - Laparoscopy             | \$1,191,400              | \$998,331                 | \$2.62                        | \$2.40                        | 1,008            | 543               | 27                      | 16                      | \$1,412.04     |
| Prof - Male Genital            | \$179,847                | \$159,699                 | \$0.39                        | \$0.38                        | 285              | 223               | 8                       | 6                       | \$668.15       |
| Prof - Maternity               | \$3,661                  | \$1,536                   | \$0.01                        | \$0.00                        | 4                | 2                 | 0                       | 0                       | \$864.16       |
| Prof - Musculoskeletal System  | \$4,141,512              | \$3,917,485               | \$9.09                        | \$9.43                        | 7,871            | 6,469             | 207                     | 187                     | \$562.02       |
| Prof - Other                   | \$928,108                | \$951,216                 | \$2.04                        | \$2.29                        | 27,932           | 32,626            | 736                     | 943                     | \$31.03        |
| Prof - Respiratory/Cardiology  | \$6,371,912              | \$4,898,347               | \$13.99                       | \$11.79                       | 44,367           | 42,091            | 1,169                   | 1,216                   | \$130.35       |
| Prof - Urinary                 | \$1,230,428              | \$1,031,856               | \$2.70                        | \$2.48                        | 2,638            | 1,932             | 70                      | 56                      | \$495.06       |
| DME/Supplies                   | \$2,691,203              | \$2,510,954               | \$5.91                        | \$6.05                        | 18,099           | 17,306            | 477                     | 500                     | \$146.93       |
| Lab                            | \$5,539,078              | \$5,345,539               | \$12.16                       | \$12.87                       | 185,416          | 206,658           | 4,886                   | 5,971                   | \$27.76        |
| Radiology                      | \$11,586,856             | \$10,459,126              | \$25.44                       | \$25.18                       | 103,194          | 90,569            | 2,719                   | 2,617                   | \$113.78       |
| Transportation/Ambulance       | \$1,375,603              | \$1,388,556               | \$3.02                        | \$3.34                        | 14,445           | 14,343            | 381                     | 414                     | \$96.02        |
| <b>Total</b>                   | <b>\$272,660,277</b>     | <b>\$254,515,702</b>      | <b>\$598.71</b>               | <b>\$612.78</b>               | <b>2,263,440</b> | <b>2,112,971</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Uninsurable<br/>Age Over 65</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                    | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>               | 33,203                   | 39,523                    |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>            |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics              | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Dental - Other                     | \$19,644                 | \$21,554                  | \$0.59                        | \$0.55                        | 463              | 493               | 167                     | 150                     | \$43.09        |
| Pharmacy                           | \$3,859,229              | \$5,501,254               | \$116.23                      | \$139.19                      | 131,141          | 170,310           | 47,396                  | 51,710                  | \$31.05        |
| Home Health Care                   | \$105,925                | \$137,871                 | \$3.19                        | \$3.49                        | 220              | 316               | 79                      | 96                      | \$455.54       |
| IP - Maternity                     | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Newborn                       | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| IP - Other                         | \$4,013,424              | \$4,826,094               | \$120.88                      | \$122.11                      | 1,755            | 1,720             | 634                     | 522                     | \$2,543.78     |
| OP - Emergency Room                | \$199,764                | \$200,197                 | \$6.02                        | \$5.07                        | 281              | 266               | 101                     | 81                      | \$730.85       |
| OP - Other                         | \$2,752,899              | \$2,568,422               | \$82.91                       | \$64.99                       | 2,391            | 3,096             | 864                     | 940                     | \$969.95       |
| Prof - Anesthesia                  | \$204,229                | \$276,847                 | \$6.15                        | \$7.00                        | 4,275            | 2,638             | 1,545                   | 801                     | \$69.59        |
| Prof - Digestive System            | \$184,907                | \$203,600                 | \$5.57                        | \$5.15                        | 277              | 324               | 100                     | 98                      | \$647.14       |
| Prof - Ears/Nose/Throat            | \$268,535                | \$327,077                 | \$8.09                        | \$8.28                        | 272              | 407               | 98                      | 123                     | \$877.85       |
| Prof - Evaluation & Management     | \$1,480,889              | \$2,057,991               | \$44.60                       | \$52.07                       | 22,266           | 30,829            | 8,047                   | 9,360                   | \$66.65        |
| Prof - Female Genital              | \$42,232                 | \$29,791                  | \$1.27                        | \$0.75                        | 64               | 52                | 23                      | 16                      | \$619.44       |
| Prof - Integumentary System        | \$87,326                 | \$119,690                 | \$2.63                        | \$3.03                        | 568              | 764               | 205                     | 232                     | \$155.42       |
| Prof - Laparoscopy                 | \$53,345                 | \$34,256                  | \$1.61                        | \$0.87                        | 50               | 18                | 18                      | 5                       | \$1,285.03     |
| Prof - Male Genital                | \$6,648                  | \$8,903                   | \$0.20                        | \$0.23                        | 21               | 22                | 8                       | 7                       | \$360.84       |
| Prof - Maternity                   | \$0                      | \$0                       | \$0.00                        | \$0.00                        | 0                | 0                 | 0                       | 0                       | \$0.00         |
| Prof - Musculoskeletal System      | \$102,855                | \$216,821                 | \$3.10                        | \$5.49                        | 213              | 320               | 77                      | 97                      | \$600.71       |
| Prof - Other                       | \$49,652                 | \$96,557                  | \$1.50                        | \$2.44                        | 20,971           | 4,040             | 7,579                   | 1,227                   | \$5.85         |
| Prof - Respiratory/Cardiology      | \$228,135                | \$463,461                 | \$6.87                        | \$11.73                       | 1,960            | 2,852             | 709                     | 866                     | \$143.71       |
| Prof - Urinary                     | \$60,752                 | \$42,934                  | \$1.83                        | \$1.09                        | 116              | 110               | 42                      | 33                      | \$457.73       |
| DME/Supplies                       | \$139,172                | \$236,327                 | \$4.19                        | \$5.98                        | 951              | 1,761             | 344                     | 535                     | \$138.47       |
| Lab                                | \$233,289                | \$313,446                 | \$7.03                        | \$7.93                        | 8,167            | 12,758            | 2,952                   | 3,874                   | \$26.13        |
| Radiology                          | \$443,794                | \$756,802                 | \$13.37                       | \$19.15                       | 4,191            | 5,876             | 1,515                   | 1,784                   | \$119.27       |
| Transportation/Ambulance           | \$181,318                | \$225,650                 | \$5.46                        | \$5.71                        | 2,931            | 4,011             | 1,059                   | 1,218                   | \$58.62        |
| <b>Total</b>                       | <b>\$14,717,962</b>      | <b>\$18,665,547</b>       | <b>\$443.27</b>               | <b>\$472.27</b>               | <b>203,542</b>   | <b>242,984</b>    |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| <b>Disabled<br/>All Age Groups</b> |                          |                           |                               |                               |                  |                   |                         |                         |                |
|------------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
|                                    | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>               | 1,814,400                | 1,375,675                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>            |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics              | \$33,996                 | \$7,517                   | \$0.02                        | \$0.01                        | 129              | 57                | 1                       | 0                       | \$222.64       |
| Dental - Other                     | \$4,433,935              | \$3,616,714               | \$2.44                        | \$2.63                        | 106,667          | 81,235            | 705                     | 709                     | \$42.85        |
| Pharmacy                           | \$109,091,092            | \$90,927,130              | \$60.13                       | \$66.10                       | 3,253,453        | 2,621,350         | 21,518                  | 22,866                  | \$34.05        |
| Home Health Care                   | \$25,982,321             | \$17,231,579              | \$14.32                       | \$12.53                       | 45,697           | 55,219            | 302                     | 482                     | \$428.22       |
| IP - Maternity                     | \$7,232,943              | \$5,108,049               | \$3.99                        | \$3.71                        | 3,944            | 2,707             | 26                      | 24                      | \$1,855.58     |
| IP - Newborn                       | \$9,858,939              | \$5,288,744               | \$5.43                        | \$3.84                        | 6,410            | 3,615             | 42                      | 32                      | \$1,511.11     |
| IP - Other                         | \$377,733,341            | \$287,383,847             | \$208.19                      | \$208.90                      | 200,161          | 117,427           | 1,324                   | 1,024                   | \$2,094.27     |
| OP - Emergency Room                | \$35,405,168             | \$21,288,517              | \$19.51                       | \$15.47                       | 73,003           | 40,117            | 483                     | 350                     | \$501.18       |
| OP - Other                         | \$149,994,568            | \$133,557,143             | \$82.67                       | \$97.08                       | 215,202          | 189,747           | 1,423                   | 1,655                   | \$700.22       |
| Prof - Anesthesia                  | \$16,100,214             | \$12,099,173              | \$8.87                        | \$8.80                        | 335,588          | 115,538           | 2,219                   | 1,008                   | \$62.51        |
| Prof - Digestive System            | \$10,379,098             | \$7,712,235               | \$5.72                        | \$5.61                        | 17,875           | 11,885            | 118                     | 104                     | \$607.91       |
| Prof - Ears/Nose/Throat            | \$12,400,688             | \$9,315,799               | \$6.83                        | \$6.77                        | 18,060           | 12,946            | 119                     | 113                     | \$700.42       |
| Prof - Evaluation & Management     | \$116,919,050            | \$91,324,513              | \$64.44                       | \$66.39                       | 1,789,193        | 1,381,506         | 11,833                  | 12,051                  | \$65.68        |
| Prof - Female Genital              | \$2,342,433              | \$1,538,823               | \$1.29                        | \$1.12                        | 4,428            | 3,010             | 29                      | 26                      | \$521.77       |
| Prof - Integumentary System        | \$4,845,925              | \$3,263,713               | \$2.67                        | \$2.37                        | 22,295           | 15,617            | 147                     | 136                     | \$213.90       |
| Prof - Laparoscopy                 | \$3,127,250              | \$2,152,294               | \$1.72                        | \$1.56                        | 2,597            | 1,443             | 17                      | 13                      | \$1,306.90     |
| Prof - Male Genital                | \$323,131                | \$233,711                 | \$0.18                        | \$0.17                        | 593              | 387               | 4                       | 3                       | \$568.59       |
| Prof - Maternity                   | \$2,893,834              | \$2,123,663               | \$1.59                        | \$1.54                        | 6,150            | 3,396             | 41                      | 30                      | \$525.61       |
| Prof - Musculoskeletal System      | \$12,516,407             | \$9,502,802               | \$6.90                        | \$6.91                        | 21,877           | 16,172            | 145                     | 141                     | \$578.70       |
| Prof - Other                       | \$5,288,868              | \$4,870,074               | \$2.91                        | \$3.54                        | 826,515          | 891,779           | 5,466                   | 7,779                   | \$5.91         |
| Prof - Respiratory/Cardiology      | \$14,474,412             | \$9,953,411               | \$7.98                        | \$7.24                        | 107,493          | 88,381            | 711                     | 771                     | \$124.71       |
| Prof - Urinary                     | \$2,520,288              | \$1,923,065               | \$1.39                        | \$1.40                        | 6,121            | 3,993             | 40                      | 35                      | \$439.32       |
| DME/Supplies                       | \$29,180,296             | \$22,689,154              | \$16.08                       | \$16.49                       | 164,956          | 127,090           | 1,091                   | 1,109                   | \$177.61       |
| Lab                                | \$15,789,815             | \$12,305,225              | \$8.70                        | \$8.94                        | 553,447          | 499,599           | 3,660                   | 4,358                   | \$26.68        |
| Radiology                          | \$31,221,375             | \$24,388,900              | \$17.21                       | \$17.73                       | 338,734          | 256,632           | 2,240                   | 2,239                   | \$93.41        |
| Transportation/Ambulance           | \$14,797,246             | \$11,960,752              | \$8.16                        | \$8.69                        | 198,952          | 153,885           | 1,316                   | 1,342                   | \$75.84        |
| <b>Total</b>                       | <b>\$1,014,886,634</b>   | <b>\$791,766,548</b>      | <b>\$559.35</b>               | <b>\$575.55</b>               | <b>8,319,538</b> | <b>6,694,732</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Historical Encounter Data**

**Exhibit 1**

| Duals (TennCare & Medicare)    |                          |                           |                               |                               |                  |                   |                         |                         |                |
|--------------------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------------|-------------------|-------------------------|-------------------------|----------------|
| All Age Groups                 |                          |                           |                               |                               |                  |                   |                         |                         |                |
|                                | Billed Claims<br>CY 1998 | Billed Claims<br>CY 1999* | Unadjusted<br>PMPM<br>CY 1998 | Unadjusted<br>PMPM<br>CY 1999 | Units<br>CY 1998 | Units<br>CY 1999* | Units / 1000<br>CY 1998 | Units / 1000<br>CY 1999 | Charges / Unit |
| <b>Member Months</b>           | 2,162,927                | 1,621,300                 |                               |                               |                  |                   |                         |                         |                |
| <b>Service Category</b>        |                          |                           |                               |                               |                  |                   |                         |                         |                |
| Dental - Orthodontics          | \$2,332                  | \$0                       | \$0.00                        | \$0.00                        | 6                | 0                 | 0                       | 0                       | \$387.62       |
| Dental - Other                 | \$1,138,437              | \$1,007,689               | \$0.53                        | \$0.62                        | 27,856           | 23,569            | 155                     | 174                     | \$41.73        |
| Pharmacy                       | \$195,146,369            | \$162,780,292             | \$90.22                       | \$100.40                      | 7,345,787        | 5,790,514         | 40,755                  | 42,858                  | \$27.25        |
| Home Health Care               | \$3,753,231              | \$2,759,045               | \$1.74                        | \$1.70                        | 9,471            | 8,461             | 53                      | 63                      | \$363.16       |
| IP - Maternity                 | \$161,261                | \$117,630                 | \$0.07                        | \$0.07                        | 82               | 70                | 0                       | 1                       | \$1,830.56     |
| IP - Newborn                   | \$225,290                | \$142,934                 | \$0.10                        | \$0.09                        | 177              | 133               | 1                       | 1                       | \$1,185.03     |
| IP - Other                     | \$30,473,643             | \$16,122,944              | \$14.09                       | \$9.94                        | 14,744           | 7,015             | 82                      | 52                      | \$2,141.56     |
| OP - Emergency Room            | \$2,058,016              | \$760,429                 | \$0.95                        | \$0.47                        | 3,465            | 1,219             | 19                      | 9                       | \$601.75       |
| OP - Other                     | \$13,085,730             | \$9,517,286               | \$6.05                        | \$5.87                        | 14,111           | 10,083            | 78                      | 75                      | \$934.24       |
| Prof - Anesthesia              | \$1,148,596              | \$1,040,082               | \$0.53                        | \$0.64                        | 19,396           | 8,655             | 108                     | 64                      | \$78.02        |
| Prof - Digestive System        | \$1,097,313              | \$1,054,037               | \$0.51                        | \$0.65                        | 1,842            | 1,569             | 10                      | 12                      | \$630.73       |
| Prof - Ears/Nose/Throat        | \$1,561,926              | \$1,754,994               | \$0.72                        | \$1.08                        | 2,134            | 2,540             | 12                      | 19                      | \$709.73       |
| Prof - Evaluation & Management | \$10,392,876             | \$9,629,689               | \$4.81                        | \$5.94                        | 172,472          | 162,576           | 957                     | 1,203                   | \$59.76        |
| Prof - Female Genital          | \$232,830                | \$260,055                 | \$0.11                        | \$0.16                        | 534              | 355               | 3                       | 3                       | \$554.36       |
| Prof - Integumentary System    | \$612,301                | \$735,546                 | \$0.28                        | \$0.45                        | 3,048            | 3,976             | 17                      | 29                      | \$191.88       |
| Prof - Laparoscopy             | \$213,028                | \$250,928                 | \$0.10                        | \$0.15                        | 220              | 147               | 1                       | 1                       | \$1,264.63     |
| Prof - Male Genital            | \$49,067                 | \$53,042                  | \$0.02                        | \$0.03                        | 94               | 87                | 1                       | 1                       | \$562.84       |
| Prof - Maternity               | \$95,302                 | \$96,336                  | \$0.04                        | \$0.06                        | 216              | 80                | 1                       | 1                       | \$648.00       |
| Prof - Musculoskeletal System  | \$1,492,962              | \$1,446,171               | \$0.69                        | \$0.89                        | 2,478            | 2,185             | 14                      | 16                      | \$630.34       |
| Prof - Other                   | \$1,004,899              | \$700,295                 | \$0.46                        | \$0.43                        | 97,261           | 75,103            | 540                     | 556                     | \$9.89         |
| Prof - Respiratory/Cardiology  | \$1,658,047              | \$1,595,366               | \$0.77                        | \$0.98                        | 7,672            | 5,599             | 43                      | 41                      | \$245.15       |
| Prof - Urinary                 | \$377,731                | \$392,066                 | \$0.17                        | \$0.24                        | 686              | 827               | 4                       | 6                       | \$508.99       |
| DME/Supplies                   | \$3,639,557              | \$3,380,637               | \$1.68                        | \$2.09                        | 22,281           | 20,458            | 124                     | 151                     | \$164.26       |
| Lab                            | \$1,453,078              | \$1,620,553               | \$0.67                        | \$1.00                        | 43,999           | 38,438            | 244                     | 284                     | \$37.28        |
| Radiology                      | \$2,670,618              | \$2,778,243               | \$1.23                        | \$1.71                        | 25,406           | 22,872            | 141                     | 169                     | \$112.87       |
| Transportation/Ambulance       | \$16,061,582             | \$11,613,179              | \$7.43                        | \$7.16                        | 412,813          | 289,797           | 2,290                   | 2,145                   | \$39.39        |
| <b>Total</b>                   | <b>\$289,806,023</b>     | <b>\$231,609,467</b>      | <b>\$133.99</b>               | <b>\$142.85</b>               | <b>8,228,251</b> | <b>6,476,328</b>  |                         |                         |                |

\* 1999 information includes data from January through September

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Inpatient Admits and Admits / 1000**

|                                      |           | Admits<br>CY 1998 | Admits<br>CY 1999* | Admits / 1000<br>CY 1998 | Admits / 1000<br>CY 1999 |
|--------------------------------------|-----------|-------------------|--------------------|--------------------------|--------------------------|
| <b>Medicaid (TANF &amp; Related)</b> |           |                   |                    |                          |                          |
| Ages 0 - 1                           | Maternity | 0                 | 0                  | 0                        | 0                        |
|                                      | Newborn   | 14,928            | 14,627             | 430                      | 557                      |
|                                      | Other     | 2,246             | 1,100              | 65                       | 42                       |
| Ages 1 - 13                          | Maternity | 23                | 16                 | 0                        | 0                        |
|                                      | Newborn   | 0                 | 0                  | 0                        | 0                        |
|                                      | Other     | 7,543             | 6,511              | 27                       | 33                       |
| Ages 14 - 44 Female                  | Maternity | 30,550            | 22,030             | 184                      | 186                      |
|                                      | Newborn   | 0                 | 0                  | 0                        | 0                        |
|                                      | Other     | 7,785             | 5,060              | 47                       | 43                       |
| Ages 14 - 44 Male                    | Maternity | 0                 | 0                  | 0                        | 0                        |
|                                      | Newborn   | 0                 | 0                  | 0                        | 0                        |
|                                      | Other     | 1,677             | 1,098              | 35                       | 32                       |
| Ages 45 - 64                         | Maternity | 24                | 10                 | 2                        | 1                        |
|                                      | Newborn   | 0                 | 0                  | 0                        | 0                        |
|                                      | Other     | 1,222             | 812                | 126                      | 116                      |
| Ages Over 65                         | Maternity | 0                 | 0                  | 0                        | 0                        |
|                                      | Newborn   | 0                 | 0                  | 0                        | 0                        |
|                                      | Other     | 283               | 223                | 98                       | 72                       |

|                     |           |       |       |     |     |
|---------------------|-----------|-------|-------|-----|-----|
| <b>Uninsured</b>    |           |       |       |     |     |
| Ages 0 - 1          | Maternity | 0     | 0     | 0   | 0   |
|                     | Newborn   | 2,095 | 2,130 | 471 | 518 |
|                     | Other     | 231   | 141   | 52  | 34  |
| Ages 1 - 13         | Maternity | 4     | 2     | 0   | 0   |
|                     | Newborn   | 0     | 0     | 0   | 0   |
|                     | Other     | 1,758 | 1,773 | 19  | 20  |
| Ages 14 - 44 Female | Maternity | 3,702 | 3,354 | 40  | 42  |
|                     | Newborn   | 0     | 0     | 0   | 0   |
|                     | Other     | 3,607 | 2,723 | 39  | 34  |
| Ages 14 - 44 Male   | Maternity | 0     | 0     | 0   | 0   |
|                     | Newborn   | 0     | 0     | 0   | 0   |
|                     | Other     | 2,493 | 1,742 | 35  | 31  |
| Ages 45 - 64        | Maternity | 22    | 20    | 0   | 0   |
|                     | Newborn   | 0     | 0     | 0   | 0   |
|                     | Other     | 6,232 | 4,427 | 104 | 96  |
| Ages Over 65        | Maternity | 0     | 0     | 0   | 0   |
|                     | Newborn   | 0     | 0     | 0   | 0   |
|                     | Other     | 440   | 326   | 61  | 48  |

\* 1999 historical data includes information from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Inpatient Admits and Admits / 1000**

|  |           | Admits<br>CY 1998 | Admits<br>CY 1999* | Admits / 1000<br>CY 1998 | Admits / 1000<br>CY 1999 |
|--|-----------|-------------------|--------------------|--------------------------|--------------------------|
| <b>Uninsurable</b>                     |           |                   |                    |                          |                          |
| Ages 0 - 1                             | Maternity | 0                 | 0                  | 0                        | 0                        |
|  | Newborn   | 281               | 274                | 5,609                    | 18,235                   |
|  | Other     | 3                 | 1                  | 60                       | 67                       |
| Ages 1 - 13                            | Maternity | 1                 | 0                  | 0                        | 0                        |
|  | Newborn   | 0                 | 0                  | 0                        | 0                        |
|  | Other     | 209               | 85                 | 31                       | 19                       |
| Ages 14 - 44 Female                    | Maternity | 700               | 516                | 35                       | 30                       |
|  | Newborn   | 0                 | 0                  | 0                        | 0                        |
|  | Other     | 1,871             | 1,501              | 93                       | 87                       |
| Ages 14 - 44 Male                      | Maternity | 0                 | 0                  | 0                        | 0                        |
|  | Newborn   | 0                 | 0                  | 0                        | 0                        |
|  | Other     | 2,164             | 1,984              | 110                      | 109                      |
| Ages 45 - 64                           | Maternity | 21                | 8                  | 1                        | 0                        |
|  | Newborn   | 0                 | 0                  | 0                        | 0                        |
|  | Other     | 6,453             | 5,384              | 170                      | 154                      |
| Ages Over 65                           | Maternity | 0                 | 0                  | 0                        | 0                        |
|  | Newborn   | 0                 | 0                  | 0                        | 0                        |
|  | Other     | 305               | 317                | 110                      | 96                       |
| <b>Disabled</b>                        |           |                   |                    |                          |                          |
|  | Maternity | 1,454             | 1,007              | 10                       | 9                        |
|  | Newborn   | 733               | 530                | 5                        | 5                        |
|  | Other     | 28,495            | 20,409             | 188                      | 177                      |
| <b>Duals (TennCare &amp; Medicare)</b> |           |                   |                    |                          |                          |
|  | Maternity | 31                | 25                 | 0                        | 0                        |
|  | Newborn   | 45                | 38                 | 0                        | 0                        |
|  | Other     | 1,988             | 1,225              | 11                       | 9                        |

\* 1999 historical data includes information from January through September.

## TennCare

## FY 2001 Per Capita Cost Development

## Conversion Factors and Weighted Average Cost / Unit, Scenario 1

|                                | Conversion Factors    |                                | Weighted Average Cost / Unit |                                |
|--------------------------------|-----------------------|--------------------------------|------------------------------|--------------------------------|
|                                | TennCare Only Members | Dual TennCare/Medicare Members | TennCare Only Members        | Dual TennCare/Medicare Members |
| <b>Service Category</b>        |                       |                                |                              |                                |
| Dental - Orthodontics          | 1.000                 | 0.252                          | \$290.10                     | \$97.62                        |
| Dental - Other                 | 1.000                 | 0.252                          | \$42.14                      | \$10.51                        |
| Pharmacy                       | 0.782                 | 0.782                          | \$21.83                      | \$21.32                        |
| Home Health Care               | 0.900                 | 0.085                          | \$359.21                     | \$30.95                        |
| IP - Maternity                 | 0.400                 | 0.070                          | \$676.13                     | \$128.35                       |
| IP - Newborn                   | 0.400                 | 0.070                          | \$538.27                     | \$83.09                        |
| IP - Other                     | 0.400                 | 0.070                          | \$890.87                     | \$150.16                       |
| OP - Emergency Room            | 0.400                 | 0.058                          | \$157.83                     | \$34.63                        |
| OP - Other                     | 0.400                 | 0.058                          | \$254.66                     | \$53.76                        |
| Prof - Anesthesia              | 0.644                 | 0.252                          | \$41.49                      | \$19.65                        |
| Prof - Digestive System        | 0.467                 | 0.252                          | \$289.16                     | \$158.85                       |
| Prof - Ears/Nose/Throat        | 0.518                 | 0.252                          | \$309.96                     | \$178.75                       |
| Prof - Evaluation & Management | 0.655                 | 0.252                          | \$38.37                      | \$15.05                        |
| Prof - Female Genital          | 0.443                 | 0.252                          | \$186.32                     | \$139.62                       |
| Prof - Integumentary System    | 0.516                 | 0.252                          | \$96.61                      | \$48.32                        |
| Prof - Laparoscopy             | 0.491                 | 0.252                          | \$551.65                     | \$318.50                       |
| Prof - Male Genital            | 0.684                 | 0.252                          | \$283.99                     | \$141.75                       |
| Prof - Maternity               | 0.655                 | 0.252                          | \$354.99                     | \$163.20                       |
| Prof - Musculoskeletal System  | 0.478                 | 0.252                          | \$264.41                     | \$158.75                       |
| Prof - Other                   | 0.644                 | 0.252                          | \$7.48                       | \$2.49                         |
| Prof - Respiratory/Cardiology  | 0.565                 | 0.252                          | \$51.22                      | \$61.74                        |
| Prof - Urinary                 | 0.564                 | 0.252                          | \$258.19                     | \$128.19                       |
| DME/Supplies                   | 0.900                 | 0.252                          | \$143.57                     | \$41.37                        |
| Lab                            | 0.419                 | 0.252                          | \$10.87                      | \$9.39                         |
| Radiology                      | 0.338                 | 0.252                          | \$32.06                      | \$28.43                        |
| Transportation/Ambulance       | 0.900                 | 0.900                          | \$80.51                      | \$35.45                        |

## TennCare

## FY 2001 Per Capita Cost Development

## Conversion Factors and Weighted Average Cost / Unit, Scenario 2

|                                | Conversion Factors    |                                | Weighted Average Cost / Unit |                                |
|--------------------------------|-----------------------|--------------------------------|------------------------------|--------------------------------|
|                                | TennCare Only Members | Dual TennCare/Medicare Members | TennCare Only Members        | Dual TennCare/Medicare Members |
| <b>Service Category</b>        |                       |                                |                              |                                |
| Dental - Orthodontics          | 1.000                 | 0.252                          | \$290.10                     | \$97.62                        |
| Dental - Other                 | 1.000                 | 0.252                          | \$42.14                      | \$10.51                        |
| Pharmacy                       | 0.782                 | 0.782                          | \$21.83                      | \$21.32                        |
| Home Health Care               | 0.900                 | 0.085                          | \$359.21                     | \$30.95                        |
| IP - Maternity                 | 0.350                 | 0.070                          | \$591.61                     | \$128.35                       |
| IP - Newborn                   | 0.350                 | 0.070                          | \$470.99                     | \$83.09                        |
| IP - Other                     | 0.350                 | 0.070                          | \$779.51                     | \$150.16                       |
| OP - Emergency Room            | 0.350                 | 0.058                          | \$138.10                     | \$34.63                        |
| OP - Other                     | 0.350                 | 0.058                          | \$222.83                     | \$53.76                        |
| Prof - Anesthesia              | 0.502                 | 0.252                          | \$32.34                      | \$19.65                        |
| Prof - Digestive System        | 0.302                 | 0.252                          | \$186.67                     | \$158.85                       |
| Prof - Ears/Nose/Throat        | 0.331                 | 0.252                          | \$198.04                     | \$178.75                       |
| Prof - Evaluation & Management | 0.512                 | 0.252                          | \$29.99                      | \$15.05                        |
| Prof - Female Genital          | 0.373                 | 0.252                          | \$156.68                     | \$139.62                       |
| Prof - Integumentary System    | 0.306                 | 0.252                          | \$57.33                      | \$48.32                        |
| Prof - Laparoscopy             | 0.392                 | 0.252                          | \$439.97                     | \$318.50                       |
| Prof - Male Genital            | 0.388                 | 0.252                          | \$161.38                     | \$141.75                       |
| Prof - Maternity               | 0.512                 | 0.252                          | \$277.48                     | \$163.20                       |
| Prof - Musculoskeletal System  | 0.291                 | 0.252                          | \$161.06                     | \$158.75                       |
| Prof - Other                   | 0.502                 | 0.252                          | \$5.83                       | \$2.49                         |
| Prof - Respiratory/Cardiology  | 0.312                 | 0.252                          | \$28.31                      | \$61.74                        |
| Prof - Urinary                 | 0.260                 | 0.252                          | \$119.17                     | \$128.19                       |
| DME/Supplies                   | 0.900                 | 0.252                          | \$143.57                     | \$41.37                        |
| Lab                            | 0.333                 | 0.252                          | \$8.64                       | \$9.39                         |
| Radiology                      | 0.269                 | 0.252                          | \$25.46                      | \$28.43                        |
| Transportation/Ambulance       | 0.900                 | 0.900                          | \$80.51                      | \$35.45                        |

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Annual Trend Factors**

| <b>Historical Annual Trend Factors</b> |  |                  |                    |                 |  |
|--|--|------------------|--------------------|-----------------|--|
|  | <b>Medicaid<br/>(TANF &amp;<br/>Related)</b> | <b>Uninsured</b> | <b>Uninsurable</b> | <b>Disabled</b> | <b>Duals<br/>(TennCare &amp;<br/>Medicare)</b> |
| Dental                                 | 0.9999                                       | 0.9999           | 0.9999             | 0.9999          | 0.9999   |
| Pharmacy                               | 1.1940                                       | 1.1940           | 1.1940             | 1.1230          | 1.1410   |
| Home Health Care                       | 1.0420                                       | 1.0420           | 1.0420             | 1.0420          | 1.0420   |
| Inpatient                              | 1.0985                                       | 1.0985           | 1.0985             | 0.9673          | 1.0067   |
| Outpatient                             | 1.2130                                       | 1.2130           | 1.2130             | 1.1702          | 1.0067   |
| Professional                           | 1.1199                                       | 1.1199           | 1.1199             | 1.0769          | 1.0067   |

| <b>Contract Period Trend Factors</b> |  |                  |                    |                 |  |
|--------------------------------------|--|------------------|--------------------|-----------------|--|
|                                      | <b>Medicaid<br/>(TANF &amp;<br/>Related)</b> | <b>Uninsured</b> | <b>Uninsurable</b> | <b>Disabled</b> | <b>Duals<br/>(TennCare &amp;<br/>Medicare)</b> |
| Dental                               | 1.0400                                       | 1.0400           | 1.0400             | 1.0400          | 1.0400   |
| Pharmacy                             | 1.1940                                       | 1.1940           | 1.1940             | 1.1230          | 1.1410   |
| Home Health Care                     | 1.0400                                       | 1.0400           | 1.0400             | 1.0400          | 1.0400   |
| Inpatient                            | 1.0000                                       | 1.0000           | 1.0000             | 1.0000          | 1.0000   |
| Outpatient                           | 1.0400                                       | 1.0400           | 1.0400             | 1.0400          | 1.0400   |
| Professional                         | 1.0400                                       | 1.0400           | 1.0400             | 1.0400          | 1.0400   |

Note:

Historical Annual Trend Factors as shown are for a 12-month period. Refer to Exhibit 3d for the factors used to trend the data from the mid-point of the data period (November 15, 1998) to the end of the data period, or 13.5 months.

The Contract Period Trend Factors represent the additional adjustment required to trend the data from the end of the data period (January 1, 2000) to the midpoint of the contract period (January 1, 2001).

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**IBNR and Trend Adjustment Factors**

|                  | Combined IBNR and Trend Factor - Data Period |           |             |          |                                   |
|------------------|--|-----------|-------------|----------|-----------------------------------|
|                  | Medicaid<br>(TANF &<br>Related)              | Uninsured | Uninsurable | Disabled | Duals<br>(TennCare &<br>Medicare) |
| Dental           | 1.0025                                       | 1.0025    | 1.0025      | 1.0025   | 1.0025                            |
| Pharmacy         | 1.2221                                       | 1.2221    | 1.2221      | 1.1407   | 1.1612                            |
| Home Health Care | 1.1315                                       | 1.1315    | 1.1315      | 1.1315   | 1.1315                            |
| Inpatient        | 1.1361                                       | 1.1311    | 1.1509      | 0.9803   | 1.0810                            |
| Outpatient       | 1.2624                                       | 1.2624    | 1.2624      | 1.2143   | 1.0616                            |
| Professional     | 1.1528                                       | 1.1528    | 1.1528      | 1.1046   | 1.0374                            |

Note:

The Trend/IBNR Factors - Data Period represent the total adjustment required to trend the data using historical trend factors from the midpoint of the data period (November 15, 1998) to the end of the data period (January 1, 2000), or 13.5 months; these factors also incorporate completion factors necessary to gross up the starting claims data for Incurred But Not Reported costs.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related) / Uninsured / Uninsurable |                       |                  |                         |               |                      |             |                             |                                     |                 |
|---|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| Age Under 1   |                       |                  |                         |               |                      |             |                             |                                     |                 |
|   | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                                | 831,351               |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>                             |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics                               | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                                      | \$4,180               | 146              | 1.000                   | \$28.70       | \$4,180              | 1.000       | 1.0025                      | 1.0400                              | \$0.01          |
| Pharmacy  | \$1,265,347           | 123,611          | 0.782                   | \$8.01        | \$989,871            | 1.000       | 1.2221                      | 1.1940                              | \$1.74          |
| Home Health Care                                    | \$384,960             | 1,742            | 0.900                   | \$198.86      | \$346,464            | 1.000       | 1.1315                      | 1.0400                              | \$0.49          |
| IP - Maternity                                      | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Newborn  | \$203,765,124         | 152,654          | 0.400                   | \$533.93      | \$81,506,049         | 0.996       | 1.1361                      | 1.0000                              | \$110.94        |
| IP - Other  | \$30,772,700          | 26,804           | 0.400                   | \$459.22      | \$12,309,080         | 0.996       | 1.1361                      | 1.0000                              | \$16.75         |
| OP - Emergency Room                                 | \$4,081,575           | 15,564           | 0.400                   | \$104.90      | \$1,632,630          | 0.996       | 1.2624                      | 1.0400                              | \$2.57          |
| OP - Other  | \$6,902,334           | 19,572           | 0.400                   | \$141.07      | \$2,760,933          | 0.996       | 1.2624                      | 1.0400                              | \$4.34          |
| Prof - Anesthesia                                   | \$1,097,877           | 23,722           | 0.644                   | \$29.80       | \$707,033            | 0.996       | 1.1528                      | 1.0400                              | \$1.02          |
| Prof - Digestive System                             | \$1,058,833           | 1,049            | 0.467                   | \$471.50      | \$494,699            | 0.996       | 1.1528                      | 1.0400                              | \$0.71          |
| Prof - Ears/Nose/Throat                             | \$748,189             | 2,317            | 0.518                   | \$167.39      | \$387,864            | 0.996       | 1.1528                      | 1.0400                              | \$0.56          |
| Prof - Evaluation & Management                      | \$33,340,320          | 554,334          | 0.655                   | \$39.39       | \$21,836,176         | 0.996       | 1.1528                      | 1.0400                              | \$31.36         |
| Prof - Female Genital                               | \$13,716              | 17               | 0.443                   | \$353.35      | \$6,081              | 0.996       | 1.1528                      | 1.0400                              | \$0.01          |
| Prof - Integumentary System                         | \$131,277             | 806              | 0.516                   | \$84.00       | \$67,720             | 0.996       | 1.1528                      | 1.0400                              | \$0.10          |
| Prof - Laparoscopy                                  | \$34,661              | 75               | 0.491                   | \$226.74      | \$17,034             | 0.996       | 1.1528                      | 1.0400                              | \$0.02          |
| Prof - Male Genital                                 | \$782,194             | 4,667            | 0.684                   | \$114.57      | \$534,681            | 0.996       | 1.1528                      | 1.0400                              | \$0.77          |
| Prof - Maternity                                    | \$0                   | 0                | 0.655                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System                       | \$286,199             | 483              | 0.478                   | \$283.27      | \$136,902            | 0.996       | 1.1528                      | 1.0400                              | \$0.20          |
| Prof - Other  | \$18,554              | 471              | 0.644                   | \$25.35       | \$11,949             | 0.996       | 1.1528                      | 1.0400                              | \$0.02          |
| Prof - Respiratory/Cardiology                       | \$1,112,933           | 5,899            | 0.565                   | \$106.59      | \$628,755            | 0.996       | 1.1528                      | 1.0400                              | \$0.90          |
| Prof - Urinary                                      | \$176,663             | 917              | 0.564                   | \$108.54      | \$99,584             | 0.996       | 1.1528                      | 1.0400                              | \$0.14          |
| DME/Supplies  | \$1,199,745           | 7,798            | 0.900                   | \$138.47      | \$1,079,770          | 0.996       | 1.1528                      | 1.0400                              | \$1.55          |
| Lab   | \$626,968             | 26,626           | 0.419                   | \$9.86        | \$262,660            | 0.996       | 1.1528                      | 1.0400                              | \$0.38          |
| Radiology   | \$1,626,465           | 31,059           | 0.338                   | \$17.71       | \$550,073            | 0.996       | 1.1528                      | 1.0400                              | \$0.79          |
| Transportation/Ambulance                            | \$685,220             | 4,125            | 0.900                   | \$149.52      | \$616,698            | 0.996       | 1.1528                      | 1.0400                              | \$0.89          |
| <b>Total</b>  | <b>\$290,116,032</b>  | <b>1,004,459</b> |                         |               | <b>\$126,986,886</b> |             |                             |                                     | <b>\$176.25</b> |
| Administrative Adjustment                           |                       |                  |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                                     |                       |                  |                         |               |                      |             |                             |                                     | \$198.03        |
| Per Capita Cost without Pharmacy                    |                       |                  |                         |               |                      |             |                             |                                     | \$196.08        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related)        |                       |                  |                         |               |                      |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|----------------|
| Ages 1 - 13                      |                       |                  |                         |               |                      |             |                             |                                     |                |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 5,640,503             |                  |                         |               |                      |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                |
| Dental - Orthodontics            | \$293,061             | 743              | 1.000                   | \$394.56      | \$293,061            | 1.000       | 1.0025                      | 1.0400                              | \$0.05         |
| Dental - Other                   | \$36,524,138          | 993,795          | 1.000                   | \$36.75       | \$36,524,138         | 1.000       | 1.0025                      | 1.0400                              | \$6.75         |
| Pharmacy                         | \$31,646,840          | 1,836,278        | 0.782                   | \$13.48       | \$24,757,088         | 1.000       | 1.2221                      | 1.1940                              | \$6.40         |
| Home Health Care                 | \$1,411,521           | 7,369            | 0.900                   | \$172.39      | \$1,270,369          | 1.000       | 1.1315                      | 1.0400                              | \$0.27         |
| IP - Maternity                   | \$191,832             | 106              | 0.400                   | \$722.13      | \$76,733             | 0.996       | 1.1361                      | 1.0000                              | \$0.02         |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$74,676,012          | 54,956           | 0.400                   | \$543.53      | \$29,870,405         | 0.996       | 1.1361                      | 1.0000                              | \$5.99         |
| OP - Emergency Room              | \$34,850,353          | 135,553          | 0.400                   | \$102.84      | \$13,940,141         | 0.996       | 1.2624                      | 1.0400                              | \$3.23         |
| OP - Other                       | \$83,376,098          | 185,581          | 0.400                   | \$179.71      | \$33,350,439         | 0.996       | 1.2624                      | 1.0400                              | \$7.73         |
| Prof - Anesthesia                | \$11,166,232          | 190,704          | 0.644                   | \$37.71       | \$7,191,054          | 0.996       | 1.1528                      | 1.0400                              | \$1.52         |
| Prof - Digestive System          | \$5,790,679           | 10,207           | 0.467                   | \$265.07      | \$2,705,474          | 0.996       | 1.1528                      | 1.0400                              | \$0.57         |
| Prof - Ears/Nose/Throat          | \$8,222,263           | 23,130           | 0.518                   | \$184.28      | \$4,262,454          | 0.996       | 1.1528                      | 1.0400                              | \$0.90         |
| Prof - Evaluation & Management   | \$126,232,263         | 2,712,640        | 0.655                   | \$30.48       | \$82,675,570         | 0.996       | 1.1528                      | 1.0400                              | \$17.50        |
| Prof - Female Genital            | \$64,230              | 273              | 0.443                   | \$104.45      | \$28,475             | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Integumentary System      | \$3,284,497           | 22,210           | 0.516                   | \$76.29       | \$1,694,336          | 0.996       | 1.1528                      | 1.0400                              | \$0.36         |
| Prof - Laparoscopy               | \$230,072             | 232              | 0.491                   | \$488.35      | \$113,066            | 0.996       | 1.1528                      | 1.0400                              | \$0.02         |
| Prof - Male Genital              | \$1,344,859           | 2,137            | 0.684                   | \$430.17      | \$919,299            | 0.996       | 1.1528                      | 1.0400                              | \$0.19         |
| Prof - Maternity                 | \$84,318              | 146              | 0.655                   | \$377.43      | \$55,224             | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Musculoskeletal System    | \$4,305,159           | 10,780           | 0.478                   | \$191.04      | \$2,059,362          | 0.996       | 1.1528                      | 1.0400                              | \$0.44         |
| Prof - Other                     | \$4,166,359           | 149,575          | 0.644                   | \$17.94       | \$2,683,135          | 0.996       | 1.1528                      | 1.0400                              | \$0.57         |
| Prof - Respiratory/Cardiology    | \$2,865,426           | 58,982           | 0.565                   | \$27.45       | \$1,618,831          | 0.996       | 1.1528                      | 1.0400                              | \$0.34         |
| Prof - Urinary                   | \$894,125             | 3,025            | 0.564                   | \$166.61      | \$504,012            | 0.996       | 1.1528                      | 1.0400                              | \$0.11         |
| DME/Supplies                     | \$2,876,610           | 33,711           | 0.900                   | \$76.80       | \$2,588,949          | 0.996       | 1.1528                      | 1.0400                              | \$0.55         |
| Lab                              | \$9,820,605           | 485,262          | 0.419                   | \$8.48        | \$4,114,212          | 0.996       | 1.1528                      | 1.0400                              | \$0.87         |
| Radiology                        | \$10,202,185          | 186,606          | 0.338                   | \$18.49       | \$3,450,392          | 0.996       | 1.1528                      | 1.0400                              | \$0.73         |
| Transportation/Ambulance         | \$3,977,840           | 43,169           | 0.900                   | \$82.93       | \$3,580,056          | 0.996       | 1.1528                      | 1.0400                              | \$0.76         |
| <b>Total</b>                     | <b>\$458,497,576</b>  | <b>7,147,170</b> |                         |               | <b>\$260,326,275</b> |             |                             |                                     | <b>\$55.90</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1236         |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$62.81        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$55.61        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related)<br>Ages 14 - 44 Female |                        |                  |                         |               |                      |             |                             |                                     |                 |
|--|------------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|  | Raw Charges<br>98/99*  | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                             | 3,400,559              |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>                          |                        |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics                            | \$207,354              | 756              | 1.000                   | \$274.35      | \$207,354            | 1.000       | 1.0025                      | 1.0400                              | \$0.06          |
| Dental - Other                                   | \$14,546,487           | 295,639          | 1.000                   | \$49.20       | \$14,546,487         | 1.000       | 1.0025                      | 1.0400                              | \$4.46          |
| Pharmacy   | \$49,073,832           | 2,587,706        | 0.782                   | \$14.84       | \$38,390,094         | 1.000       | 1.2221                      | 1.1940                              | \$16.47         |
| Home Health Care                                 | \$2,236,327            | 6,405            | 0.900                   | \$314.24      | \$2,012,694          | 1.000       | 1.1315                      | 1.0400                              | \$0.70          |
| IP - Maternity                                   | \$226,757,380          | 136,458          | 0.400                   | \$664.70      | \$90,702,952         | 0.996       | 1.1361                      | 1.0000                              | \$30.18         |
| IP - Newborn                                     | \$0                    | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                                       | \$115,194,412          | 47,130           | 0.400                   | \$977.68      | \$46,077,765         | 0.996       | 1.1361                      | 1.0000                              | \$15.33         |
| OP - Emergency Room                              | \$49,095,663           | 121,993          | 0.400                   | \$160.98      | \$19,638,265         | 0.996       | 1.2624                      | 1.0400                              | \$7.55          |
| OP - Other                                       | \$178,072,128          | 334,699          | 0.400                   | \$212.81      | \$71,228,851         | 0.996       | 1.2624                      | 1.0400                              | \$27.39         |
| Prof - Anesthesia                                | \$45,026,408           | 638,700          | 0.644                   | \$45.40       | \$28,997,007         | 0.996       | 1.1528                      | 1.0400                              | \$10.18         |
| Prof - Digestive System                          | \$6,209,655            | 9,566            | 0.467                   | \$303.28      | \$2,901,224          | 0.996       | 1.1528                      | 1.0400                              | \$1.02          |
| Prof - Ears/Nose/Throat                          | \$6,628,835            | 16,642           | 0.518                   | \$206.50      | \$3,436,415          | 0.996       | 1.1528                      | 1.0400                              | \$1.21          |
| Prof - Evaluation & Management                   | \$138,643,736          | 2,055,065        | 0.655                   | \$44.19       | \$90,804,440         | 0.996       | 1.1528                      | 1.0400                              | \$31.89         |
| Prof - Female Genital                            | \$14,979,190           | 43,749           | 0.443                   | \$151.79      | \$6,640,817          | 0.996       | 1.1528                      | 1.0400                              | \$2.33          |
| Prof - Integumentary System                      | \$4,372,309            | 21,993           | 0.516                   | \$102.55      | \$2,255,494          | 0.996       | 1.1528                      | 1.0400                              | \$0.79          |
| Prof - Laparoscopy                               | \$13,368,856           | 14,371           | 0.491                   | \$457.15      | \$6,569,966          | 0.996       | 1.1528                      | 1.0400                              | \$2.31          |
| Prof - Male Genital                              | \$0                    | 0                | 0.684                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                                 | \$116,054,598          | 217,327          | 0.655                   | \$349.75      | \$76,009,729         | 0.996       | 1.1528                      | 1.0400                              | \$26.69         |
| Prof - Musculoskeletal System                    | \$9,119,116            | 18,491           | 0.478                   | \$235.91      | \$4,362,106          | 0.996       | 1.1528                      | 1.0400                              | \$1.53          |
| Prof - Other                                     | \$2,809,870            | 94,725           | 0.644                   | \$19.10       | \$1,809,556          | 0.996       | 1.1528                      | 1.0400                              | \$0.64          |
| Prof - Respiratory/Cardiology                    | \$4,955,717            | 126,387          | 0.565                   | \$22.15       | \$2,799,748          | 0.996       | 1.1528                      | 1.0400                              | \$0.98          |
| Prof - Urinary                                   | \$2,114,415            | 5,080            | 0.564                   | \$234.61      | \$1,191,881          | 0.996       | 1.1528                      | 1.0400                              | \$0.42          |
| DME/Supplies                                     | \$3,745,831            | 22,526           | 0.900                   | \$149.66      | \$3,371,248          | 0.996       | 1.1528                      | 1.0400                              | \$1.18          |
| Lab  | \$36,088,946           | 1,368,839        | 0.419                   | \$11.05       | \$15,118,985         | 0.996       | 1.1528                      | 1.0400                              | \$5.31          |
| Radiology  | \$48,367,150           | 431,583          | 0.338                   | \$37.90       | \$16,357,830         | 0.996       | 1.1528                      | 1.0400                              | \$5.74          |
| Transportation/Ambulance                         | \$8,877,600            | 84,577           | 0.900                   | \$94.47       | \$7,989,840          | 0.996       | 1.1528                      | 1.0400                              | \$2.81          |
| <b>Total</b>                                     | <b>\$1,096,545,816</b> | <b>8,700,406</b> |                         |               | <b>\$553,420,748</b> |             |                             |                                     | <b>\$197.18</b> |
| Administrative Adjustment                        |                        |                  |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                                  |                        |                  |                         |               |                      |             |                             |                                     | \$221.55        |
| Per Capita Cost without Pharmacy                 |                        |                  |                         |               |                      |             |                             |                                     | \$203.04        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related)        |                       |                  |                         |               |                     |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|----------------|
| Ages 14 - 44 Male                |                       |                  |                         |               |                     |             |                             |                                     |                |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 980,958               |                  |                         |               |                     |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                     |             |                             |                                     |                |
| Dental - Orthodontics            | \$106,805             | 382              | 1.000                   | \$279.66      | \$106,805           | 1.000       | 1.0025                      | 1.0400                              | \$0.11         |
| Dental - Other                   | \$6,497,075           | 128,642          | 1.000                   | \$50.51       | \$6,497,075         | 1.000       | 1.0025                      | 1.0400                              | \$6.91         |
| Pharmacy                         | \$7,365,355           | 327,710          | 0.782                   | \$17.58       | \$5,761,863         | 1.000       | 1.2221                      | 1.1940                              | \$8.57         |
| Home Health Care                 | \$532,878             | 1,466            | 0.900                   | \$327.07      | \$479,590           | 1.000       | 1.1315                      | 1.0400                              | \$0.58         |
| IP - Maternity                   | \$0                   | 0                | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$38,174,228          | 13,038           | 0.400                   | \$1,171.14    | \$15,269,691        | 0.996       | 1.1361                      | 1.0000                              | \$17.61        |
| OP - Emergency Room              | \$9,035,655           | 24,232           | 0.400                   | \$149.16      | \$3,614,262         | 0.996       | 1.2624                      | 1.0400                              | \$4.82         |
| OP - Other                       | \$24,786,374          | 39,556           | 0.400                   | \$250.65      | \$9,914,550         | 0.996       | 1.2624                      | 1.0400                              | \$13.22        |
| Prof - Anesthesia                | \$2,654,848           | 42,247           | 0.644                   | \$40.47       | \$1,709,722         | 0.996       | 1.1528                      | 1.0400                              | \$2.08         |
| Prof - Digestive System          | \$1,358,300           | 2,018            | 0.467                   | \$314.50      | \$634,614           | 0.996       | 1.1528                      | 1.0400                              | \$0.77         |
| Prof - Ears/Nose/Throat          | \$1,860,774           | 2,517            | 0.518                   | \$383.26      | \$964,633           | 0.996       | 1.1528                      | 1.0400                              | \$1.17         |
| Prof - Evaluation & Management   | \$18,385,890          | 306,252          | 0.655                   | \$39.32       | \$12,041,802        | 0.996       | 1.1528                      | 1.0400                              | \$14.66        |
| Prof - Female Genital            | \$0                   | 0                | 0.443                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,301,719           | 7,084            | 0.516                   | \$94.79       | \$671,503           | 0.996       | 1.1528                      | 1.0400                              | \$0.82         |
| Prof - Laparoscopy               | \$295,526             | 200              | 0.491                   | \$724.40      | \$145,233           | 0.996       | 1.1528                      | 1.0400                              | \$0.18         |
| Prof - Male Genital              | \$137,114             | 241              | 0.684                   | \$389.59      | \$93,726            | 0.996       | 1.1528                      | 1.0400                              | \$0.11         |
| Prof - Maternity                 | \$0                   | 0                | 0.655                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Musculoskeletal System    | \$4,486,672           | 6,990            | 0.478                   | \$307.06      | \$2,146,188         | 0.996       | 1.1528                      | 1.0400                              | \$2.61         |
| Prof - Other                     | \$914,151             | 31,389           | 0.644                   | \$18.76       | \$588,713           | 0.996       | 1.1528                      | 1.0400                              | \$0.72         |
| Prof - Respiratory/Cardiology    | \$1,280,313           | 11,670           | 0.565                   | \$61.98       | \$723,317           | 0.996       | 1.1528                      | 1.0400                              | \$0.88         |
| Prof - Urinary                   | \$430,768             | 458              | 0.564                   | \$530.07      | \$242,821           | 0.996       | 1.1528                      | 1.0400                              | \$0.30         |
| DME/Supplies                     | \$752,792             | 6,118            | 0.900                   | \$110.75      | \$677,512           | 0.996       | 1.1528                      | 1.0400                              | \$0.82         |
| Lab                              | \$1,802,065           | 73,691           | 0.419                   | \$10.24       | \$754,951           | 0.996       | 1.1528                      | 1.0400                              | \$0.92         |
| Radiology                        | \$4,932,232           | 69,506           | 0.338                   | \$24.00       | \$1,668,087         | 0.996       | 1.1528                      | 1.0400                              | \$2.03         |
| Transportation/Ambulance         | \$1,993,684           | 14,337           | 0.900                   | \$125.16      | \$1,794,316         | 0.996       | 1.1528                      | 1.0400                              | \$2.18         |
| <b>Total</b>                     | <b>\$129,085,218</b>  | <b>1,109,744</b> |                         |               | <b>\$66,500,974</b> |             |                             |                                     | <b>\$82.07</b> |
| Administrative Adjustment        |                       |                  |                         |               |                     |             |                             |                                     | 1.1236         |
| Per Capita Cost                  |                       |                  |                         |               |                     |             |                             |                                     | \$92.21        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                     |             |                             |                                     | \$82.58        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related)        |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| Ages 45 - 64                     |                       |                 |                         |               |                     |             |                             |                                     |                 |
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 199,370               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$263,849             | 5,977           | 1.000                   | \$44.14       | \$263,849           | 1.000       | 1.0025                      | 1.0400                              | \$1.38          |
| Pharmacy                         | \$10,132,963          | 369,281         | 0.782                   | \$21.47       | \$7,926,942         | 1.000       | 1.2221                      | 1.1940                              | \$58.02         |
| Home Health Care                 | \$340,460             | 949             | 0.900                   | \$322.79      | \$306,414           | 1.000       | 1.1315                      | 1.0400                              | \$1.81          |
| IP - Maternity                   | \$250,977             | 93              | 0.400                   | \$1,076.83    | \$100,391           | 0.996       | 1.1361                      | 1.0000                              | \$0.57          |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$26,305,906          | 10,100          | 0.400                   | \$1,041.80    | \$10,522,363        | 0.996       | 1.1361                      | 1.0000                              | \$59.72         |
| OP - Emergency Room              | \$2,790,938           | 5,294           | 0.400                   | \$210.89      | \$1,116,375         | 0.996       | 1.2624                      | 1.0400                              | \$7.32          |
| OP - Other                       | \$16,319,536          | 21,490          | 0.400                   | \$303.76      | \$6,527,814         | 0.996       | 1.2624                      | 1.0400                              | \$42.82         |
| Prof - Anesthesia                | \$1,595,812           | 23,809          | 0.644                   | \$43.17       | \$1,027,703         | 0.996       | 1.1528                      | 1.0400                              | \$6.16          |
| Prof - Digestive System          | \$1,118,519           | 1,733           | 0.467                   | \$301.53      | \$522,585           | 0.996       | 1.1528                      | 1.0400                              | \$3.13          |
| Prof - Ears/Nose/Throat          | \$1,389,346           | 1,693           | 0.518                   | \$425.40      | \$720,243           | 0.996       | 1.1528                      | 1.0400                              | \$4.31          |
| Prof - Evaluation & Management   | \$11,287,580          | 182,067         | 0.655                   | \$40.60       | \$7,392,778         | 0.996       | 1.1528                      | 1.0400                              | \$44.28         |
| Prof - Female Genital            | \$550,993             | 864             | 0.443                   | \$282.70      | \$244,275           | 0.996       | 1.1528                      | 1.0400                              | \$1.46          |
| Prof - Integumentary System      | \$431,776             | 2,045           | 0.516                   | \$108.92      | \$222,736           | 0.996       | 1.1528                      | 1.0400                              | \$1.33          |
| Prof - Laparoscopy               | \$419,573             | 291             | 0.491                   | \$709.35      | \$206,194           | 0.996       | 1.1528                      | 1.0400                              | \$1.23          |
| Prof - Male Genital              | \$34,693              | 71              | 0.684                   | \$333.19      | \$23,715            | 0.996       | 1.1528                      | 1.0400                              | \$0.14          |
| Prof - Maternity                 | \$42,639              | 44              | 0.655                   | \$633.22      | \$27,926            | 0.996       | 1.1528                      | 1.0400                              | \$0.17          |
| Prof - Musculoskeletal System    | \$1,424,825           | 2,816           | 0.478                   | \$242.07      | \$681,561           | 0.996       | 1.1528                      | 1.0400                              | \$4.08          |
| Prof - Other                     | \$259,360             | 23,152          | 0.644                   | \$7.21        | \$167,028           | 0.996       | 1.1528                      | 1.0400                              | \$1.00          |
| Prof - Respiratory/Cardiology    | \$1,163,286           | 11,584          | 0.565                   | \$56.73       | \$657,202           | 0.996       | 1.1528                      | 1.0400                              | \$3.94          |
| Prof - Urinary                   | \$406,468             | 713             | 0.564                   | \$321.48      | \$229,123           | 0.996       | 1.1528                      | 1.0400                              | \$1.37          |
| DME/Supplies                     | \$649,527             | 5,118           | 0.900                   | \$114.22      | \$584,574           | 0.996       | 1.1528                      | 1.0400                              | \$3.50          |
| Lab                              | \$1,843,539           | 68,287          | 0.419                   | \$11.31       | \$772,326           | 0.996       | 1.1528                      | 1.0400                              | \$4.63          |
| Radiology                        | \$3,641,520           | 35,408          | 0.338                   | \$34.78       | \$1,231,566         | 0.996       | 1.1528                      | 1.0400                              | \$7.38          |
| Transportation/Ambulance         | \$650,906             | 7,780           | 0.900                   | \$75.29       | \$585,815           | 0.996       | 1.1528                      | 1.0400                              | \$3.51          |
| <b>Total</b>                     | <b>\$83,314,991</b>   | <b>780,660</b>  |                         |               | <b>\$42,061,499</b> |             |                             |                                     | <b>\$263.26</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$295.79        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$230.60        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Medicaid (TANF & Related)        |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| Age Over 65                      |                       |                 |                         |               |                     |             |                             |                                     |                 |
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 71,322                |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$19,724              | 533             | 1.000                   | \$36.99       | \$19,724            | 1.000       | 1.0025                      | 1.0400                              | \$0.29          |
| Pharmacy                         | \$3,779,553           | 151,038         | 0.782                   | \$19.58       | \$2,956,716         | 1.000       | 1.2221                      | 1.1940                              | \$60.49         |
| Home Health Care                 | \$190,391             | 632             | 0.900                   | \$270.98      | \$171,352           | 1.000       | 1.1315                      | 1.0400                              | \$2.83          |
| IP - Maternity                   | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$8,309,818           | 3,741           | 0.400                   | \$888.56      | \$3,323,927         | 0.996       | 1.1361                      | 1.0000                              | \$52.74         |
| OP - Emergency Room              | \$294,177             | 383             | 0.400                   | \$307.30      | \$117,671           | 0.996       | 1.2624                      | 1.0400                              | \$2.16          |
| OP - Other                       | \$2,476,290           | 3,112           | 0.400                   | \$318.27      | \$990,516           | 0.996       | 1.2624                      | 1.0400                              | \$18.16         |
| Prof - Anesthesia                | \$282,408             | 3,283           | 0.644                   | \$55.40       | \$181,871           | 0.996       | 1.1528                      | 1.0400                              | \$3.04          |
| Prof - Digestive System          | \$215,758             | 321             | 0.467                   | \$314.24      | \$100,805           | 0.996       | 1.1528                      | 1.0400                              | \$1.69          |
| Prof - Ears/Nose/Throat          | \$404,722             | 439             | 0.518                   | \$477.96      | \$209,809           | 0.996       | 1.1528                      | 1.0400                              | \$3.51          |
| Prof - Evaluation & Management   | \$1,839,952           | 26,776          | 0.655                   | \$45.01       | \$1,205,073         | 0.996       | 1.1528                      | 1.0400                              | \$20.18         |
| Prof - Female Genital            | \$22,164              | 24              | 0.443                   | \$408.48      | \$9,826             | 0.996       | 1.1528                      | 1.0400                              | \$0.16          |
| Prof - Integumentary System      | \$57,663              | 350             | 0.516                   | \$85.03       | \$29,746            | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| Prof - Laparoscopy               | \$41,914              | 53              | 0.491                   | \$387.68      | \$20,598            | 0.996       | 1.1528                      | 1.0400                              | \$0.34          |
| Prof - Male Genital              | \$10,789              | 20              | 0.684                   | \$367.97      | \$7,375             | 0.996       | 1.1528                      | 1.0400                              | \$0.12          |
| Prof - Maternity                 | \$0                   | 0               | 0.655                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$139,381             | 224             | 0.478                   | \$298.28      | \$66,673            | 0.996       | 1.1528                      | 1.0400                              | \$1.12          |
| Prof - Other                     | \$78,266              | 2,643           | 0.644                   | \$19.07       | \$50,404            | 0.996       | 1.1528                      | 1.0400                              | \$0.84          |
| Prof - Respiratory/Cardiology    | \$344,714             | 2,156           | 0.565                   | \$90.33       | \$194,747           | 0.996       | 1.1528                      | 1.0400                              | \$3.26          |
| Prof - Urinary                   | \$54,958              | 94              | 0.564                   | \$328.74      | \$30,980            | 0.996       | 1.1528                      | 1.0400                              | \$0.52          |
| DME/Supplies                     | \$155,694             | 1,284           | 0.900                   | \$109.14      | \$140,125           | 0.996       | 1.1528                      | 1.0400                              | \$2.35          |
| Lab                              | \$251,642             | 9,973           | 0.419                   | \$10.57       | \$105,422           | 0.996       | 1.1528                      | 1.0400                              | \$1.76          |
| Radiology                        | \$585,607             | 5,996           | 0.338                   | \$33.03       | \$198,053           | 0.996       | 1.1528                      | 1.0400                              | \$3.32          |
| Transportation/Ambulance         | \$294,919             | 3,980           | 0.900                   | \$66.69       | \$265,427           | 0.996       | 1.1528                      | 1.0400                              | \$4.44          |
| <b>Total</b>                     | <b>\$19,850,506</b>   | <b>217,055</b>  |                         |               | <b>\$10,396,840</b> |             |                             |                                     | <b>\$183.82</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$206.54        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$138.57        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsured<br>Ages 1 - 13         |                       |                  |                         |               |                     |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 2,150,992             |                  |                         |               |                     |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                     |             |                             |                                     |                |
| Dental - Orthodontics            | \$178,602             | 591              | 1.000                   | \$302.04      | \$178,602           | 1.000       | 1.0025                      | 1.0400                              | \$0.09         |
| Dental - Other                   | \$15,438,325          | 396,065          | 1.000                   | \$38.98       | \$15,438,325        | 1.000       | 1.0025                      | 1.0400                              | \$7.48         |
| Pharmacy                         | \$12,302,812          | 629,652          | 0.782                   | \$15.29       | \$9,624,399         | 1.000       | 1.2221                      | 1.1940                              | \$6.53         |
| Home Health Care                 | \$625,574             | 2,605            | 0.900                   | \$216.14      | \$563,017           | 1.000       | 1.1315                      | 1.0400                              | \$0.31         |
| IP - Maternity                   | \$20,387              | 10               | 0.400                   | \$813.47      | \$8,155             | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$20,377,929          | 10,337           | 0.400                   | \$788.56      | \$8,151,172         | 0.996       | 1.1311                      | 1.0000                              | \$4.27         |
| OP - Emergency Room              | \$9,530,456           | 36,268           | 0.400                   | \$105.11      | \$3,812,182         | 0.996       | 1.2624                      | 1.0400                              | \$2.32         |
| OP - Other                       | \$33,281,569          | 67,557           | 0.400                   | \$197.06      | \$13,312,628        | 0.996       | 1.2624                      | 1.0400                              | \$8.09         |
| Prof - Anesthesia                | \$4,811,129           | 82,242           | 0.644                   | \$37.67       | \$3,098,367         | 0.996       | 1.1528                      | 1.0400                              | \$1.72         |
| Prof - Digestive System          | \$2,365,367           | 3,846            | 0.467                   | \$287.34      | \$1,105,127         | 0.996       | 1.1528                      | 1.0400                              | \$0.61         |
| Prof - Ears/Nose/Throat          | \$3,417,788           | 8,529            | 0.518                   | \$207.73      | \$1,771,795         | 0.996       | 1.1528                      | 1.0400                              | \$0.98         |
| Prof - Evaluation & Management   | \$45,113,323          | 1,045,268        | 0.655                   | \$28.27       | \$29,546,881        | 0.996       | 1.1528                      | 1.0400                              | \$16.40        |
| Prof - Female Genital            | \$17,522              | 70               | 0.443                   | \$110.72      | \$7,768             | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,388,066           | 9,971            | 0.516                   | \$71.81       | \$716,046           | 0.996       | 1.1528                      | 1.0400                              | \$0.40         |
| Prof - Laparoscopy               | \$109,912             | 81               | 0.491                   | \$665.32      | \$54,015            | 0.996       | 1.1528                      | 1.0400                              | \$0.03         |
| Prof - Male Genital              | \$485,904             | 628              | 0.684                   | \$528.51      | \$332,147           | 0.996       | 1.1528                      | 1.0400                              | \$0.18         |
| Prof - Maternity                 | \$16,145              | 19               | 0.655                   | \$555.08      | \$10,574            | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Musculoskeletal System    | \$1,913,637           | 4,336            | 0.478                   | \$211.11      | \$915,383           | 0.996       | 1.1528                      | 1.0400                              | \$0.51         |
| Prof - Other                     | \$1,744,923           | 63,520           | 0.644                   | \$17.69       | \$1,123,730         | 0.996       | 1.1528                      | 1.0400                              | \$0.62         |
| Prof - Respiratory/Cardiology    | \$1,076,386           | 22,325           | 0.565                   | \$27.24       | \$608,108           | 0.996       | 1.1528                      | 1.0400                              | \$0.34         |
| Prof - Urinary                   | \$413,122             | 1,225            | 0.564                   | \$190.13      | \$232,874           | 0.996       | 1.1528                      | 1.0400                              | \$0.13         |
| DME/Supplies                     | \$1,020,765           | 10,726           | 0.900                   | \$85.65       | \$918,688           | 0.996       | 1.1528                      | 1.0400                              | \$0.51         |
| Lab                              | \$3,848,760           | 186,192          | 0.419                   | \$8.66        | \$1,612,387         | 0.996       | 1.1528                      | 1.0400                              | \$0.90         |
| Radiology                        | \$3,835,961           | 67,462           | 0.338                   | \$19.23       | \$1,297,327         | 0.996       | 1.1528                      | 1.0400                              | \$0.72         |
| Transportation/Ambulance         | \$903,413             | 6,064            | 0.900                   | \$134.08      | \$813,072           | 0.996       | 1.1528                      | 1.0400                              | \$0.45         |
| <b>Total</b>                     | <b>\$164,237,779</b>  | <b>2,655,590</b> |                         |               | <b>\$95,252,770</b> |             |                             |                                     | <b>\$53.61</b> |
| Administrative Adjustment        |                       |                  |                         |               |                     |             |                             |                                     | 1.1236         |
| Per Capita Cost                  |                       |                  |                         |               |                     |             |                             |                                     | \$60.23        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                     |             |                             |                                     | \$52.90        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsured<br>Ages 14 - 44 Female |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 2,066,979             |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$168,497             | 694              | 1.000                   | \$242.93      | \$168,497            | 1.000       | 1.0025                      | 1.0400                              | \$0.08          |
| Dental - Other                   | \$9,459,831           | 178,010          | 1.000                   | \$53.14       | \$9,459,831          | 1.000       | 1.0025                      | 1.0400                              | \$4.77          |
| Pharmacy                         | \$36,612,252          | 1,655,089        | 0.782                   | \$17.31       | \$28,641,493         | 1.000       | 1.2221                      | 1.1940                              | \$20.22         |
| Home Health Care                 | \$1,095,948           | 2,863            | 0.900                   | \$344.55      | \$986,353            | 1.000       | 1.1315                      | 1.0400                              | \$0.56          |
| IP - Maternity                   | \$30,583,481          | 16,689           | 0.400                   | \$733.04      | \$12,233,393         | 0.996       | 1.1311                      | 1.0000                              | \$6.67          |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$59,849,621          | 23,031           | 0.400                   | \$1,039.47    | \$23,939,849         | 0.996       | 1.1311                      | 1.0000                              | \$13.05         |
| OP - Emergency Room              | \$20,160,351          | 49,498           | 0.400                   | \$162.92      | \$8,064,141          | 0.996       | 1.2624                      | 1.0400                              | \$5.10          |
| OP - Other                       | \$97,292,314          | 155,738          | 0.400                   | \$249.89      | \$38,916,926         | 0.996       | 1.2624                      | 1.0400                              | \$24.62         |
| Prof - Anesthesia                | \$13,194,374          | 189,490          | 0.644                   | \$44.84       | \$8,497,177          | 0.996       | 1.1528                      | 1.0400                              | \$4.91          |
| Prof - Digestive System          | \$4,197,716           | 6,927            | 0.467                   | \$283.12      | \$1,961,223          | 0.996       | 1.1528                      | 1.0400                              | \$1.13          |
| Prof - Ears/Nose/Throat          | \$4,098,713           | 6,742            | 0.518                   | \$315.14      | \$2,124,789          | 0.996       | 1.1528                      | 1.0400                              | \$1.23          |
| Prof - Evaluation & Management   | \$67,040,467          | 1,223,503        | 0.655                   | \$35.89       | \$43,908,021         | 0.996       | 1.1528                      | 1.0400                              | \$25.37         |
| Prof - Female Genital            | \$6,276,943           | 14,714           | 0.443                   | \$189.13      | \$2,782,796          | 0.996       | 1.1528                      | 1.0400                              | \$1.61          |
| Prof - Integumentary System      | \$2,973,425           | 16,772           | 0.516                   | \$91.45       | \$1,533,867          | 0.996       | 1.1528                      | 1.0400                              | \$0.89          |
| Prof - Laparoscopy               | \$7,946,741           | 6,654            | 0.491                   | \$586.93      | \$3,905,332          | 0.996       | 1.1528                      | 1.0400                              | \$2.26          |
| Prof - Male Genital              | \$0                   | 0                | 0.684                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                 | \$16,003,264          | 26,354           | 0.655                   | \$397.72      | \$10,481,306         | 0.996       | 1.1528                      | 1.0400                              | \$6.05          |
| Prof - Musculoskeletal System    | \$6,849,444           | 13,148           | 0.478                   | \$249.20      | \$3,276,414          | 0.996       | 1.1528                      | 1.0400                              | \$1.89          |
| Prof - Other                     | \$1,588,337           | 55,415           | 0.644                   | \$18.46       | \$1,022,889          | 0.996       | 1.1528                      | 1.0400                              | \$0.59          |
| Prof - Respiratory/Cardiology    | \$3,085,153           | 68,600           | 0.565                   | \$25.41       | \$1,742,967          | 0.996       | 1.1528                      | 1.0400                              | \$1.01          |
| Prof - Urinary                   | \$1,615,071           | 3,568            | 0.564                   | \$255.13      | \$910,405            | 0.996       | 1.1528                      | 1.0400                              | \$0.53          |
| DME/Supplies                     | \$1,771,873           | 14,554           | 0.900                   | \$109.57      | \$1,594,686          | 0.996       | 1.1528                      | 1.0400                              | \$0.92          |
| Lab                              | \$16,666,929          | 620,721          | 0.419                   | \$11.25       | \$6,982,389          | 0.996       | 1.1528                      | 1.0400                              | \$4.03          |
| Radiology                        | \$20,867,262          | 206,583          | 0.338                   | \$34.16       | \$7,057,334          | 0.996       | 1.1528                      | 1.0400                              | \$4.08          |
| Transportation/Ambulance         | \$3,140,408           | 27,206           | 0.900                   | \$103.89      | \$2,826,367          | 0.996       | 1.1528                      | 1.0400                              | \$1.63          |
| <b>Total</b>                     | <b>\$432,538,418</b>  | <b>4,582,562</b> |                         |               | <b>\$223,018,442</b> |             |                             |                                     | <b>\$133.20</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$149.66        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$126.94        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsured<br>Ages 14 - 44 Male   |                       |                  |                         |               |                      |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 1,539,590             |                  |                         |               |                      |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                |
| Dental - Orthodontics            | \$117,772             | 501              | 1.000                   | \$235.03      | \$117,772            | 1.000       | 1.0025                      | 1.0400                              | \$0.08         |
| Dental - Other                   | \$5,652,151           | 107,679          | 1.000                   | \$52.49       | \$5,652,151          | 1.000       | 1.0025                      | 1.0400                              | \$3.83         |
| Pharmacy                         | \$19,581,368          | 635,920          | 0.782                   | \$24.09       | \$15,318,359         | 1.000       | 1.2221                      | 1.1940                              | \$14.52        |
| Home Health Care                 | \$1,035,537           | 2,265            | 0.900                   | \$411.47      | \$931,983            | 1.000       | 1.1315                      | 1.0400                              | \$0.71         |
| IP - Maternity                   | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$52,968,317          | 18,392           | 0.400                   | \$1,151.99    | \$21,187,327         | 0.996       | 1.1311                      | 1.0000                              | \$15.50        |
| OP - Emergency Room              | \$12,873,011          | 30,676           | 0.400                   | \$167.86      | \$5,149,204          | 0.996       | 1.2624                      | 1.0400                              | \$4.37         |
| OP - Other                       | \$43,639,798          | 64,834           | 0.400                   | \$269.24      | \$17,455,919         | 0.996       | 1.2624                      | 1.0400                              | \$14.83        |
| Prof - Anesthesia                | \$3,973,985           | 65,336           | 0.644                   | \$39.17       | \$2,559,246          | 0.996       | 1.1528                      | 1.0400                              | \$1.98         |
| Prof - Digestive System          | \$2,664,164           | 4,713            | 0.467                   | \$264.08      | \$1,244,729          | 0.996       | 1.1528                      | 1.0400                              | \$0.97         |
| Prof - Ears/Nose/Throat          | \$3,206,283           | 4,486            | 0.518                   | \$370.56      | \$1,662,150          | 0.996       | 1.1528                      | 1.0400                              | \$1.29         |
| Prof - Evaluation & Management   | \$29,237,109          | 479,819          | 0.655                   | \$39.91       | \$19,148,787         | 0.996       | 1.1528                      | 1.0400                              | \$14.85        |
| Prof - Female Genital            | \$0                   | 0                | 0.443                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,886,467           | 11,715           | 0.516                   | \$83.07       | \$973,151            | 0.996       | 1.1528                      | 1.0400                              | \$0.75         |
| Prof - Laparoscopy               | \$624,883             | 386              | 0.491                   | \$795.76      | \$307,091            | 0.996       | 1.1528                      | 1.0400                              | \$0.24         |
| Prof - Male Genital              | \$285,440             | 583              | 0.684                   | \$334.45      | \$195,117            | 0.996       | 1.1528                      | 1.0400                              | \$0.15         |
| Prof - Maternity                 | \$0                   | 0                | 0.655                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Musculoskeletal System    | \$6,715,975           | 11,147           | 0.478                   | \$288.19      | \$3,212,569          | 0.996       | 1.1528                      | 1.0400                              | \$2.49         |
| Prof - Other                     | \$796,259             | 26,356           | 0.644                   | \$19.46       | \$512,791            | 0.996       | 1.1528                      | 1.0400                              | \$0.40         |
| Prof - Respiratory/Cardiology    | \$2,313,475           | 22,966           | 0.565                   | \$56.91       | \$1,307,005          | 0.996       | 1.1528                      | 1.0400                              | \$1.01         |
| Prof - Urinary                   | \$781,859             | 1,020            | 0.564                   | \$431.93      | \$440,728            | 0.996       | 1.1528                      | 1.0400                              | \$0.34         |
| DME/Supplies                     | \$1,491,836           | 10,053           | 0.900                   | \$133.56      | \$1,342,652          | 0.996       | 1.1528                      | 1.0400                              | \$1.04         |
| Lab                              | \$3,423,076           | 132,019          | 0.419                   | \$10.86       | \$1,434,052          | 0.996       | 1.1528                      | 1.0400                              | \$1.11         |
| Radiology                        | \$8,394,838           | 106,718          | 0.338                   | \$26.60       | \$2,839,145          | 0.996       | 1.1528                      | 1.0400                              | \$2.20         |
| Transportation/Ambulance         | \$2,796,868           | 20,354           | 0.900                   | \$123.67      | \$2,517,181          | 0.996       | 1.1528                      | 1.0400                              | \$1.95         |
| <b>Total</b>                     | <b>\$204,460,470</b>  | <b>1,757,939</b> |                         |               | <b>\$105,509,109</b> |             |                             |                                     | <b>\$84.63</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1236         |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$95.09        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$78.78        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsured<br>Ages 45 - 64        |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 1,266,040             |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$991,215             | 25,018           | 1.000                   | \$39.62       | \$991,215            | 1.000       | 1.0025                      | 1.0400                              | \$0.82          |
| Pharmacy                         | \$73,679,193          | 2,517,123        | 0.782                   | \$22.90       | \$57,638,686         | 1.000       | 1.2221                      | 1.1940                              | \$66.43         |
| Home Health Care                 | \$2,570,067           | 6,246            | 0.900                   | \$370.30      | \$2,313,060          | 1.000       | 1.1315                      | 1.0400                              | \$2.15          |
| IP - Maternity                   | \$380,333             | 124              | 0.400                   | \$1,224.06    | \$152,133            | 0.996       | 1.1311                      | 1.0000                              | \$0.14          |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$143,741,379         | 53,512           | 0.400                   | \$1,074.47    | \$57,496,552         | 0.996       | 1.1311                      | 1.0000                              | \$51.16         |
| OP - Emergency Room              | \$12,465,403          | 20,636           | 0.400                   | \$241.63      | \$4,986,161          | 0.996       | 1.2624                      | 1.0400                              | \$5.15          |
| OP - Other                       | \$98,554,476          | 131,162          | 0.400                   | \$300.56      | \$39,421,791         | 0.996       | 1.2624                      | 1.0400                              | \$40.72         |
| Prof - Anesthesia                | \$9,388,940           | 137,718          | 0.644                   | \$43.90       | \$6,046,477          | 0.996       | 1.1528                      | 1.0400                              | \$5.70          |
| Prof - Digestive System          | \$7,537,069           | 12,338           | 0.467                   | \$285.41      | \$3,521,408          | 0.996       | 1.1528                      | 1.0400                              | \$3.32          |
| Prof - Ears/Nose/Throat          | \$8,131,451           | 10,387           | 0.518                   | \$405.83      | \$4,215,377          | 0.996       | 1.1528                      | 1.0400                              | \$3.98          |
| Prof - Evaluation & Management   | \$64,163,413          | 1,060,773        | 0.655                   | \$39.62       | \$42,023,700         | 0.996       | 1.1528                      | 1.0400                              | \$39.63         |
| Prof - Female Genital            | \$2,360,660           | 3,553            | 0.443                   | \$294.52      | \$1,046,566          | 0.996       | 1.1528                      | 1.0400                              | \$0.99          |
| Prof - Integumentary System      | \$3,437,081           | 17,756           | 0.516                   | \$99.86       | \$1,773,048          | 0.996       | 1.1528                      | 1.0400                              | \$1.67          |
| Prof - Laparoscopy               | \$2,628,380           | 1,828            | 0.491                   | \$706.47      | \$1,291,686          | 0.996       | 1.1528                      | 1.0400                              | \$1.22          |
| Prof - Male Genital              | \$247,691             | 385              | 0.684                   | \$439.92      | \$169,313            | 0.996       | 1.1528                      | 1.0400                              | \$0.16          |
| Prof - Maternity                 | \$20,556              | 55               | 0.655                   | \$244.21      | \$13,463             | 0.996       | 1.1528                      | 1.0400                              | \$0.01          |
| Prof - Musculoskeletal System    | \$7,981,879           | 15,673           | 0.478                   | \$243.62      | \$3,818,111          | 0.996       | 1.1528                      | 1.0400                              | \$3.60          |
| Prof - Other                     | \$1,495,772           | 45,543           | 0.644                   | \$21.15       | \$963,277            | 0.996       | 1.1528                      | 1.0400                              | \$0.91          |
| Prof - Respiratory/Cardiology    | \$8,787,015           | 82,293           | 0.565                   | \$60.32       | \$4,964,251          | 0.996       | 1.1528                      | 1.0400                              | \$4.68          |
| Prof - Urinary                   | \$2,204,728           | 4,372            | 0.564                   | \$284.24      | \$1,242,790          | 0.996       | 1.1528                      | 1.0400                              | \$1.17          |
| DME/Supplies                     | \$4,522,086           | 32,842           | 0.900                   | \$123.92      | \$4,069,877          | 0.996       | 1.1528                      | 1.0400                              | \$3.84          |
| Lab                              | \$11,854,590          | 439,726          | 0.419                   | \$11.29       | \$4,966,323          | 0.996       | 1.1528                      | 1.0400                              | \$4.68          |
| Radiology                        | \$21,802,307          | 209,088          | 0.338                   | \$35.27       | \$7,373,567          | 0.996       | 1.1528                      | 1.0400                              | \$6.95          |
| Transportation/Ambulance         | \$3,310,710           | 36,313           | 0.900                   | \$82.05       | \$2,979,639          | 0.996       | 1.1528                      | 1.0400                              | \$2.81          |
| <b>Total</b>                     | <b>\$492,256,394</b>  | <b>4,864,465</b> |                         |               | <b>\$253,478,472</b> |             |                             |                                     | <b>\$251.90</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$283.03        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$208.39        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsured<br>Age Over 65         |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 167,018               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$69,163              | 1,987           | 1.000                   | \$34.82       | \$69,163            | 1.000       | 1.0025                      | 1.0400                              | \$0.43          |
| Pharmacy                         | \$13,583,471          | 478,605         | 0.782                   | \$22.20       | \$10,626,249        | 1.000       | 1.2221                      | 1.1940                              | \$92.84         |
| Home Health Care                 | \$296,585             | 1,105           | 0.900                   | \$241.46      | \$266,926           | 1.000       | 1.1315                      | 1.0400                              | \$1.88          |
| IP - Maternity                   | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$10,974,351          | 4,572           | 0.400                   | \$960.19      | \$4,389,740         | 0.996       | 1.1311                      | 1.0000                              | \$29.61         |
| OP - Emergency Room              | \$562,035             | 850             | 0.400                   | \$264.48      | \$224,814           | 0.996       | 1.2624                      | 1.0400                              | \$1.76          |
| OP - Other                       | \$5,900,037           | 7,829           | 0.400                   | \$301.45      | \$2,360,015         | 0.996       | 1.2624                      | 1.0400                              | \$18.48         |
| Prof - Anesthesia                | \$667,139             | 9,073           | 0.644                   | \$47.35       | \$429,638           | 0.996       | 1.1528                      | 1.0400                              | \$3.07          |
| Prof - Digestive System          | \$553,063             | 830             | 0.467                   | \$311.36      | \$258,398           | 0.996       | 1.1528                      | 1.0400                              | \$1.85          |
| Prof - Ears/Nose/Throat          | \$862,433             | 1,175           | 0.518                   | \$380.62      | \$447,089           | 0.996       | 1.1528                      | 1.0400                              | \$3.20          |
| Prof - Evaluation & Management   | \$4,837,820           | 76,183          | 0.655                   | \$41.59       | \$3,168,521         | 0.996       | 1.1528                      | 1.0400                              | \$22.65         |
| Prof - Female Genital            | \$143,376             | 175             | 0.443                   | \$362.40      | \$63,564            | 0.996       | 1.1528                      | 1.0400                              | \$0.45          |
| Prof - Integumentary System      | \$227,730             | 1,407           | 0.516                   | \$83.49       | \$117,476           | 0.996       | 1.1528                      | 1.0400                              | \$0.84          |
| Prof - Laparoscopy               | \$98,785              | 64              | 0.491                   | \$756.85      | \$48,547            | 0.996       | 1.1528                      | 1.0400                              | \$0.35          |
| Prof - Male Genital              | \$32,874              | 50              | 0.684                   | \$448.37      | \$22,472            | 0.996       | 1.1528                      | 1.0400                              | \$0.16          |
| Prof - Maternity                 | \$0                   | 0               | 0.655                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$424,198             | 777             | 0.478                   | \$261.23      | \$202,914           | 0.996       | 1.1528                      | 1.0400                              | \$1.45          |
| Prof - Other                     | \$142,608             | 4,471           | 0.644                   | \$20.54       | \$91,840            | 0.996       | 1.1528                      | 1.0400                              | \$0.66          |
| Prof - Respiratory/Cardiology    | \$888,040             | 6,363           | 0.565                   | \$78.85       | \$501,701           | 0.996       | 1.1528                      | 1.0400                              | \$3.59          |
| Prof - Urinary                   | \$152,999             | 328             | 0.564                   | \$263.15      | \$86,244            | 0.996       | 1.1528                      | 1.0400                              | \$0.62          |
| DME/Supplies                     | \$689,119             | 4,409           | 0.900                   | \$140.67      | \$620,207           | 0.996       | 1.1528                      | 1.0400                              | \$4.43          |
| Lab                              | \$777,910             | 30,154          | 0.419                   | \$10.81       | \$325,895           | 0.996       | 1.1528                      | 1.0400                              | \$2.33          |
| Radiology                        | \$1,583,866           | 14,801          | 0.338                   | \$36.19       | \$535,666           | 0.996       | 1.1528                      | 1.0400                              | \$3.83          |
| Transportation/Ambulance         | \$490,591             | 8,803           | 0.900                   | \$50.16       | \$441,532           | 0.996       | 1.1528                      | 1.0400                              | \$3.16          |
| <b>Total</b>                     | <b>\$43,958,193</b>   | <b>654,009</b>  |                         |               | <b>\$25,298,609</b> |             |                             |                                     | <b>\$197.63</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$222.06        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$117.74        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsurable<br>Ages 1 - 13       |                       |                 |                         |               |                    |             |                             |                                     |                |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|--------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims    | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 133,706               |                 |                         |               |                    |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                 |                         |               |                    |             |                             |                                     |                |
| Dental - Orthodontics            | \$12,017              | 23              | 1.000                   | \$521.31      | \$12,017           | 1.000       | 1.0025                      | 1.0400                              | \$0.09         |
| Dental - Other                   | \$1,008,560           | 25,994          | 1.000                   | \$38.80       | \$1,008,560        | 1.000       | 1.0025                      | 1.0400                              | \$7.86         |
| Pharmacy                         | \$1,519,295           | 42,946          | 0.782                   | \$27.67       | \$1,188,533        | 1.000       | 1.2221                      | 1.1940                              | \$12.97        |
| Home Health Care                 | \$450,802             | 713             | 0.900                   | \$569.33      | \$405,721          | 1.000       | 1.1315                      | 1.0400                              | \$3.57         |
| IP - Maternity                   | \$3,204               | 2               | 0.400                   | \$639.00      | \$1,282            | 0.996       | 1.1509                      | 1.0000                              | \$0.01         |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                | 0.996       | 1.1509                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$2,339,653           | 1,511           | 0.400                   | \$619.40      | \$935,861          | 0.996       | 1.1509                      | 1.0000                              | \$8.02         |
| OP - Emergency Room              | \$584,426             | 2,103           | 0.400                   | \$111.15      | \$233,770          | 0.996       | 1.2624                      | 1.0400                              | \$2.29         |
| OP - Other                       | \$2,366,405           | 4,721           | 0.400                   | \$200.50      | \$946,562          | 0.996       | 1.2624                      | 1.0400                              | \$9.26         |
| Prof - Anesthesia                | \$316,770             | 6,808           | 0.644                   | \$29.97       | \$204,000          | 0.996       | 1.1528                      | 1.0400                              | \$1.82         |
| Prof - Digestive System          | \$168,348             | 402             | 0.467                   | \$195.64      | \$78,654           | 0.996       | 1.1528                      | 1.0400                              | \$0.70         |
| Prof - Ears/Nose/Throat          | \$243,468             | 409             | 0.518                   | \$308.59      | \$126,215          | 0.996       | 1.1528                      | 1.0400                              | \$1.13         |
| Prof - Evaluation & Management   | \$2,878,390           | 68,727          | 0.655                   | \$27.43       | \$1,885,196        | 0.996       | 1.1528                      | 1.0400                              | \$16.84        |
| Prof - Female Genital            | \$1,107               | 3               | 0.443                   | \$163.22      | \$491              | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$97,143              | 691             | 0.516                   | \$72.55       | \$50,112           | 0.996       | 1.1528                      | 1.0400                              | \$0.45         |
| Prof - Laparoscopy               | \$12,050              | 7               | 0.491                   | \$843.90      | \$5,922            | 0.996       | 1.1528                      | 1.0400                              | \$0.05         |
| Prof - Male Genital              | \$14,071              | 21              | 0.684                   | \$456.86      | \$9,618            | 0.996       | 1.1528                      | 1.0400                              | \$0.09         |
| Prof - Maternity                 | \$2,508               | 1               | 0.655                   | \$1,637.88    | \$1,642            | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Musculoskeletal System    | \$200,292             | 330             | 0.478                   | \$290.52      | \$95,809           | 0.996       | 1.1528                      | 1.0400                              | \$0.86         |
| Prof - Other                     | \$122,693             | 4,043           | 0.644                   | \$19.55       | \$79,014           | 0.996       | 1.1528                      | 1.0400                              | \$0.71         |
| Prof - Respiratory/Cardiology    | \$153,667             | 1,517           | 0.565                   | \$57.25       | \$86,815           | 0.996       | 1.1528                      | 1.0400                              | \$0.78         |
| Prof - Urinary                   | \$40,457              | 71              | 0.564                   | \$320.40      | \$22,805           | 0.996       | 1.1528                      | 1.0400                              | \$0.20         |
| DME/Supplies                     | \$229,063             | 1,286           | 0.900                   | \$160.30      | \$206,156          | 0.996       | 1.1528                      | 1.0400                              | \$1.84         |
| Lab                              | \$254,436             | 12,228          | 0.419                   | \$8.72        | \$106,593          | 0.996       | 1.1528                      | 1.0400                              | \$0.95         |
| Radiology                        | \$281,677             | 4,827           | 0.338                   | \$19.74       | \$95,263           | 0.996       | 1.1528                      | 1.0400                              | \$0.85         |
| Transportation/Ambulance         | \$75,300              | 531             | 0.900                   | \$127.55      | \$67,770           | 0.996       | 1.1528                      | 1.0400                              | \$0.61         |
| <b>Total</b>                     | <b>\$13,375,802</b>   | <b>179,914</b>  |                         |               | <b>\$7,854,384</b> |             |                             |                                     | <b>\$71.96</b> |
| Administrative Adjustment        |                       |                 |                         |               |                    |             |                             |                                     | 1.1236         |
| Per Capita Cost                  |                       |                 |                         |               |                    |             |                             |                                     | \$80.85        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                    |             |                             |                                     | \$66.28        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsurable<br>Ages 14 - 44 Female |                       |                  |                         |               |                     |             |                             |                                     |                 |
|------------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                    | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>               | 446,703               |                  |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>            |                       |                  |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics              | \$17,698              | 71               | 1.000                   | \$248.68      | \$17,698            | 1.000       | 1.0025                      | 1.0400                              | \$0.04          |
| Dental - Other                     | \$1,389,949           | 27,498           | 1.000                   | \$50.55       | \$1,389,949         | 1.000       | 1.0025                      | 1.0400                              | \$3.24          |
| Pharmacy                           | \$15,034,982          | 527,398          | 0.782                   | \$22.30       | \$11,761,755        | 1.000       | 1.2221                      | 1.1940                              | \$38.42         |
| Home Health Care                   | \$1,093,411           | 2,627            | 0.900                   | \$374.61      | \$984,070           | 1.000       | 1.1315                      | 1.0400                              | \$2.59          |
| IP - Maternity                     | \$5,881,036           | 3,484            | 0.400                   | \$675.14      | \$2,352,414         | 0.996       | 1.1509                      | 1.0000                              | \$6.04          |
| IP - Newborn                       | \$0                   | 0                | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                         | \$37,282,813          | 14,796           | 0.400                   | \$1,007.94    | \$14,913,125        | 0.996       | 1.1509                      | 1.0000                              | \$38.27         |
| OP - Emergency Room                | \$6,627,158           | 14,753           | 0.400                   | \$179.68      | \$2,650,863         | 0.996       | 1.2624                      | 1.0400                              | \$7.76          |
| OP - Other                         | \$35,757,207          | 49,500           | 0.400                   | \$288.95      | \$14,302,883        | 0.996       | 1.2624                      | 1.0400                              | \$41.87         |
| Prof - Anesthesia                  | \$4,598,813           | 87,474           | 0.644                   | \$33.86       | \$2,961,635         | 0.996       | 1.1528                      | 1.0400                              | \$7.92          |
| Prof - Digestive System            | \$2,095,718           | 3,401            | 0.467                   | \$287.89      | \$979,144           | 0.996       | 1.1528                      | 1.0400                              | \$2.62          |
| Prof - Ears/Nose/Throat            | \$2,267,725           | 3,158            | 0.518                   | \$372.20      | \$1,175,598         | 0.996       | 1.1528                      | 1.0400                              | \$3.14          |
| Prof - Evaluation & Management     | \$21,398,812          | 378,408          | 0.655                   | \$37.04       | \$14,015,109        | 0.996       | 1.1528                      | 1.0400                              | \$37.46         |
| Prof - Female Genital              | \$2,388,324           | 4,083            | 0.443                   | \$259.35      | \$1,058,830         | 0.996       | 1.1528                      | 1.0400                              | \$2.83          |
| Prof - Integumentary System        | \$1,279,862           | 5,474            | 0.516                   | \$120.62      | \$660,228           | 0.996       | 1.1528                      | 1.0400                              | \$1.76          |
| Prof - Laparoscopy                 | \$2,628,848           | 2,310            | 0.491                   | \$559.38      | \$1,291,916         | 0.996       | 1.1528                      | 1.0400                              | \$3.45          |
| Prof - Male Genital                | \$0                   | 0                | 0.684                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                   | \$2,702,807           | 4,704            | 0.655                   | \$376.29      | \$1,770,198         | 0.996       | 1.1528                      | 1.0400                              | \$4.73          |
| Prof - Musculoskeletal System      | \$2,962,183           | 5,052            | 0.478                   | \$280.50      | \$1,416,953         | 0.996       | 1.1528                      | 1.0400                              | \$3.79          |
| Prof - Other                       | \$369,409             | 11,250           | 0.644                   | \$21.15       | \$237,900           | 0.996       | 1.1528                      | 1.0400                              | \$0.64          |
| Prof - Respiratory/Cardiology      | \$1,349,793           | 23,409           | 0.565                   | \$32.58       | \$762,570           | 0.996       | 1.1528                      | 1.0400                              | \$2.04          |
| Prof - Urinary                     | \$712,513             | 1,543            | 0.564                   | \$260.36      | \$401,639           | 0.996       | 1.1528                      | 1.0400                              | \$1.07          |
| DME/Supplies                       | \$1,159,976           | 8,049            | 0.900                   | \$129.71      | \$1,043,978         | 0.996       | 1.1528                      | 1.0400                              | \$2.79          |
| Lab                                | \$5,021,235           | 171,399          | 0.419                   | \$12.27       | \$2,103,580         | 0.996       | 1.1528                      | 1.0400                              | \$5.62          |
| Radiology                          | \$7,337,390           | 68,877           | 0.338                   | \$36.03       | \$2,481,514         | 0.996       | 1.1528                      | 1.0400                              | \$6.63          |
| Transportation/Ambulance           | \$1,099,009           | 10,357           | 0.900                   | \$95.50       | \$989,108           | 0.996       | 1.1528                      | 1.0400                              | \$2.64          |
| <b>Total</b>                       | <b>\$162,456,670</b>  | <b>1,429,075</b> |                         |               | <b>\$81,722,658</b> |             |                             |                                     | <b>\$227.38</b> |
| Administrative Adjustment          |                       |                  |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                    |                       |                  |                         |               |                     |             |                             |                                     | \$255.48        |
| Per Capita Cost without Pharmacy   |                       |                  |                         |               |                     |             |                             |                                     | \$212.31        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsurable<br>Ages 14 - 44 Male |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 452,762               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$6,706               | 17              | 1.000                   | \$393.44      | \$6,706             | 1.000       | 1.0025                      | 1.0400                              | \$0.02          |
| Dental - Other                   | \$1,041,248           | 20,465          | 1.000                   | \$50.88       | \$1,041,248         | 1.000       | 1.0025                      | 1.0400                              | \$2.40          |
| Pharmacy                         | \$17,577,138          | 355,442         | 0.782                   | \$38.69       | \$13,750,464        | 1.000       | 1.2221                      | 1.1940                              | \$44.32         |
| Home Health Care                 | \$1,155,311           | 2,834           | 0.900                   | \$366.88      | \$1,039,780         | 1.000       | 1.1315                      | 1.0400                              | \$2.70          |
| IP - Maternity                   | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$61,254,830          | 21,670          | 0.400                   | \$1,130.69    | \$24,501,932        | 0.996       | 1.1509                      | 1.0000                              | \$62.03         |
| OP - Emergency Room              | \$6,847,254           | 14,268          | 0.400                   | \$191.96      | \$2,738,902         | 0.996       | 1.2624                      | 1.0400                              | \$7.91          |
| OP - Other                       | \$28,552,471          | 34,137          | 0.400                   | \$334.56      | \$11,420,988        | 0.996       | 1.2624                      | 1.0400                              | \$32.99         |
| Prof - Anesthesia                | \$3,205,883           | 53,368          | 0.644                   | \$38.69       | \$2,064,589         | 0.996       | 1.1528                      | 1.0400                              | \$5.44          |
| Prof - Digestive System          | \$1,984,874           | 2,908           | 0.467                   | \$318.92      | \$927,357           | 0.996       | 1.1528                      | 1.0400                              | \$2.45          |
| Prof - Ears/Nose/Throat          | \$3,092,227           | 3,053           | 0.518                   | \$525.05      | \$1,603,023         | 0.996       | 1.1528                      | 1.0400                              | \$4.23          |
| Prof - Evaluation & Management   | \$16,869,893          | 244,429         | 0.655                   | \$45.20       | \$11,048,903        | 0.996       | 1.1528                      | 1.0400                              | \$29.14         |
| Prof - Female Genital            | \$0                   | 0               | 0.443                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Integumentary System      | \$1,125,189           | 5,262           | 0.516                   | \$110.30      | \$580,439           | 0.996       | 1.1528                      | 1.0400                              | \$1.53          |
| Prof - Laparoscopy               | \$426,251             | 237             | 0.491                   | \$885.57      | \$209,476           | 0.996       | 1.1528                      | 1.0400                              | \$0.55          |
| Prof - Male Genital              | \$133,348             | 307             | 0.684                   | \$297.19      | \$91,152            | 0.996       | 1.1528                      | 1.0400                              | \$0.24          |
| Prof - Maternity                 | \$0                   | 0               | 0.655                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$4,837,406           | 5,262           | 0.478                   | \$439.74      | \$2,313,960         | 0.996       | 1.1528                      | 1.0400                              | \$6.10          |
| Prof - Other                     | \$351,406             | 11,085          | 0.644                   | \$20.41       | \$226,305           | 0.996       | 1.1528                      | 1.0400                              | \$0.60          |
| Prof - Respiratory/Cardiology    | \$2,077,200           | 16,967          | 0.565                   | \$69.17       | \$1,173,520         | 0.996       | 1.1528                      | 1.0400                              | \$3.09          |
| Prof - Urinary                   | \$692,368             | 880             | 0.564                   | \$443.46      | \$390,283           | 0.996       | 1.1528                      | 1.0400                              | \$1.03          |
| DME/Supplies                     | \$1,544,613           | 8,188           | 0.900                   | \$169.78      | \$1,390,152         | 0.996       | 1.1528                      | 1.0400                              | \$3.67          |
| Lab                              | \$2,671,228           | 90,712          | 0.419                   | \$12.34       | \$1,119,076         | 0.996       | 1.1528                      | 1.0400                              | \$2.95          |
| Radiology                        | \$5,143,666           | 56,376          | 0.338                   | \$30.86       | \$1,739,594         | 0.996       | 1.1528                      | 1.0400                              | \$4.59          |
| Transportation/Ambulance         | \$1,577,469           | 12,377          | 0.900                   | \$114.71      | \$1,419,722         | 0.996       | 1.1528                      | 1.0400                              | \$3.74          |
| <b>Total</b>                     | <b>\$162,167,980</b>  | <b>960,243</b>  |                         |               | <b>\$80,797,572</b> |             |                             |                                     | <b>\$221.72</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$249.12        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$199.33        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsurable<br>Ages 45 - 64      |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 870,759               |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$767,239             | 18,469           | 1.000                   | \$41.54       | \$767,239            | 1.000       | 1.0025                      | 1.0400                              | \$0.92          |
| Pharmacy                         | \$70,194,948          | 2,109,920        | 0.782                   | \$26.03       | \$54,912,987         | 1.000       | 1.2221                      | 1.1940                              | \$92.02         |
| Home Health Care                 | \$2,906,103           | 8,513            | 0.900                   | \$307.23      | \$2,615,493          | 1.000       | 1.1315                      | 1.0400                              | \$3.53          |
| IP - Maternity                   | \$369,092             | 125              | 0.400                   | \$1,178.03    | \$147,637            | 0.996       | 1.1509                      | 1.0000                              | \$0.19          |
| IP - Newborn                     | \$0                   | 0                | 0.400                   | \$0.00        | \$0                  | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$175,631,777         | 63,131           | 0.400                   | \$1,112.80    | \$70,252,711         | 0.996       | 1.1509                      | 1.0000                              | \$92.48         |
| OP - Emergency Room              | \$10,514,495          | 15,923           | 0.400                   | \$264.14      | \$4,205,798          | 0.996       | 1.2624                      | 1.0400                              | \$6.32          |
| OP - Other                       | \$102,353,942         | 116,978          | 0.400                   | \$350.00      | \$40,941,577         | 0.996       | 1.2624                      | 1.0400                              | \$61.48         |
| Prof - Anesthesia                | \$10,263,311          | 175,423          | 0.644                   | \$37.68       | \$6,609,572          | 0.996       | 1.1528                      | 1.0400                              | \$9.06          |
| Prof - Digestive System          | \$7,776,693           | 12,103           | 0.467                   | \$300.20      | \$3,633,363          | 0.996       | 1.1528                      | 1.0400                              | \$4.98          |
| Prof - Ears/Nose/Throat          | \$9,242,982           | 10,963           | 0.518                   | \$437.08      | \$4,791,599          | 0.996       | 1.1528                      | 1.0400                              | \$6.57          |
| Prof - Evaluation & Management   | \$64,757,107          | 1,005,871        | 0.655                   | \$42.16       | \$42,412,539         | 0.996       | 1.1528                      | 1.0400                              | \$58.16         |
| Prof - Female Genital            | \$1,887,039           | 2,629            | 0.443                   | \$318.20      | \$836,593            | 0.996       | 1.1528                      | 1.0400                              | \$1.15          |
| Prof - Integumentary System      | \$3,608,999           | 18,344           | 0.516                   | \$101.49      | \$1,861,734          | 0.996       | 1.1528                      | 1.0400                              | \$2.55          |
| Prof - Laparoscopy               | \$2,189,731           | 1,551            | 0.491                   | \$693.93      | \$1,076,117          | 0.996       | 1.1528                      | 1.0400                              | \$1.48          |
| Prof - Male Genital              | \$339,546             | 508              | 0.684                   | \$456.72      | \$232,102            | 0.996       | 1.1528                      | 1.0400                              | \$0.32          |
| Prof - Maternity                 | \$5,198               | 6                | 0.655                   | \$565.98      | \$3,404              | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$8,058,997           | 14,339           | 0.478                   | \$268.84      | \$3,855,000          | 0.996       | 1.1528                      | 1.0400                              | \$5.29          |
| Prof - Other                     | \$1,879,324           | 60,558           | 0.644                   | \$19.99       | \$1,210,285          | 0.996       | 1.1528                      | 1.0400                              | \$1.66          |
| Prof - Respiratory/Cardiology    | \$11,270,259          | 86,458           | 0.565                   | \$73.64       | \$6,367,167          | 0.996       | 1.1528                      | 1.0400                              | \$8.73          |
| Prof - Urinary                   | \$2,262,284           | 4,570            | 0.564                   | \$279.06      | \$1,275,234          | 0.996       | 1.1528                      | 1.0400                              | \$1.75          |
| DME/Supplies                     | \$5,202,157           | 35,405           | 0.900                   | \$132.24      | \$4,681,941          | 0.996       | 1.1528                      | 1.0400                              | \$6.42          |
| Lab                              | \$10,884,617          | 392,074          | 0.419                   | \$11.63       | \$4,559,966          | 0.996       | 1.1528                      | 1.0400                              | \$6.25          |
| Radiology                        | \$22,045,982          | 193,762          | 0.338                   | \$38.48       | \$7,455,979          | 0.996       | 1.1528                      | 1.0400                              | \$10.22         |
| Transportation/Ambulance         | \$2,764,159           | 28,788           | 0.900                   | \$86.42       | \$2,487,743          | 0.996       | 1.1528                      | 1.0400                              | \$3.41          |
| <b>Total</b>                     | <b>\$527,175,979</b>  | <b>4,376,411</b> |                         |               | <b>\$267,193,777</b> |             |                             |                                     | <b>\$384.96</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$432.54        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$329.15        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Uninsurable<br>Age Over 65       |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 72,726                |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$41,198              | 956             | 1.000                   | \$43.09       | \$41,198            | 1.000       | 1.0025                      | 1.0400                              | \$0.59          |
| Pharmacy                         | \$9,360,483           | 301,452         | 0.782                   | \$24.29       | \$7,322,636         | 1.000       | 1.2221                      | 1.1940                              | \$146.92        |
| Home Health Care                 | \$243,796             | 535             | 0.900                   | \$409.99      | \$219,417           | 1.000       | 1.1315                      | 1.0400                              | \$3.55          |
| IP - Maternity                   | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.400                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$8,839,517           | 3,475           | 0.400                   | \$1,017.51    | \$3,535,807         | 0.996       | 1.1509                      | 1.0000                              | \$55.73         |
| OP - Emergency Room              | \$399,961             | 547             | 0.400                   | \$292.34      | \$159,984           | 0.996       | 1.2624                      | 1.0400                              | \$2.88          |
| OP - Other                       | \$5,321,321           | 5,486           | 0.400                   | \$387.98      | \$2,128,528         | 0.996       | 1.2624                      | 1.0400                              | \$38.27         |
| Prof - Anesthesia                | \$481,076             | 6,913           | 0.644                   | \$44.82       | \$309,813           | 0.996       | 1.1528                      | 1.0400                              | \$5.09          |
| Prof - Digestive System          | \$388,507             | 600             | 0.467                   | \$302.35      | \$181,515           | 0.996       | 1.1528                      | 1.0400                              | \$2.98          |
| Prof - Ears/Nose/Throat          | \$595,612             | 678             | 0.518                   | \$455.08      | \$308,767           | 0.996       | 1.1528                      | 1.0400                              | \$5.07          |
| Prof - Evaluation & Management   | \$3,538,880           | 53,095          | 0.655                   | \$43.65       | \$2,317,782         | 0.996       | 1.1528                      | 1.0400                              | \$38.06         |
| Prof - Female Genital            | \$72,023              | 116             | 0.443                   | \$274.62      | \$31,931            | 0.996       | 1.1528                      | 1.0400                              | \$0.52          |
| Prof - Integumentary System      | \$207,016             | 1,332           | 0.516                   | \$80.18       | \$106,791           | 0.996       | 1.1528                      | 1.0400                              | \$1.75          |
| Prof - Laparoscopy               | \$87,601              | 68              | 0.491                   | \$631.52      | \$43,051            | 0.996       | 1.1528                      | 1.0400                              | \$0.71          |
| Prof - Male Genital              | \$15,551              | 43              | 0.684                   | \$246.66      | \$10,630            | 0.996       | 1.1528                      | 1.0400                              | \$0.17          |
| Prof - Maternity                 | \$0                   | 0               | 0.655                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$319,676             | 532             | 0.478                   | \$287.35      | \$152,916           | 0.996       | 1.1528                      | 1.0400                              | \$2.51          |
| Prof - Other                     | \$146,209             | 25,011          | 0.644                   | \$3.76        | \$94,158            | 0.996       | 1.1528                      | 1.0400                              | \$1.55          |
| Prof - Respiratory/Cardiology    | \$691,596             | 4,813           | 0.565                   | \$81.19       | \$390,719           | 0.996       | 1.1528                      | 1.0400                              | \$6.42          |
| Prof - Urinary                   | \$103,686             | 227             | 0.564                   | \$258.02      | \$58,447            | 0.996       | 1.1528                      | 1.0400                              | \$0.96          |
| DME/Supplies                     | \$375,499             | 2,712           | 0.900                   | \$124.62      | \$337,949           | 0.996       | 1.1528                      | 1.0400                              | \$5.55          |
| Lab                              | \$546,735             | 20,926          | 0.419                   | \$10.95       | \$229,047           | 0.996       | 1.1528                      | 1.0400                              | \$3.76          |
| Radiology                        | \$1,200,596           | 10,066          | 0.338                   | \$40.34       | \$406,043           | 0.996       | 1.1528                      | 1.0400                              | \$6.67          |
| Transportation/Ambulance         | \$406,968             | 6,942           | 0.900                   | \$52.76       | \$366,271           | 0.996       | 1.1528                      | 1.0400                              | \$6.01          |
| <b>Total</b>                     | <b>\$33,383,508</b>   | <b>446,526</b>  |                         |               | <b>\$18,753,403</b> |             |                             |                                     | <b>\$335.72</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$377.21        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$212.13        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Disabled<br>All Age Groups       |                        |                   |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|------------------------|-------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99*  | Units<br>98/99*   | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 3,190,075              |                   |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                        |                   |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$41,513               | 186               | 1.000                   | \$222.64      | \$41,513             | 1.000       | 1.0025                      | 1.0400                              | \$0.01          |
| Dental - Other                   | \$8,050,649            | 187,902           | 1.000                   | \$42.85       | \$8,050,649          | 1.000       | 1.0025                      | 1.0400                              | \$2.63          |
| Pharmacy                         | \$200,018,222          | 5,874,803         | 0.782                   | \$26.63       | \$156,472,771        | 1.000       | 1.1407                      | 1.1230                              | \$62.83         |
| Home Health Care                 | \$43,213,900           | 100,916           | 0.900                   | \$385.40      | \$38,892,510         | 1.000       | 1.1315                      | 1.0400                              | \$14.35         |
| IP - Maternity                   | \$12,340,993           | 6,651             | 0.400                   | \$742.23      | \$4,936,397          | 0.996       | 0.9803                      | 1.0000                              | \$1.51          |
| IP - Newborn                     | \$15,147,683           | 10,024            | 0.400                   | \$604.45      | \$6,059,073          | 0.996       | 0.9803                      | 1.0000                              | \$1.85          |
| IP - Other                       | \$665,117,188          | 317,588           | 0.400                   | \$837.71      | \$266,046,875        | 0.996       | 0.9803                      | 1.0000                              | \$81.43         |
| OP - Emergency Room              | \$56,693,685           | 113,119           | 0.400                   | \$200.47      | \$22,677,474         | 0.996       | 1.2143                      | 1.0400                              | \$8.94          |
| OP - Other                       | \$283,551,711          | 404,949           | 0.400                   | \$280.09      | \$113,420,685        | 0.996       | 1.2143                      | 1.0400                              | \$44.72         |
| Prof - Anesthesia                | \$28,199,387           | 451,126           | 0.644                   | \$40.26       | \$18,160,405         | 0.996       | 1.1046                      | 1.0400                              | \$6.51          |
| Prof - Digestive System          | \$18,091,333           | 29,760            | 0.467                   | \$284.02      | \$8,452,485          | 0.996       | 1.1046                      | 1.0400                              | \$3.03          |
| Prof - Ears/Nose/Throat          | \$21,716,487           | 31,005            | 0.518                   | \$363.10      | \$11,257,913         | 0.996       | 1.1046                      | 1.0400                              | \$4.04          |
| Prof - Evaluation & Management   | \$208,243,563          | 3,170,699         | 0.655                   | \$43.02       | \$136,388,709        | 0.996       | 1.1046                      | 1.0400                              | \$48.92         |
| Prof - Female Genital            | \$3,881,256            | 7,439             | 0.443                   | \$231.32      | \$1,720,701          | 0.996       | 1.1046                      | 1.0400                              | \$0.62          |
| Prof - Integumentary System      | \$8,109,638            | 37,913            | 0.516                   | \$110.34      | \$4,183,428          | 0.996       | 1.1046                      | 1.0400                              | \$1.50          |
| Prof - Laparoscopy               | \$5,279,544            | 4,040             | 0.491                   | \$642.26      | \$2,594,570          | 0.996       | 1.1046                      | 1.0400                              | \$0.93          |
| Prof - Male Genital              | \$556,842              | 979               | 0.684                   | \$388.67      | \$380,638            | 0.996       | 1.1046                      | 1.0400                              | \$0.14          |
| Prof - Maternity                 | \$5,017,497            | 9,546             | 0.655                   | \$344.25      | \$3,286,200          | 0.996       | 1.1046                      | 1.0400                              | \$1.18          |
| Prof - Musculoskeletal System    | \$22,019,209           | 38,049            | 0.478                   | \$276.82      | \$10,532,831         | 0.996       | 1.1046                      | 1.0400                              | \$3.78          |
| Prof - Other                     | \$10,158,943           | 1,718,293         | 0.644                   | \$3.81        | \$6,542,359          | 0.996       | 1.1046                      | 1.0400                              | \$2.35          |
| Prof - Respiratory/Cardiology    | \$24,427,823           | 195,874           | 0.565                   | \$70.46       | \$13,800,573         | 0.996       | 1.1046                      | 1.0400                              | \$4.95          |
| Prof - Urinary                   | \$4,443,353            | 10,114            | 0.564                   | \$247.64      | \$2,504,688          | 0.996       | 1.1046                      | 1.0400                              | \$0.90          |
| DME/Supplies                     | \$51,869,450           | 292,046           | 0.900                   | \$159.85      | \$46,682,505         | 0.996       | 1.1046                      | 1.0400                              | \$16.74         |
| Lab                              | \$28,095,040           | 1,053,045         | 0.419                   | \$11.18       | \$11,770,044         | 0.996       | 1.1046                      | 1.0400                              | \$4.22          |
| Radiology                        | \$55,610,276           | 595,366           | 0.338                   | \$31.59       | \$18,807,465         | 0.996       | 1.1046                      | 1.0400                              | \$6.75          |
| Transportation/Ambulance         | \$26,757,998           | 352,836           | 0.900                   | \$68.25       | \$24,082,199         | 0.996       | 1.1046                      | 1.0400                              | \$8.64          |
| <b>Total</b>                     | <b>\$1,806,653,182</b> | <b>15,014,269</b> |                         |               | <b>\$937,745,658</b> |             |                             |                                     | <b>\$333.47</b> |
| Administrative Adjustment        |                        |                   |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                        |                   |                         |               |                      |             |                             |                                     | \$374.68        |
| Per Capita Cost without Pharmacy |                        |                   |                         |               |                      |             |                             |                                     | \$304.08        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 1**

**Exhibit 4a**

| Duals (TennCare & Medicare)      |                       |                   |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|-------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| All Age Groups                   |                       |                   |                         |               |                      |             |                             |                                     |                 |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*   | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 3,784,227             |                   |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                   |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$2,332               | 6                 | 0.252                   | \$97.62       | \$587                | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$2,146,126           | 51,424            | 0.252                   | \$10.51       | \$540,514            | 1.000       | 1.0025                      | 1.0400                              | \$0.15          |
| Pharmacy                         | \$357,926,662         | 13,136,301        | 0.782                   | \$21.32       | \$280,003,371        | 1.000       | 1.1612                      | 1.1410                              | \$98.04         |
| Home Health Care                 | \$6,512,275           | 17,932            | 0.085                   | \$30.95       | \$554,978            | 1.000       | 1.1315                      | 1.0400                              | \$0.17          |
| IP - Maternity                   | \$278,892             | 152               | 0.070                   | \$128.35      | \$19,555             | 0.996       | 1.0810                      | 1.0000                              | \$0.01          |
| IP - Newborn                     | \$368,225             | 311               | 0.070                   | \$83.09       | \$25,819             | 0.996       | 1.0810                      | 1.0000                              | \$0.01          |
| IP - Other                       | \$46,596,587          | 21,758            | 0.070                   | \$150.16      | \$3,267,199          | 0.996       | 1.0810                      | 1.0000                              | \$0.93          |
| OP - Emergency Room              | \$2,818,445           | 4,684             | 0.058                   | \$34.63       | \$162,198            | 0.996       | 1.0616                      | 1.0400                              | \$0.05          |
| OP - Other                       | \$22,603,016          | 24,194            | 0.058                   | \$53.76       | \$1,300,775          | 0.996       | 1.0616                      | 1.0400                              | \$0.38          |
| Prof - Anesthesia                | \$2,188,678           | 28,051            | 0.252                   | \$19.65       | \$551,231            | 0.996       | 1.0374                      | 1.0400                              | \$0.16          |
| Prof - Digestive System          | \$2,151,350           | 3,411             | 0.252                   | \$158.85      | \$541,829            | 0.996       | 1.0374                      | 1.0400                              | \$0.15          |
| Prof - Ears/Nose/Throat          | \$3,316,920           | 4,673             | 0.252                   | \$178.75      | \$835,385            | 0.996       | 1.0374                      | 1.0400                              | \$0.24          |
| Prof - Evaluation & Management   | \$20,022,566          | 335,048           | 0.252                   | \$15.05       | \$5,042,794          | 0.996       | 1.0374                      | 1.0400                              | \$1.43          |
| Prof - Female Genital            | \$492,885             | 889               | 0.252                   | \$139.62      | \$124,136            | 0.996       | 1.0374                      | 1.0400                              | \$0.04          |
| Prof - Integumentary System      | \$1,347,847           | 7,025             | 0.252                   | \$48.32       | \$339,463            | 0.996       | 1.0374                      | 1.0400                              | \$0.10          |
| Prof - Laparoscopy               | \$463,956             | 367               | 0.252                   | \$318.50      | \$116,850            | 0.996       | 1.0374                      | 1.0400                              | \$0.03          |
| Prof - Male Genital              | \$102,109             | 181               | 0.252                   | \$141.75      | \$25,717             | 0.996       | 1.0374                      | 1.0400                              | \$0.01          |
| Prof - Maternity                 | \$191,637             | 296               | 0.252                   | \$163.20      | \$48,265             | 0.996       | 1.0374                      | 1.0400                              | \$0.01          |
| Prof - Musculoskeletal System    | \$2,939,133           | 4,663             | 0.252                   | \$158.75      | \$740,237            | 0.996       | 1.0374                      | 1.0400                              | \$0.21          |
| Prof - Other                     | \$1,705,194           | 172,365           | 0.252                   | \$2.49        | \$429,462            | 0.996       | 1.0374                      | 1.0400                              | \$0.12          |
| Prof - Respiratory/Cardiology    | \$3,253,413           | 13,271            | 0.252                   | \$61.74       | \$819,390            | 0.996       | 1.0374                      | 1.0400                              | \$0.23          |
| Prof - Urinary                   | \$769,797             | 1,512             | 0.252                   | \$128.19      | \$193,878            | 0.996       | 1.0374                      | 1.0400                              | \$0.06          |
| DME/Supplies                     | \$7,020,194           | 42,739            | 0.252                   | \$41.37       | \$1,768,075          | 0.996       | 1.0374                      | 1.0400                              | \$0.50          |
| Lab                              | \$3,073,631           | 82,437            | 0.252                   | \$9.39        | \$774,111            | 0.996       | 1.0374                      | 1.0400                              | \$0.22          |
| Radiology                        | \$5,448,861           | 48,277            | 0.252                   | \$28.43       | \$1,372,326          | 0.996       | 1.0374                      | 1.0400                              | \$0.39          |
| Transportation/Ambulance         | \$27,674,760          | 702,610           | 0.900                   | \$35.45       | \$24,907,284         | 0.996       | 1.0374                      | 1.0400                              | \$7.07          |
| <b>Total</b>                     | <b>\$521,415,490</b>  | <b>14,704,579</b> |                         |               | <b>\$324,505,426</b> |             |                             |                                     | <b>\$110.70</b> |
| Administrative Adjustment        |                       |                   |                         |               |                      |             |                             |                                     | 1.1236          |
| Per Capita Cost                  |                       |                   |                         |               |                      |             |                             |                                     | \$124.38        |
| Per Capita Cost without Pharmacy |                       |                   |                         |               |                      |             |                             |                                     | \$14.22         |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Medicaid (TANF & Related) / Uninsured / Uninsurable |                       |                  |                         |               |                      |             |                             |                                     |                 |
|---|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| Age Under 1   |                       |                  |                         |               |                      |             |                             |                                     |                 |
|   | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                                | 831,351               |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>                             |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics                               | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                                      | \$4,180               | 146              | 1.000                   | \$28.70       | \$4,180              | 1.000       | 1.0025                      | 1.0400                              | \$0.01          |
| Pharmacy  | \$1,265,347           | 123,611          | 0.782                   | \$8.01        | \$989,871            | 1.000       | 1.2221                      | 1.1940                              | \$1.74          |
| Home Health Care                                    | \$384,960             | 1,742            | 0.900                   | \$198.86      | \$346,464            | 1.000       | 1.1315                      | 1.0400                              | \$0.49          |
| IP - Maternity                                      | \$0                   | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Newborn  | \$203,765,124         | 152,654          | 0.350                   | \$467.19      | \$71,317,793         | 0.996       | 1.1361                      | 1.0000                              | \$97.07         |
| IP - Other  | \$30,772,700          | 26,804           | 0.350                   | \$401.82      | \$10,770,445         | 0.996       | 1.1361                      | 1.0000                              | \$14.66         |
| OP - Emergency Room                                 | \$4,081,575           | 15,564           | 0.350                   | \$91.78       | \$1,428,551          | 0.996       | 1.2624                      | 1.0400                              | \$2.25          |
| OP - Other  | \$6,902,334           | 19,572           | 0.350                   | \$123.44      | \$2,415,817          | 0.996       | 1.2624                      | 1.0400                              | \$3.80          |
| Prof - Anesthesia                                   | \$1,097,877           | 23,722           | 0.502                   | \$23.23       | \$551,134            | 0.996       | 1.1528                      | 1.0400                              | \$0.79          |
| Prof - Digestive System                             | \$1,058,833           | 1,049            | 0.302                   | \$304.38      | \$319,363            | 0.996       | 1.1528                      | 1.0400                              | \$0.46          |
| Prof - Ears/Nose/Throat                             | \$748,189             | 2,317            | 0.331                   | \$106.95      | \$247,808            | 0.996       | 1.1528                      | 1.0400                              | \$0.36          |
| Prof - Evaluation & Management                      | \$33,340,320          | 554,334          | 0.512                   | \$30.79       | \$17,068,512         | 0.996       | 1.1528                      | 1.0400                              | \$24.52         |
| Prof - Female Genital                               | \$13,716              | 17               | 0.373                   | \$297.14      | \$5,113              | 0.996       | 1.1528                      | 1.0400                              | \$0.01          |
| Prof - Integumentary System                         | \$131,277             | 806              | 0.306                   | \$49.85       | \$40,191             | 0.996       | 1.1528                      | 1.0400                              | \$0.06          |
| Prof - Laparoscopy                                  | \$34,661              | 75               | 0.392                   | \$180.84      | \$13,585             | 0.996       | 1.1528                      | 1.0400                              | \$0.02          |
| Prof - Male Genital                                 | \$782,194             | 4,667            | 0.388                   | \$65.10       | \$303,836            | 0.996       | 1.1528                      | 1.0400                              | \$0.44          |
| Prof - Maternity                                    | \$0                   | 0                | 0.512                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System                       | \$286,199             | 483              | 0.291                   | \$172.55      | \$83,394             | 0.996       | 1.1528                      | 1.0400                              | \$0.12          |
| Prof - Other  | \$18,554              | 471              | 0.502                   | \$19.76       | \$9,314              | 0.996       | 1.1528                      | 1.0400                              | \$0.01          |
| Prof - Respiratory/Cardiology                       | \$1,112,933           | 5,899            | 0.312                   | \$58.92       | \$347,540            | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| Prof - Urinary                                      | \$176,663             | 917              | 0.260                   | \$50.10       | \$45,963             | 0.996       | 1.1528                      | 1.0400                              | \$0.07          |
| DME/Supplies  | \$1,199,745           | 7,798            | 0.900                   | \$138.47      | \$1,079,770          | 0.996       | 1.1528                      | 1.0400                              | \$1.55          |
| Lab   | \$626,968             | 26,626           | 0.333                   | \$7.84        | \$208,731            | 0.996       | 1.1528                      | 1.0400                              | \$0.30          |
| Radiology   | \$1,626,465           | 31,059           | 0.269                   | \$14.07       | \$436,886            | 0.996       | 1.1528                      | 1.0400                              | \$0.63          |
| Transportation/Ambulance                            | \$685,220             | 4,125            | 0.900                   | \$149.52      | \$616,698            | 0.996       | 1.1528                      | 1.0400                              | \$0.89          |
| <b>Total</b>  | <b>\$290,116,032</b>  | <b>1,004,459</b> |                         |               | <b>\$108,650,959</b> |             |                             |                                     | <b>\$150.72</b> |
| Administrative Adjustment                           |                       |                  |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                                     |                       |                  |                         |               |                      |             |                             |                                     | \$167.47        |
| Per Capita Cost without Pharmacy                    |                       |                  |                         |               |                      |             |                             |                                     | \$165.53        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Medicaid (TANF & Related)        |                       |                  |                         |               |                      |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|----------------|
| Ages 1 - 13                      |                       |                  |                         |               |                      |             |                             |                                     |                |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 5,640,503             |                  |                         |               |                      |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                |
| Dental - Orthodontics            | \$293,061             | 743              | 1.000                   | \$394.56      | \$293,061            | 1.000       | 1.0025                      | 1.0400                              | \$0.05         |
| Dental - Other                   | \$36,524,138          | 993,795          | 1.000                   | \$36.75       | \$36,524,138         | 1.000       | 1.0025                      | 1.0400                              | \$6.75         |
| Pharmacy                         | \$31,646,840          | 1,836,278        | 0.782                   | \$13.48       | \$24,757,088         | 1.000       | 1.2221                      | 1.1940                              | \$6.40         |
| Home Health Care                 | \$1,411,521           | 7,369            | 0.900                   | \$172.39      | \$1,270,369          | 1.000       | 1.1315                      | 1.0400                              | \$0.27         |
| IP - Maternity                   | \$191,832             | 106              | 0.350                   | \$631.87      | \$67,141             | 0.996       | 1.1361                      | 1.0000                              | \$0.01         |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$74,676,012          | 54,956           | 0.350                   | \$475.59      | \$26,136,604         | 0.996       | 1.1361                      | 1.0000                              | \$5.24         |
| OP - Emergency Room              | \$34,850,353          | 135,553          | 0.350                   | \$89.98       | \$12,197,624         | 0.996       | 1.2624                      | 1.0400                              | \$2.83         |
| OP - Other                       | \$83,376,098          | 185,581          | 0.350                   | \$157.24      | \$29,181,634         | 0.996       | 1.2624                      | 1.0400                              | \$6.77         |
| Prof - Anesthesia                | \$11,166,232          | 190,704          | 0.502                   | \$29.39       | \$5,605,449          | 0.996       | 1.1528                      | 1.0400                              | \$1.19         |
| Prof - Digestive System          | \$5,790,679           | 10,207           | 0.302                   | \$171.12      | \$1,746,573          | 0.996       | 1.1528                      | 1.0400                              | \$0.37         |
| Prof - Ears/Nose/Throat          | \$8,222,263           | 23,130           | 0.331                   | \$117.74      | \$2,723,303          | 0.996       | 1.1528                      | 1.0400                              | \$0.58         |
| Prof - Evaluation & Management   | \$126,232,263         | 2,712,640        | 0.512                   | \$23.82       | \$64,624,363         | 0.996       | 1.1528                      | 1.0400                              | \$13.68        |
| Prof - Female Genital            | \$64,230              | 273              | 0.373                   | \$87.83       | \$23,945             | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Integumentary System      | \$3,284,497           | 22,210           | 0.306                   | \$45.27       | \$1,005,553          | 0.996       | 1.1528                      | 1.0400                              | \$0.21         |
| Prof - Laparoscopy               | \$230,072             | 232              | 0.392                   | \$389.48      | \$90,175             | 0.996       | 1.1528                      | 1.0400                              | \$0.02         |
| Prof - Male Genital              | \$1,344,859           | 2,137            | 0.388                   | \$244.45      | \$522,398            | 0.996       | 1.1528                      | 1.0400                              | \$0.11         |
| Prof - Maternity                 | \$84,318              | 146              | 0.512                   | \$295.02      | \$43,167             | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Musculoskeletal System    | \$4,305,159           | 10,780           | 0.291                   | \$116.37      | \$1,254,451          | 0.996       | 1.1528                      | 1.0400                              | \$0.27         |
| Prof - Other                     | \$4,166,359           | 149,575          | 0.502                   | \$13.98       | \$2,091,512          | 0.996       | 1.1528                      | 1.0400                              | \$0.44         |
| Prof - Respiratory/Cardiology    | \$2,865,426           | 58,982           | 0.312                   | \$15.17       | \$894,798            | 0.996       | 1.1528                      | 1.0400                              | \$0.19         |
| Prof - Urinary                   | \$894,125             | 3,025            | 0.260                   | \$76.90       | \$232,627            | 0.996       | 1.1528                      | 1.0400                              | \$0.05         |
| DME/Supplies                     | \$2,876,610           | 33,711           | 0.900                   | \$76.80       | \$2,588,949          | 0.996       | 1.1528                      | 1.0400                              | \$0.55         |
| Lab                              | \$9,820,605           | 485,262          | 0.333                   | \$6.74        | \$3,269,483          | 0.996       | 1.1528                      | 1.0400                              | \$0.69         |
| Radiology                        | \$10,202,185          | 186,606          | 0.269                   | \$14.69       | \$2,740,414          | 0.996       | 1.1528                      | 1.0400                              | \$0.58         |
| Transportation/Ambulance         | \$3,977,840           | 43,169           | 0.900                   | \$82.93       | \$3,580,056          | 0.996       | 1.1528                      | 1.0400                              | \$0.76         |
| <b>Total</b>                     | <b>\$458,497,576</b>  | <b>7,147,170</b> |                         |               | <b>\$223,464,874</b> |             |                             |                                     | <b>\$48.02</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1111         |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$53.36        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$46.24        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Medicaid (TANF & Related)<br>Ages 14 - 44 Female |                        |                  |                         |               |                      |             |                             |                                     |                 |
|--|------------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|  | Raw Charges<br>98/99*  | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                             | 3,400,559              |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>                          |                        |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics                            | \$207,354              | 756              | 1.000                   | \$274.35      | \$207,354            | 1.000       | 1.0025                      | 1.0400                              | \$0.06          |
| Dental - Other                                   | \$14,546,487           | 295,639          | 1.000                   | \$49.20       | \$14,546,487         | 1.000       | 1.0025                      | 1.0400                              | \$4.46          |
| Pharmacy   | \$49,073,832           | 2,587,706        | 0.782                   | \$14.84       | \$38,390,094         | 1.000       | 1.2221                      | 1.1940                              | \$16.47         |
| Home Health Care                                 | \$2,236,327            | 6,405            | 0.900                   | \$314.24      | \$2,012,694          | 1.000       | 1.1315                      | 1.0400                              | \$0.70          |
| IP - Maternity                                   | \$226,757,380          | 136,458          | 0.350                   | \$581.61      | \$79,365,083         | 0.996       | 1.1361                      | 1.0000                              | \$26.41         |
| IP - Newborn                                     | \$0                    | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                                       | \$115,194,412          | 47,130           | 0.350                   | \$855.47      | \$40,318,044         | 0.996       | 1.1361                      | 1.0000                              | \$13.42         |
| OP - Emergency Room                              | \$49,095,663           | 121,993          | 0.350                   | \$140.86      | \$17,183,482         | 0.996       | 1.2624                      | 1.0400                              | \$6.61          |
| OP - Other                                       | \$178,072,128          | 334,699          | 0.350                   | \$186.21      | \$62,325,245         | 0.996       | 1.2624                      | 1.0400                              | \$23.97         |
| Prof - Anesthesia                                | \$45,026,408           | 638,700          | 0.502                   | \$35.39       | \$22,603,257         | 0.996       | 1.1528                      | 1.0400                              | \$7.94          |
| Prof - Digestive System                          | \$6,209,655            | 9,566            | 0.302                   | \$195.79      | \$1,872,944          | 0.996       | 1.1528                      | 1.0400                              | \$0.66          |
| Prof - Ears/Nose/Throat                          | \$6,628,835            | 16,642           | 0.331                   | \$131.93      | \$2,195,542          | 0.996       | 1.1528                      | 1.0400                              | \$0.77          |
| Prof - Evaluation & Management                   | \$138,643,736          | 2,055,065        | 0.512                   | \$34.54       | \$70,978,393         | 0.996       | 1.1528                      | 1.0400                              | \$24.92         |
| Prof - Female Genital                            | \$14,979,190           | 43,749           | 0.373                   | \$127.64      | \$5,584,316          | 0.996       | 1.1528                      | 1.0400                              | \$1.96          |
| Prof - Integumentary System                      | \$4,372,309            | 21,993           | 0.306                   | \$60.86       | \$1,338,588          | 0.996       | 1.1528                      | 1.0400                              | \$0.47          |
| Prof - Laparoscopy                               | \$13,368,856           | 14,371           | 0.392                   | \$364.60      | \$5,239,842          | 0.996       | 1.1528                      | 1.0400                              | \$1.84          |
| Prof - Male Genital                              | \$0                    | 0                | 0.388                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                                 | \$116,054,598          | 217,327          | 0.512                   | \$273.39      | \$59,413,927         | 0.996       | 1.1528                      | 1.0400                              | \$20.86         |
| Prof - Musculoskeletal System                    | \$9,119,116            | 18,491           | 0.291                   | \$143.70      | \$2,657,157          | 0.996       | 1.1528                      | 1.0400                              | \$0.93          |
| Prof - Other                                     | \$2,809,870            | 94,725           | 0.502                   | \$14.89       | \$1,410,555          | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| Prof - Respiratory/Cardiology                    | \$4,955,717            | 126,387          | 0.312                   | \$12.24       | \$1,547,541          | 0.996       | 1.1528                      | 1.0400                              | \$0.54          |
| Prof - Urinary                                   | \$2,114,415            | 5,080            | 0.260                   | \$108.28      | \$550,114            | 0.996       | 1.1528                      | 1.0400                              | \$0.19          |
| DME/Supplies                                     | \$3,745,831            | 22,526           | 0.900                   | \$149.66      | \$3,371,248          | 0.996       | 1.1528                      | 1.0400                              | \$1.18          |
| Lab  | \$36,088,946           | 1,368,839        | 0.333                   | \$8.78        | \$12,014,758         | 0.996       | 1.1528                      | 1.0400                              | \$4.22          |
| Radiology  | \$48,367,150           | 431,583          | 0.269                   | \$30.10       | \$12,991,923         | 0.996       | 1.1528                      | 1.0400                              | \$4.56          |
| Transportation/Ambulance                         | \$8,877,600            | 84,577           | 0.900                   | \$94.47       | \$7,989,840          | 0.996       | 1.1528                      | 1.0400                              | \$2.81          |
| <b>Total</b>                                     | <b>\$1,096,545,816</b> | <b>8,700,406</b> |                         |               | <b>\$466,108,428</b> |             |                             |                                     | <b>\$166.45</b> |
| Administrative Adjustment                        |                        |                  |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                                  |                        |                  |                         |               |                      |             |                             |                                     | \$184.95        |
| Per Capita Cost without Pharmacy                 |                        |                  |                         |               |                      |             |                             |                                     | \$166.64        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Medicaid (TANF & Related)        |                       |                  |                         |               |                     |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|----------------|
| Ages 14 - 44 Male                |                       |                  |                         |               |                     |             |                             |                                     |                |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 980,958               |                  |                         |               |                     |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                     |             |                             |                                     |                |
| Dental - Orthodontics            | \$106,805             | 382              | 1.000                   | \$279.66      | \$106,805           | 1.000       | 1.0025                      | 1.0400                              | \$0.11         |
| Dental - Other                   | \$6,497,075           | 128,642          | 1.000                   | \$50.51       | \$6,497,075         | 1.000       | 1.0025                      | 1.0400                              | \$6.91         |
| Pharmacy                         | \$7,365,355           | 327,710          | 0.782                   | \$17.58       | \$5,761,863         | 1.000       | 1.2221                      | 1.1940                              | \$8.57         |
| Home Health Care                 | \$532,878             | 1,466            | 0.900                   | \$327.07      | \$479,590           | 1.000       | 1.1315                      | 1.0400                              | \$0.58         |
| IP - Maternity                   | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$38,174,228          | 13,038           | 0.350                   | \$1,024.74    | \$13,360,980        | 0.996       | 1.1361                      | 1.0000                              | \$15.41        |
| OP - Emergency Room              | \$9,035,655           | 24,232           | 0.350                   | \$130.51      | \$3,162,479         | 0.996       | 1.2624                      | 1.0400                              | \$4.22         |
| OP - Other                       | \$24,786,374          | 39,556           | 0.350                   | \$219.32      | \$8,675,231         | 0.996       | 1.2624                      | 1.0400                              | \$11.56        |
| Prof - Anesthesia                | \$2,654,848           | 42,247           | 0.502                   | \$31.55       | \$1,332,734         | 0.996       | 1.1528                      | 1.0400                              | \$1.62         |
| Prof - Digestive System          | \$1,358,300           | 2,018            | 0.302                   | \$203.03      | \$409,688           | 0.996       | 1.1528                      | 1.0400                              | \$0.50         |
| Prof - Ears/Nose/Throat          | \$1,860,774           | 2,517            | 0.331                   | \$244.87      | \$616,309           | 0.996       | 1.1528                      | 1.0400                              | \$0.75         |
| Prof - Evaluation & Management   | \$18,385,890          | 306,252          | 0.512                   | \$30.73       | \$9,412,621         | 0.996       | 1.1528                      | 1.0400                              | \$11.46        |
| Prof - Female Genital            | \$0                   | 0                | 0.373                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,301,719           | 7,084            | 0.306                   | \$56.26       | \$398,523           | 0.996       | 1.1528                      | 1.0400                              | \$0.49         |
| Prof - Laparoscopy               | \$295,526             | 200              | 0.392                   | \$577.74      | \$115,830           | 0.996       | 1.1528                      | 1.0400                              | \$0.14         |
| Prof - Male Genital              | \$137,114             | 241              | 0.388                   | \$221.39      | \$53,261            | 0.996       | 1.1528                      | 1.0400                              | \$0.06         |
| Prof - Maternity                 | \$0                   | 0                | 0.512                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Musculoskeletal System    | \$4,486,672           | 6,990            | 0.291                   | \$187.04      | \$1,307,340         | 0.996       | 1.1528                      | 1.0400                              | \$1.59         |
| Prof - Other                     | \$914,151             | 31,389           | 0.502                   | \$14.62       | \$458,904           | 0.996       | 1.1528                      | 1.0400                              | \$0.56         |
| Prof - Respiratory/Cardiology    | \$1,280,313           | 11,670           | 0.312                   | \$34.26       | \$399,808           | 0.996       | 1.1528                      | 1.0400                              | \$0.49         |
| Prof - Urinary                   | \$430,768             | 458              | 0.260                   | \$244.65      | \$112,074           | 0.996       | 1.1528                      | 1.0400                              | \$0.14         |
| DME/Supplies                     | \$752,792             | 6,118            | 0.900                   | \$110.75      | \$677,512           | 0.996       | 1.1528                      | 1.0400                              | \$0.82         |
| Lab                              | \$1,802,065           | 73,691           | 0.333                   | \$8.14        | \$599,945           | 0.996       | 1.1528                      | 1.0400                              | \$0.73         |
| Radiology                        | \$4,932,232           | 69,506           | 0.269                   | \$19.06       | \$1,324,849         | 0.996       | 1.1528                      | 1.0400                              | \$1.61         |
| Transportation/Ambulance         | \$1,993,684           | 14,337           | 0.900                   | \$125.16      | \$1,794,316         | 0.996       | 1.1528                      | 1.0400                              | \$2.18         |
| <b>Total</b>                     | <b>\$129,085,218</b>  | <b>1,109,744</b> |                         |               | <b>\$57,057,737</b> |             |                             |                                     | <b>\$70.50</b> |
| Administrative Adjustment        |                       |                  |                         |               |                     |             |                             |                                     | 1.1111         |
| Per Capita Cost                  |                       |                  |                         |               |                     |             |                             |                                     | \$78.34        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                     |             |                             |                                     | \$68.81        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| <b>Medicaid (TANF &amp; Related)</b> |                       |                 |                         |               |                     |             |                             |                                     |                 |
|--------------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| <b>Ages 45 - 64</b>                  |                       |                 |                         |               |                     |             |                             |                                     |                 |
|                                      | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                 | 199,370               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>              |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics                | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                       | \$263,849             | 5,977           | 1.000                   | \$44.14       | \$263,849           | 1.000       | 1.0025                      | 1.0400                              | \$1.38          |
| Pharmacy                             | \$10,132,963          | 369,281         | 0.782                   | \$21.47       | \$7,926,942         | 1.000       | 1.2221                      | 1.1940                              | \$58.02         |
| Home Health Care                     | \$340,460             | 949             | 0.900                   | \$322.79      | \$306,414           | 1.000       | 1.1315                      | 1.0400                              | \$1.81          |
| IP - Maternity                       | \$250,977             | 93              | 0.350                   | \$942.23      | \$87,842            | 0.996       | 1.1361                      | 1.0000                              | \$0.50          |
| IP - Newborn                         | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                           | \$26,305,906          | 10,100          | 0.350                   | \$911.57      | \$9,207,067         | 0.996       | 1.1361                      | 1.0000                              | \$52.26         |
| OP - Emergency Room                  | \$2,790,938           | 5,294           | 0.350                   | \$184.53      | \$976,828           | 0.996       | 1.2624                      | 1.0400                              | \$6.41          |
| OP - Other                           | \$16,319,536          | 21,490          | 0.350                   | \$265.79      | \$5,711,838         | 0.996       | 1.2624                      | 1.0400                              | \$37.46         |
| Prof - Anesthesia                    | \$1,595,812           | 23,809          | 0.502                   | \$33.65       | \$801,098           | 0.996       | 1.1528                      | 1.0400                              | \$4.80          |
| Prof - Digestive System              | \$1,118,519           | 1,733           | 0.302                   | \$194.66      | \$337,366           | 0.996       | 1.1528                      | 1.0400                              | \$2.02          |
| Prof - Ears/Nose/Throat              | \$1,389,346           | 1,693           | 0.331                   | \$271.79      | \$460,167           | 0.996       | 1.1528                      | 1.0400                              | \$2.76          |
| Prof - Evaluation & Management       | \$11,287,580          | 182,067         | 0.512                   | \$31.74       | \$5,778,655         | 0.996       | 1.1528                      | 1.0400                              | \$34.61         |
| Prof - Female Genital                | \$550,993             | 864             | 0.373                   | \$237.73      | \$205,413           | 0.996       | 1.1528                      | 1.0400                              | \$1.23          |
| Prof - Integumentary System          | \$431,776             | 2,045           | 0.306                   | \$64.64       | \$132,189           | 0.996       | 1.1528                      | 1.0400                              | \$0.79          |
| Prof - Laparoscopy                   | \$419,573             | 291             | 0.392                   | \$565.74      | \$164,449           | 0.996       | 1.1528                      | 1.0400                              | \$0.98          |
| Prof - Male Genital                  | \$34,693              | 71              | 0.388                   | \$189.34      | \$13,476            | 0.996       | 1.1528                      | 1.0400                              | \$0.08          |
| Prof - Maternity                     | \$42,639              | 44              | 0.512                   | \$494.96      | \$21,829            | 0.996       | 1.1528                      | 1.0400                              | \$0.13          |
| Prof - Musculoskeletal System        | \$1,424,825           | 2,816           | 0.291                   | \$147.46      | \$415,170           | 0.996       | 1.1528                      | 1.0400                              | \$2.49          |
| Prof - Other                         | \$259,360             | 23,152          | 0.502                   | \$5.62        | \$130,199           | 0.996       | 1.1528                      | 1.0400                              | \$0.78          |
| Prof - Respiratory/Cardiology        | \$1,163,286           | 11,584          | 0.312                   | \$31.36       | \$363,264           | 0.996       | 1.1528                      | 1.0400                              | \$2.18          |
| Prof - Urinary                       | \$406,468             | 713             | 0.260                   | \$148.38      | \$105,752           | 0.996       | 1.1528                      | 1.0400                              | \$0.63          |
| DME/Supplies                         | \$649,527             | 5,118           | 0.900                   | \$114.22      | \$584,574           | 0.996       | 1.1528                      | 1.0400                              | \$3.50          |
| Lab                                  | \$1,843,539           | 68,287          | 0.333                   | \$8.99        | \$613,752           | 0.996       | 1.1528                      | 1.0400                              | \$3.68          |
| Radiology                            | \$3,641,520           | 35,408          | 0.269                   | \$27.62       | \$978,150           | 0.996       | 1.1528                      | 1.0400                              | \$5.86          |
| Transportation/Ambulance             | \$650,906             | 7,780           | 0.900                   | \$75.29       | \$585,815           | 0.996       | 1.1528                      | 1.0400                              | \$3.51          |
| <b>Total</b>                         | <b>\$83,314,991</b>   | <b>780,660</b>  |                         |               | <b>\$36,172,097</b> |             |                             |                                     | <b>\$227.85</b> |
| Administrative Adjustment            |                       |                 |                         |               |                     |             |                             |                                     | 1.1111          |
| Per Capita Cost                      |                       |                 |                         |               |                     |             |                             |                                     | \$253.17        |
| Per Capita Cost without Pharmacy     |                       |                 |                         |               |                     |             |                             |                                     | \$188.71        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Medicaid (TANF & Related)<br>Age Over 65 |                       |                 |                         |               |                    |             |                             |                                     |                 |
|--|-----------------------|-----------------|-------------------------|---------------|--------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims    | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>                     | 71,322                |                 |                         |               |                    |             |                             |                                     |                 |
| <b>Service Category</b>                  |                       |                 |                         |               |                    |             |                             |                                     |                 |
| Dental - Orthodontics                    | \$0                   | 0               | 1.000                   | \$0.00        | \$0                | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                           | \$19,724              | 533             | 1.000                   | \$36.99       | \$19,724           | 1.000       | 1.0025                      | 1.0400                              | \$0.29          |
| Pharmacy                                 | \$3,779,553           | 151,038         | 0.782                   | \$19.58       | \$2,956,716        | 1.000       | 1.2221                      | 1.1940                              | \$60.49         |
| Home Health Care                         | \$190,391             | 632             | 0.900                   | \$270.98      | \$171,352          | 1.000       | 1.1315                      | 1.0400                              | \$2.83          |
| IP - Maternity                           | \$0                   | 0               | 0.350                   | \$0.00        | \$0                | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Newborn                             | \$0                   | 0               | 0.350                   | \$0.00        | \$0                | 0.996       | 1.1361                      | 1.0000                              | \$0.00          |
| IP - Other                               | \$8,309,818           | 3,741           | 0.350                   | \$777.49      | \$2,908,436        | 0.996       | 1.1361                      | 1.0000                              | \$46.14         |
| OP - Emergency Room                      | \$294,177             | 383             | 0.350                   | \$268.89      | \$102,962          | 0.996       | 1.2624                      | 1.0400                              | \$1.89          |
| OP - Other                               | \$2,476,290           | 3,112           | 0.350                   | \$278.49      | \$866,702          | 0.996       | 1.2624                      | 1.0400                              | \$15.89         |
| Prof - Anesthesia                        | \$282,408             | 3,283           | 0.502                   | \$43.18       | \$141,769          | 0.996       | 1.1528                      | 1.0400                              | \$2.37          |
| Prof - Digestive System                  | \$215,758             | 321             | 0.302                   | \$202.87      | \$65,076           | 0.996       | 1.1528                      | 1.0400                              | \$1.09          |
| Prof - Ears/Nose/Throat                  | \$404,722             | 439             | 0.331                   | \$305.37      | \$134,048          | 0.996       | 1.1528                      | 1.0400                              | \$2.24          |
| Prof - Evaluation & Management           | \$1,839,952           | 26,776          | 0.512                   | \$35.18       | \$941,960          | 0.996       | 1.1528                      | 1.0400                              | \$15.77         |
| Prof - Female Genital                    | \$22,164              | 24              | 0.373                   | \$343.49      | \$8,263            | 0.996       | 1.1528                      | 1.0400                              | \$0.14          |
| Prof - Integumentary System              | \$57,663              | 350             | 0.306                   | \$50.47       | \$17,654           | 0.996       | 1.1528                      | 1.0400                              | \$0.30          |
| Prof - Laparoscopy                       | \$41,914              | 53              | 0.392                   | \$309.19      | \$16,428           | 0.996       | 1.1528                      | 1.0400                              | \$0.28          |
| Prof - Male Genital                      | \$10,789              | 20              | 0.388                   | \$209.10      | \$4,191            | 0.996       | 1.1528                      | 1.0400                              | \$0.07          |
| Prof - Maternity                         | \$0                   | 0               | 0.512                   | \$0.00        | \$0                | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System            | \$139,381             | 224             | 0.291                   | \$181.70      | \$40,613           | 0.996       | 1.1528                      | 1.0400                              | \$0.68          |
| Prof - Other                             | \$78,266              | 2,643           | 0.502                   | \$14.86       | \$39,290           | 0.996       | 1.1528                      | 1.0400                              | \$0.66          |
| Prof - Respiratory/Cardiology            | \$344,714             | 2,156           | 0.312                   | \$49.93       | \$107,645          | 0.996       | 1.1528                      | 1.0400                              | \$1.80          |
| Prof - Urinary                           | \$54,958              | 94              | 0.260                   | \$151.73      | \$14,299           | 0.996       | 1.1528                      | 1.0400                              | \$0.24          |
| DME/Supplies                             | \$155,694             | 1,284           | 0.900                   | \$109.14      | \$140,125          | 0.996       | 1.1528                      | 1.0400                              | \$2.35          |
| Lab                                      | \$251,642             | 9,973           | 0.333                   | \$8.40        | \$83,777           | 0.996       | 1.1528                      | 1.0400                              | \$1.40          |
| Radiology                                | \$585,607             | 5,996           | 0.269                   | \$26.23       | \$157,300          | 0.996       | 1.1528                      | 1.0400                              | \$2.63          |
| Transportation/Ambulance                 | \$294,919             | 3,980           | 0.900                   | \$66.69       | \$265,427          | 0.996       | 1.1528                      | 1.0400                              | \$4.44          |
| <b>Total</b>                             | <b>\$19,850,506</b>   | <b>217,055</b>  |                         |               | <b>\$9,203,757</b> |             |                             |                                     | <b>\$163.99</b> |
| Administrative Adjustment                |                       |                 |                         |               |                    |             |                             |                                     | 1.1111          |
| Per Capita Cost                          |                       |                 |                         |               |                    |             |                             |                                     | \$182.21        |
| Per Capita Cost without Pharmacy         |                       |                 |                         |               |                    |             |                             |                                     | \$115.00        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsured<br>Ages 1 - 13         |                       |                  |                         |               |                     |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 2,150,992             |                  |                         |               |                     |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                     |             |                             |                                     |                |
| Dental - Orthodontics            | \$178,602             | 591              | 1.000                   | \$302.04      | \$178,602           | 1.000       | 1.0025                      | 1.0400                              | \$0.09         |
| Dental - Other                   | \$15,438,325          | 396,065          | 1.000                   | \$38.98       | \$15,438,325        | 1.000       | 1.0025                      | 1.0400                              | \$7.48         |
| Pharmacy                         | \$12,302,812          | 629,652          | 0.782                   | \$15.29       | \$9,624,399         | 1.000       | 1.2221                      | 1.1940                              | \$6.53         |
| Home Health Care                 | \$625,574             | 2,605            | 0.900                   | \$216.14      | \$563,017           | 1.000       | 1.1315                      | 1.0400                              | \$0.31         |
| IP - Maternity                   | \$20,387              | 10               | 0.350                   | \$711.79      | \$7,135             | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$20,377,929          | 10,337           | 0.350                   | \$689.99      | \$7,132,275         | 0.996       | 1.1311                      | 1.0000                              | \$3.74         |
| OP - Emergency Room              | \$9,530,456           | 36,268           | 0.350                   | \$91.97       | \$3,335,659         | 0.996       | 1.2624                      | 1.0400                              | \$2.03         |
| OP - Other                       | \$33,281,569          | 67,557           | 0.350                   | \$172.43      | \$11,648,549        | 0.996       | 1.2624                      | 1.0400                              | \$7.08         |
| Prof - Anesthesia                | \$4,811,129           | 82,242           | 0.502                   | \$29.37       | \$2,415,187         | 0.996       | 1.1528                      | 1.0400                              | \$1.34         |
| Prof - Digestive System          | \$2,365,367           | 3,846            | 0.302                   | \$185.50      | \$713,437           | 0.996       | 1.1528                      | 1.0400                              | \$0.40         |
| Prof - Ears/Nose/Throat          | \$3,417,788           | 8,529            | 0.331                   | \$132.72      | \$1,132,009         | 0.996       | 1.1528                      | 1.0400                              | \$0.63         |
| Prof - Evaluation & Management   | \$45,113,323          | 1,045,268        | 0.512                   | \$22.10       | \$23,095,679        | 0.996       | 1.1528                      | 1.0400                              | \$12.82        |
| Prof - Female Genital            | \$17,522              | 70               | 0.373                   | \$93.11       | \$6,532             | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,388,066           | 9,971            | 0.306                   | \$42.62       | \$424,958           | 0.996       | 1.1528                      | 1.0400                              | \$0.24         |
| Prof - Laparoscopy               | \$109,912             | 81               | 0.392                   | \$530.62      | \$43,079            | 0.996       | 1.1528                      | 1.0400                              | \$0.02         |
| Prof - Male Genital              | \$485,904             | 628              | 0.388                   | \$300.33      | \$188,745           | 0.996       | 1.1528                      | 1.0400                              | \$0.10         |
| Prof - Maternity                 | \$16,145              | 19               | 0.512                   | \$433.88      | \$8,266             | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Musculoskeletal System    | \$1,913,637           | 4,336            | 0.291                   | \$128.60      | \$557,602           | 0.996       | 1.1528                      | 1.0400                              | \$0.31         |
| Prof - Other                     | \$1,744,923           | 63,520           | 0.502                   | \$13.79       | \$875,951           | 0.996       | 1.1528                      | 1.0400                              | \$0.49         |
| Prof - Respiratory/Cardiology    | \$1,076,386           | 22,325           | 0.312                   | \$15.06       | \$336,127           | 0.996       | 1.1528                      | 1.0400                              | \$0.19         |
| Prof - Urinary                   | \$413,122             | 1,225            | 0.260                   | \$87.75       | \$107,483           | 0.996       | 1.1528                      | 1.0400                              | \$0.06         |
| DME/Supplies                     | \$1,020,765           | 10,726           | 0.900                   | \$85.65       | \$918,688           | 0.996       | 1.1528                      | 1.0400                              | \$0.51         |
| Lab                              | \$3,848,760           | 186,192          | 0.333                   | \$6.88        | \$1,281,332         | 0.996       | 1.1528                      | 1.0400                              | \$0.71         |
| Radiology                        | \$3,835,961           | 67,462           | 0.269                   | \$15.27       | \$1,030,379         | 0.996       | 1.1528                      | 1.0400                              | \$0.57         |
| Transportation/Ambulance         | \$903,413             | 6,064            | 0.900                   | \$134.08      | \$813,072           | 0.996       | 1.1528                      | 1.0400                              | \$0.45         |
| <b>Total</b>                     | <b>\$164,237,779</b>  | <b>2,655,590</b> |                         |               | <b>\$81,876,489</b> |             |                             |                                     | <b>\$46.10</b> |
| Administrative Adjustment        |                       |                  |                         |               |                     |             |                             |                                     | 1.1111         |
| Per Capita Cost                  |                       |                  |                         |               |                     |             |                             |                                     | \$51.22        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                     |             |                             |                                     | \$43.97        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsured<br>Ages 14 - 44 Female |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 2,066,979             |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$168,497             | 694              | 1.000                   | \$242.93      | \$168,497            | 1.000       | 1.0025                      | 1.0400                              | \$0.08          |
| Dental - Other                   | \$9,459,831           | 178,010          | 1.000                   | \$53.14       | \$9,459,831          | 1.000       | 1.0025                      | 1.0400                              | \$4.77          |
| Pharmacy                         | \$36,612,252          | 1,655,089        | 0.782                   | \$17.31       | \$28,641,493         | 1.000       | 1.2221                      | 1.1940                              | \$20.22         |
| Home Health Care                 | \$1,095,948           | 2,863            | 0.900                   | \$344.55      | \$986,353            | 1.000       | 1.1315                      | 1.0400                              | \$0.56          |
| IP - Maternity                   | \$30,583,481          | 16,689           | 0.350                   | \$641.41      | \$10,704,218         | 0.996       | 1.1311                      | 1.0000                              | \$5.83          |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$59,849,621          | 23,031           | 0.350                   | \$909.54      | \$20,947,367         | 0.996       | 1.1311                      | 1.0000                              | \$11.42         |
| OP - Emergency Room              | \$20,160,351          | 49,498           | 0.350                   | \$142.55      | \$7,056,123          | 0.996       | 1.2624                      | 1.0400                              | \$4.46          |
| OP - Other                       | \$97,292,314          | 155,738          | 0.350                   | \$218.65      | \$34,052,310         | 0.996       | 1.2624                      | 1.0400                              | \$21.54         |
| Prof - Anesthesia                | \$13,194,374          | 189,490          | 0.502                   | \$34.95       | \$6,623,576          | 0.996       | 1.1528                      | 1.0400                              | \$3.83          |
| Prof - Digestive System          | \$4,197,716           | 6,927            | 0.302                   | \$182.77      | \$1,266,107          | 0.996       | 1.1528                      | 1.0400                              | \$0.73          |
| Prof - Ears/Nose/Throat          | \$4,098,713           | 6,742            | 0.331                   | \$201.34      | \$1,357,539          | 0.996       | 1.1528                      | 1.0400                              | \$0.78          |
| Prof - Evaluation & Management   | \$67,040,467          | 1,223,503        | 0.512                   | \$28.05       | \$34,321,238         | 0.996       | 1.1528                      | 1.0400                              | \$19.83         |
| Prof - Female Genital            | \$6,276,943           | 14,714           | 0.373                   | \$159.04      | \$2,340,075          | 0.996       | 1.1528                      | 1.0400                              | \$1.35          |
| Prof - Integumentary System      | \$2,973,425           | 16,772           | 0.306                   | \$54.28       | \$910,318            | 0.996       | 1.1528                      | 1.0400                              | \$0.53          |
| Prof - Laparoscopy               | \$7,946,741           | 6,654            | 0.392                   | \$468.10      | \$3,114,677          | 0.996       | 1.1528                      | 1.0400                              | \$1.80          |
| Prof - Male Genital              | \$0                   | 0                | 0.388                   | \$0.00        | \$0                  | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                 | \$16,003,264          | 26,354           | 0.512                   | \$310.88      | \$8,192,840          | 0.996       | 1.1528                      | 1.0400                              | \$4.73          |
| Prof - Musculoskeletal System    | \$6,849,444           | 13,148           | 0.291                   | \$151.80      | \$1,995,812          | 0.996       | 1.1528                      | 1.0400                              | \$1.15          |
| Prof - Other                     | \$1,588,337           | 55,415           | 0.502                   | \$14.39       | \$797,345            | 0.996       | 1.1528                      | 1.0400                              | \$0.46          |
| Prof - Respiratory/Cardiology    | \$3,085,153           | 68,600           | 0.312                   | \$14.04       | \$963,413            | 0.996       | 1.1528                      | 1.0400                              | \$0.56          |
| Prof - Urinary                   | \$1,615,071           | 3,568            | 0.260                   | \$117.76      | \$420,198            | 0.996       | 1.1528                      | 1.0400                              | \$0.24          |
| DME/Supplies                     | \$1,771,873           | 14,554           | 0.900                   | \$109.57      | \$1,594,686          | 0.996       | 1.1528                      | 1.0400                              | \$0.92          |
| Lab                              | \$16,666,929          | 620,721          | 0.333                   | \$8.94        | \$5,548,766          | 0.996       | 1.1528                      | 1.0400                              | \$3.21          |
| Radiology                        | \$20,867,262          | 206,583          | 0.269                   | \$27.13       | \$5,605,165          | 0.996       | 1.1528                      | 1.0400                              | \$3.24          |
| Transportation/Ambulance         | \$3,140,408           | 27,206           | 0.900                   | \$103.89      | \$2,826,367          | 0.996       | 1.1528                      | 1.0400                              | \$1.63          |
| <b>Total</b>                     | <b>\$432,538,418</b>  | <b>4,582,562</b> |                         |               | <b>\$189,894,315</b> |             |                             |                                     | <b>\$113.89</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$126.54        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$104.07        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsured<br>Ages 14 - 44 Male   |                       |                  |                         |               |                     |             |                             |                                     |                |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 1,539,590             |                  |                         |               |                     |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                  |                         |               |                     |             |                             |                                     |                |
| Dental - Orthodontics            | \$117,772             | 501              | 1.000                   | \$235.03      | \$117,772           | 1.000       | 1.0025                      | 1.0400                              | \$0.08         |
| Dental - Other                   | \$5,652,151           | 107,679          | 1.000                   | \$52.49       | \$5,652,151         | 1.000       | 1.0025                      | 1.0400                              | \$3.83         |
| Pharmacy                         | \$19,581,368          | 635,920          | 0.782                   | \$24.09       | \$15,318,359        | 1.000       | 1.2221                      | 1.1940                              | \$14.52        |
| Home Health Care                 | \$1,035,537           | 2,265            | 0.900                   | \$411.47      | \$931,983           | 1.000       | 1.1315                      | 1.0400                              | \$0.71         |
| IP - Maternity                   | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$52,968,317          | 18,392           | 0.350                   | \$1,007.99    | \$18,538,911        | 0.996       | 1.1311                      | 1.0000                              | \$13.57        |
| OP - Emergency Room              | \$12,873,011          | 30,676           | 0.350                   | \$146.87      | \$4,505,554         | 0.996       | 1.2624                      | 1.0400                              | \$3.83         |
| OP - Other                       | \$43,639,798          | 64,834           | 0.350                   | \$235.59      | \$15,273,929        | 0.996       | 1.2624                      | 1.0400                              | \$12.97        |
| Prof - Anesthesia                | \$3,973,985           | 65,336           | 0.502                   | \$30.53       | \$1,994,941         | 0.996       | 1.1528                      | 1.0400                              | \$1.55         |
| Prof - Digestive System          | \$2,664,164           | 4,713            | 0.302                   | \$170.48      | \$803,560           | 0.996       | 1.1528                      | 1.0400                              | \$0.62         |
| Prof - Ears/Nose/Throat          | \$3,206,283           | 4,486            | 0.331                   | \$236.75      | \$1,061,956         | 0.996       | 1.1528                      | 1.0400                              | \$0.82         |
| Prof - Evaluation & Management   | \$29,237,109          | 479,819          | 0.512                   | \$31.19       | \$14,967,881        | 0.996       | 1.1528                      | 1.0400                              | \$11.61        |
| Prof - Female Genital            | \$0                   | 0                | 0.373                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$1,886,467           | 11,715           | 0.306                   | \$49.30       | \$577,544           | 0.996       | 1.1528                      | 1.0400                              | \$0.45         |
| Prof - Laparoscopy               | \$624,883             | 386              | 0.392                   | \$634.65      | \$244,919           | 0.996       | 1.1528                      | 1.0400                              | \$0.19         |
| Prof - Male Genital              | \$285,440             | 583              | 0.388                   | \$190.05      | \$110,877           | 0.996       | 1.1528                      | 1.0400                              | \$0.09         |
| Prof - Maternity                 | \$0                   | 0                | 0.512                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Musculoskeletal System    | \$6,715,975           | 11,147           | 0.291                   | \$175.55      | \$1,956,922         | 0.996       | 1.1528                      | 1.0400                              | \$1.52         |
| Prof - Other                     | \$796,259             | 26,356           | 0.502                   | \$15.17       | \$399,722           | 0.996       | 1.1528                      | 1.0400                              | \$0.31         |
| Prof - Respiratory/Cardiology    | \$2,313,475           | 22,966           | 0.312                   | \$31.46       | \$722,438           | 0.996       | 1.1528                      | 1.0400                              | \$0.56         |
| Prof - Urinary                   | \$781,859             | 1,020            | 0.260                   | \$199.36      | \$203,419           | 0.996       | 1.1528                      | 1.0400                              | \$0.16         |
| DME/Supplies                     | \$1,491,836           | 10,053           | 0.900                   | \$133.56      | \$1,342,652         | 0.996       | 1.1528                      | 1.0400                              | \$1.04         |
| Lab                              | \$3,423,076           | 132,019          | 0.333                   | \$8.63        | \$1,139,613         | 0.996       | 1.1528                      | 1.0400                              | \$0.88         |
| Radiology                        | \$8,394,838           | 106,718          | 0.269                   | \$21.13       | \$2,254,941         | 0.996       | 1.1528                      | 1.0400                              | \$1.75         |
| Transportation/Ambulance         | \$2,796,868           | 20,354           | 0.900                   | \$123.67      | \$2,517,181         | 0.996       | 1.1528                      | 1.0400                              | \$1.95         |
| <b>Total</b>                     | <b>\$204,460,470</b>  | <b>1,757,939</b> |                         |               | <b>\$90,637,224</b> |             |                             |                                     | <b>\$73.00</b> |
| Administrative Adjustment        |                       |                  |                         |               |                     |             |                             |                                     | 1.1111         |
| Per Capita Cost                  |                       |                  |                         |               |                     |             |                             |                                     | \$81.11        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                     |             |                             |                                     | \$64.98        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsured<br>Ages 45 - 64        |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 1,266,040             |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$991,215             | 25,018           | 1.000                   | \$39.62       | \$991,215            | 1.000       | 1.0025                      | 1.0400                              | \$0.82          |
| Pharmacy                         | \$73,679,193          | 2,517,123        | 0.782                   | \$22.90       | \$57,638,686         | 1.000       | 1.2221                      | 1.1940                              | \$66.43         |
| Home Health Care                 | \$2,570,067           | 6,246            | 0.900                   | \$370.30      | \$2,313,060          | 1.000       | 1.1315                      | 1.0400                              | \$2.15          |
| IP - Maternity                   | \$380,333             | 124              | 0.350                   | \$1,071.05    | \$133,116            | 0.996       | 1.1311                      | 1.0000                              | \$0.12          |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$143,741,379         | 53,512           | 0.350                   | \$940.16      | \$50,309,483         | 0.996       | 1.1311                      | 1.0000                              | \$44.77         |
| OP - Emergency Room              | \$12,465,403          | 20,636           | 0.350                   | \$211.42      | \$4,362,891          | 0.996       | 1.2624                      | 1.0400                              | \$4.51          |
| OP - Other                       | \$98,554,476          | 131,162          | 0.350                   | \$262.99      | \$34,494,067         | 0.996       | 1.2624                      | 1.0400                              | \$35.63         |
| Prof - Anesthesia                | \$9,388,940           | 137,718          | 0.502                   | \$34.22       | \$4,713,248          | 0.996       | 1.1528                      | 1.0400                              | \$4.45          |
| Prof - Digestive System          | \$7,537,069           | 12,338           | 0.302                   | \$184.25      | \$2,273,316          | 0.996       | 1.1528                      | 1.0400                              | \$2.14          |
| Prof - Ears/Nose/Throat          | \$8,131,451           | 10,387           | 0.331                   | \$259.28      | \$2,693,225          | 0.996       | 1.1528                      | 1.0400                              | \$2.54          |
| Prof - Evaluation & Management   | \$64,163,413          | 1,060,773        | 0.512                   | \$30.97       | \$32,848,336         | 0.996       | 1.1528                      | 1.0400                              | \$30.98         |
| Prof - Female Genital            | \$2,360,660           | 3,553            | 0.373                   | \$247.67      | \$880,066            | 0.996       | 1.1528                      | 1.0400                              | \$0.83          |
| Prof - Integumentary System      | \$3,437,081           | 17,756           | 0.306                   | \$59.26       | \$1,052,267          | 0.996       | 1.1528                      | 1.0400                              | \$0.99          |
| Prof - Laparoscopy               | \$2,628,380           | 1,828            | 0.392                   | \$563.44      | \$1,030,177          | 0.996       | 1.1528                      | 1.0400                              | \$0.97          |
| Prof - Male Genital              | \$247,691             | 385              | 0.388                   | \$249.99      | \$96,213             | 0.996       | 1.1528                      | 1.0400                              | \$0.09          |
| Prof - Maternity                 | \$20,556              | 55               | 0.512                   | \$190.89      | \$10,524             | 0.996       | 1.1528                      | 1.0400                              | \$0.01          |
| Prof - Musculoskeletal System    | \$7,981,879           | 15,673           | 0.291                   | \$148.40      | \$2,325,785          | 0.996       | 1.1528                      | 1.0400                              | \$2.19          |
| Prof - Other                     | \$1,495,772           | 45,543           | 0.502                   | \$16.49       | \$750,878            | 0.996       | 1.1528                      | 1.0400                              | \$0.71          |
| Prof - Respiratory/Cardiology    | \$8,787,015           | 82,293           | 0.312                   | \$33.34       | \$2,743,956          | 0.996       | 1.1528                      | 1.0400                              | \$2.59          |
| Prof - Urinary                   | \$2,204,728           | 4,372            | 0.260                   | \$131.19      | \$573,611            | 0.996       | 1.1528                      | 1.0400                              | \$0.54          |
| DME/Supplies                     | \$4,522,086           | 32,842           | 0.900                   | \$123.92      | \$4,069,877          | 0.996       | 1.1528                      | 1.0400                              | \$3.84          |
| Lab                              | \$11,854,590          | 439,726          | 0.333                   | \$8.98        | \$3,946,639          | 0.996       | 1.1528                      | 1.0400                              | \$3.72          |
| Radiology                        | \$21,802,307          | 209,088          | 0.269                   | \$28.01       | \$5,856,328          | 0.996       | 1.1528                      | 1.0400                              | \$5.52          |
| Transportation/Ambulance         | \$3,310,710           | 36,313           | 0.900                   | \$82.05       | \$2,979,639          | 0.996       | 1.1528                      | 1.0400                              | \$2.81          |
| <b>Total</b>                     | <b>\$492,256,394</b>  | <b>4,864,465</b> |                         |               | <b>\$219,086,600</b> |             |                             |                                     | <b>\$219.35</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$243.72        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$169.91        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsured<br>Age Over 65         |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 167,018               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$69,163              | 1,987           | 1.000                   | \$34.82       | \$69,163            | 1.000       | 1.0025                      | 1.0400                              | \$0.43          |
| Pharmacy                         | \$13,583,471          | 478,605         | 0.782                   | \$22.20       | \$10,626,249        | 1.000       | 1.2221                      | 1.1940                              | \$92.84         |
| Home Health Care                 | \$296,585             | 1,105           | 0.900                   | \$241.46      | \$266,926           | 1.000       | 1.1315                      | 1.0400                              | \$1.88          |
| IP - Maternity                   | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1311                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$10,974,351          | 4,572           | 0.350                   | \$840.17      | \$3,841,023         | 0.996       | 1.1311                      | 1.0000                              | \$25.91         |
| OP - Emergency Room              | \$562,035             | 850             | 0.350                   | \$231.42      | \$196,712           | 0.996       | 1.2624                      | 1.0400                              | \$1.54          |
| OP - Other                       | \$5,900,037           | 7,829           | 0.350                   | \$263.77      | \$2,065,013         | 0.996       | 1.2624                      | 1.0400                              | \$16.17         |
| Prof - Anesthesia                | \$667,139             | 9,073           | 0.502                   | \$36.91       | \$334,904           | 0.996       | 1.1528                      | 1.0400                              | \$2.39          |
| Prof - Digestive System          | \$553,063             | 830             | 0.302                   | \$201.00      | \$166,814           | 0.996       | 1.1528                      | 1.0400                              | \$1.19          |
| Prof - Ears/Nose/Throat          | \$862,433             | 1,175           | 0.331                   | \$243.18      | \$285,647           | 0.996       | 1.1528                      | 1.0400                              | \$2.04          |
| Prof - Evaluation & Management   | \$4,837,820           | 76,183          | 0.512                   | \$32.51       | \$2,476,713         | 0.996       | 1.1528                      | 1.0400                              | \$17.71         |
| Prof - Female Genital            | \$143,376             | 175             | 0.373                   | \$304.74      | \$53,451            | 0.996       | 1.1528                      | 1.0400                              | \$0.38          |
| Prof - Integumentary System      | \$227,730             | 1,407           | 0.306                   | \$49.55       | \$69,720            | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| Prof - Laparoscopy               | \$98,785              | 64              | 0.392                   | \$603.62      | \$38,718            | 0.996       | 1.1528                      | 1.0400                              | \$0.28          |
| Prof - Male Genital              | \$32,874              | 50              | 0.388                   | \$254.79      | \$12,770            | 0.996       | 1.1528                      | 1.0400                              | \$0.09          |
| Prof - Maternity                 | \$0                   | 0               | 0.512                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$424,198             | 777             | 0.291                   | \$159.13      | \$123,604           | 0.996       | 1.1528                      | 1.0400                              | \$0.88          |
| Prof - Other                     | \$142,608             | 4,471           | 0.502                   | \$16.01       | \$71,589            | 0.996       | 1.1528                      | 1.0400                              | \$0.51          |
| Prof - Respiratory/Cardiology    | \$888,040             | 6,363           | 0.312                   | \$43.58       | \$277,312           | 0.996       | 1.1528                      | 1.0400                              | \$1.98          |
| Prof - Urinary                   | \$152,999             | 328             | 0.260                   | \$121.46      | \$39,806            | 0.996       | 1.1528                      | 1.0400                              | \$0.28          |
| DME/Supplies                     | \$689,119             | 4,409           | 0.900                   | \$140.67      | \$620,207           | 0.996       | 1.1528                      | 1.0400                              | \$4.43          |
| Lab                              | \$777,910             | 30,154          | 0.333                   | \$8.59        | \$258,982           | 0.996       | 1.1528                      | 1.0400                              | \$1.85          |
| Radiology                        | \$1,583,866           | 14,801          | 0.269                   | \$28.74       | \$425,443           | 0.996       | 1.1528                      | 1.0400                              | \$3.04          |
| Transportation/Ambulance         | \$490,591             | 8,803           | 0.900                   | \$50.16       | \$441,532           | 0.996       | 1.1528                      | 1.0400                              | \$3.16          |
| <b>Total</b>                     | <b>\$43,958,193</b>   | <b>654,009</b>  |                         |               | <b>\$22,762,298</b> |             |                             |                                     | <b>\$179.50</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$199.44        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$96.29         |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsurable<br>Ages 1 - 13       |                       |                 |                         |               |                    |             |                             |                                     |                |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|--------------------|-------------|-----------------------------|-------------------------------------|----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims    | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM           |
| <b>Member Months</b>             | 133,706               |                 |                         |               |                    |             |                             |                                     |                |
| <b>Service Category</b>          |                       |                 |                         |               |                    |             |                             |                                     |                |
| Dental - Orthodontics            | \$12,017              | 23              | 1.000                   | \$521.31      | \$12,017           | 1.000       | 1.0025                      | 1.0400                              | \$0.09         |
| Dental - Other                   | \$1,008,560           | 25,994          | 1.000                   | \$38.80       | \$1,008,560        | 1.000       | 1.0025                      | 1.0400                              | \$7.86         |
| Pharmacy                         | \$1,519,295           | 42,946          | 0.782                   | \$27.67       | \$1,188,533        | 1.000       | 1.2221                      | 1.1940                              | \$12.97        |
| Home Health Care                 | \$450,802             | 713             | 0.900                   | \$569.33      | \$405,721          | 1.000       | 1.1315                      | 1.0400                              | \$3.57         |
| IP - Maternity                   | \$3,204               | 2               | 0.350                   | \$559.13      | \$1,121            | 0.996       | 1.1509                      | 1.0000                              | \$0.01         |
| IP - Newborn                     | \$0                   | 0               | 0.350                   | \$0.00        | \$0                | 0.996       | 1.1509                      | 1.0000                              | \$0.00         |
| IP - Other                       | \$2,339,653           | 1,511           | 0.350                   | \$541.98      | \$818,879          | 0.996       | 1.1509                      | 1.0000                              | \$7.02         |
| OP - Emergency Room              | \$584,426             | 2,103           | 0.350                   | \$97.26       | \$204,549          | 0.996       | 1.2624                      | 1.0400                              | \$2.00         |
| OP - Other                       | \$2,366,405           | 4,721           | 0.350                   | \$175.44      | \$828,242          | 0.996       | 1.2624                      | 1.0400                              | \$8.10         |
| Prof - Anesthesia                | \$316,770             | 6,808           | 0.502                   | \$23.36       | \$159,019          | 0.996       | 1.1528                      | 1.0400                              | \$1.42         |
| Prof - Digestive System          | \$168,348             | 402             | 0.302                   | \$126.30      | \$50,777           | 0.996       | 1.1528                      | 1.0400                              | \$0.45         |
| Prof - Ears/Nose/Throat          | \$243,468             | 409             | 0.331                   | \$197.16      | \$80,639           | 0.996       | 1.1528                      | 1.0400                              | \$0.72         |
| Prof - Evaluation & Management   | \$2,878,390           | 68,727          | 0.512                   | \$21.44       | \$1,473,586        | 0.996       | 1.1528                      | 1.0400                              | \$13.16        |
| Prof - Female Genital            | \$1,107               | 3               | 0.373                   | \$137.25      | \$413              | 0.996       | 1.1528                      | 1.0400                              | \$0.00         |
| Prof - Integumentary System      | \$97,143              | 691             | 0.306                   | \$43.06       | \$29,740           | 0.996       | 1.1528                      | 1.0400                              | \$0.27         |
| Prof - Laparoscopy               | \$12,050              | 7               | 0.392                   | \$673.05      | \$4,723            | 0.996       | 1.1528                      | 1.0400                              | \$0.04         |
| Prof - Male Genital              | \$14,071              | 21              | 0.388                   | \$259.61      | \$5,466            | 0.996       | 1.1528                      | 1.0400                              | \$0.05         |
| Prof - Maternity                 | \$2,508               | 1               | 0.512                   | \$1,280.27    | \$1,284            | 0.996       | 1.1528                      | 1.0400                              | \$0.01         |
| Prof - Musculoskeletal System    | \$200,292             | 330             | 0.291                   | \$176.97      | \$58,362           | 0.996       | 1.1528                      | 1.0400                              | \$0.52         |
| Prof - Other                     | \$122,693             | 4,043           | 0.502                   | \$15.24       | \$61,592           | 0.996       | 1.1528                      | 1.0400                              | \$0.55         |
| Prof - Respiratory/Cardiology    | \$153,667             | 1,517           | 0.312                   | \$31.64       | \$47,986           | 0.996       | 1.1528                      | 1.0400                              | \$0.43         |
| Prof - Urinary                   | \$40,457              | 71              | 0.260                   | \$147.88      | \$10,526           | 0.996       | 1.1528                      | 1.0400                              | \$0.09         |
| DME/Supplies                     | \$229,063             | 1,286           | 0.900                   | \$160.30      | \$206,156          | 0.996       | 1.1528                      | 1.0400                              | \$1.84         |
| Lab                              | \$254,436             | 12,228          | 0.333                   | \$6.93        | \$84,707           | 0.996       | 1.1528                      | 1.0400                              | \$0.76         |
| Radiology                        | \$281,677             | 4,827           | 0.269                   | \$15.68       | \$75,661           | 0.996       | 1.1528                      | 1.0400                              | \$0.68         |
| Transportation/Ambulance         | \$75,300              | 531             | 0.900                   | \$127.55      | \$67,770           | 0.996       | 1.1528                      | 1.0400                              | \$0.61         |
| <b>Total</b>                     | <b>\$13,375,802</b>   | <b>179,914</b>  |                         |               | <b>\$6,886,030</b> |             |                             |                                     | <b>\$63.23</b> |
| Administrative Adjustment        |                       |                 |                         |               |                    |             |                             |                                     | 1.1111         |
| Per Capita Cost                  |                       |                 |                         |               |                    |             |                             |                                     | \$70.25        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                    |             |                             |                                     | \$55.84        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsurable<br>Ages 14 - 44 Female |                       |                  |                         |               |                     |             |                             |                                     |                 |
|------------------------------------|-----------------------|------------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                    | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>               | 446,703               |                  |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>            |                       |                  |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics              | \$17,698              | 71               | 1.000                   | \$248.68      | \$17,698            | 1.000       | 1.0025                      | 1.0400                              | \$0.04          |
| Dental - Other                     | \$1,389,949           | 27,498           | 1.000                   | \$50.55       | \$1,389,949         | 1.000       | 1.0025                      | 1.0400                              | \$3.24          |
| Pharmacy                           | \$15,034,982          | 527,398          | 0.782                   | \$22.30       | \$11,761,755        | 1.000       | 1.2221                      | 1.1940                              | \$38.42         |
| Home Health Care                   | \$1,093,411           | 2,627            | 0.900                   | \$374.61      | \$984,070           | 1.000       | 1.1315                      | 1.0400                              | \$2.59          |
| IP - Maternity                     | \$5,881,036           | 3,484            | 0.350                   | \$590.75      | \$2,058,363         | 0.996       | 1.1509                      | 1.0000                              | \$5.28          |
| IP - Newborn                       | \$0                   | 0                | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                         | \$37,282,813          | 14,796           | 0.350                   | \$881.94      | \$13,048,985        | 0.996       | 1.1509                      | 1.0000                              | \$33.49         |
| OP - Emergency Room                | \$6,627,158           | 14,753           | 0.350                   | \$157.22      | \$2,319,505         | 0.996       | 1.2624                      | 1.0400                              | \$6.79          |
| OP - Other                         | \$35,757,207          | 49,500           | 0.350                   | \$252.83      | \$12,515,022        | 0.996       | 1.2624                      | 1.0400                              | \$36.64         |
| Prof - Anesthesia                  | \$4,598,813           | 87,474           | 0.502                   | \$26.39       | \$2,308,604         | 0.996       | 1.1528                      | 1.0400                              | \$6.17          |
| Prof - Digestive System            | \$2,095,718           | 3,401            | 0.302                   | \$185.85      | \$632,106           | 0.996       | 1.1528                      | 1.0400                              | \$1.69          |
| Prof - Ears/Nose/Throat            | \$2,267,725           | 3,158            | 0.331                   | \$237.80      | \$751,095           | 0.996       | 1.1528                      | 1.0400                              | \$2.01          |
| Prof - Evaluation & Management     | \$21,398,812          | 378,408          | 0.512                   | \$28.95       | \$10,955,080        | 0.996       | 1.1528                      | 1.0400                              | \$29.28         |
| Prof - Female Genital              | \$2,388,324           | 4,083            | 0.373                   | \$218.09      | \$890,379           | 0.996       | 1.1528                      | 1.0400                              | \$2.38          |
| Prof - Integumentary System        | \$1,279,862           | 5,474            | 0.306                   | \$71.58       | \$391,831           | 0.996       | 1.1528                      | 1.0400                              | \$1.05          |
| Prof - Laparoscopy                 | \$2,628,848           | 2,310            | 0.392                   | \$446.13      | \$1,030,361         | 0.996       | 1.1528                      | 1.0400                              | \$2.75          |
| Prof - Male Genital                | \$0                   | 0                | 0.388                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Maternity                   | \$2,702,807           | 4,704            | 0.512                   | \$294.14      | \$1,383,697         | 0.996       | 1.1528                      | 1.0400                              | \$3.70          |
| Prof - Musculoskeletal System      | \$2,962,183           | 5,052            | 0.291                   | \$170.86      | \$863,130           | 0.996       | 1.1528                      | 1.0400                              | \$2.31          |
| Prof - Other                       | \$369,409             | 11,250           | 0.502                   | \$16.48       | \$185,444           | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| Prof - Respiratory/Cardiology      | \$1,349,793           | 23,409           | 0.312                   | \$18.01       | \$421,505           | 0.996       | 1.1528                      | 1.0400                              | \$1.13          |
| Prof - Urinary                     | \$712,513             | 1,543            | 0.260                   | \$120.17      | \$185,377           | 0.996       | 1.1528                      | 1.0400                              | \$0.50          |
| DME/Supplies                       | \$1,159,976           | 8,049            | 0.900                   | \$129.71      | \$1,043,978         | 0.996       | 1.1528                      | 1.0400                              | \$2.79          |
| Lab                                | \$5,021,235           | 171,399          | 0.333                   | \$9.75        | \$1,671,673         | 0.996       | 1.1528                      | 1.0400                              | \$4.47          |
| Radiology                          | \$7,337,390           | 68,877           | 0.269                   | \$28.61       | \$1,970,900         | 0.996       | 1.1528                      | 1.0400                              | \$5.27          |
| Transportation/Ambulance           | \$1,099,009           | 10,357           | 0.900                   | \$95.50       | \$989,108           | 0.996       | 1.1528                      | 1.0400                              | \$2.64          |
| <b>Total</b>                       | <b>\$162,456,670</b>  | <b>1,429,075</b> |                         |               | <b>\$69,769,616</b> |             |                             |                                     | <b>\$195.12</b> |
| Administrative Adjustment          |                       |                  |                         |               |                     |             |                             |                                     | 1.1111          |
| Per Capita Cost                    |                       |                  |                         |               |                     |             |                             |                                     | \$216.80        |
| Per Capita Cost without Pharmacy   |                       |                  |                         |               |                     |             |                             |                                     | \$174.11        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsurable<br>Ages 14 - 44 Male |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 452,762               |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$6,706               | 17              | 1.000                   | \$393.44      | \$6,706             | 1.000       | 1.0025                      | 1.0400                              | \$0.02          |
| Dental - Other                   | \$1,041,248           | 20,465          | 1.000                   | \$50.88       | \$1,041,248         | 1.000       | 1.0025                      | 1.0400                              | \$2.40          |
| Pharmacy                         | \$17,577,138          | 355,442         | 0.782                   | \$38.69       | \$13,750,464        | 1.000       | 1.2221                      | 1.1940                              | \$44.32         |
| Home Health Care                 | \$1,155,311           | 2,834           | 0.900                   | \$366.88      | \$1,039,780         | 1.000       | 1.1315                      | 1.0400                              | \$2.70          |
| IP - Maternity                   | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$61,254,830          | 21,670          | 0.350                   | \$989.35      | \$21,439,191        | 0.996       | 1.1509                      | 1.0000                              | \$54.28         |
| OP - Emergency Room              | \$6,847,254           | 14,268          | 0.350                   | \$167.97      | \$2,396,539         | 0.996       | 1.2624                      | 1.0400                              | \$6.92          |
| OP - Other                       | \$28,552,471          | 34,137          | 0.350                   | \$292.74      | \$9,993,365         | 0.996       | 1.2624                      | 1.0400                              | \$28.86         |
| Prof - Anesthesia                | \$3,205,883           | 53,368          | 0.502                   | \$30.16       | \$1,609,353         | 0.996       | 1.1528                      | 1.0400                              | \$4.24          |
| Prof - Digestive System          | \$1,984,874           | 2,908           | 0.302                   | \$205.89      | \$598,674           | 0.996       | 1.1528                      | 1.0400                              | \$1.58          |
| Prof - Ears/Nose/Throat          | \$3,092,227           | 3,053           | 0.331                   | \$335.46      | \$1,024,179         | 0.996       | 1.1528                      | 1.0400                              | \$2.70          |
| Prof - Evaluation & Management   | \$16,869,893          | 244,429         | 0.512                   | \$35.33       | \$8,636,509         | 0.996       | 1.1528                      | 1.0400                              | \$22.78         |
| Prof - Female Genital            | \$0                   | 0               | 0.373                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Integumentary System      | \$1,125,189           | 5,262           | 0.306                   | \$65.46       | \$344,478           | 0.996       | 1.1528                      | 1.0400                              | \$0.91          |
| Prof - Laparoscopy               | \$426,251             | 237             | 0.392                   | \$706.28      | \$167,067           | 0.996       | 1.1528                      | 1.0400                              | \$0.44          |
| Prof - Male Genital              | \$133,348             | 307             | 0.388                   | \$168.88      | \$51,798            | 0.996       | 1.1528                      | 1.0400                              | \$0.14          |
| Prof - Maternity                 | \$0                   | 0               | 0.512                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$4,837,406           | 5,262           | 0.291                   | \$267.86      | \$1,409,538         | 0.996       | 1.1528                      | 1.0400                              | \$3.72          |
| Prof - Other                     | \$351,406             | 11,085          | 0.502                   | \$15.91       | \$176,406           | 0.996       | 1.1528                      | 1.0400                              | \$0.47          |
| Prof - Respiratory/Cardiology    | \$2,077,200           | 16,967          | 0.312                   | \$38.23       | \$648,655           | 0.996       | 1.1528                      | 1.0400                              | \$1.71          |
| Prof - Urinary                   | \$692,368             | 880             | 0.260                   | \$204.68      | \$180,136           | 0.996       | 1.1528                      | 1.0400                              | \$0.48          |
| DME/Supplies                     | \$1,544,613           | 8,188           | 0.900                   | \$169.78      | \$1,390,152         | 0.996       | 1.1528                      | 1.0400                              | \$3.67          |
| Lab                              | \$2,671,228           | 90,712          | 0.333                   | \$9.80        | \$889,307           | 0.996       | 1.1528                      | 1.0400                              | \$2.35          |
| Radiology                        | \$5,143,666           | 56,376          | 0.269                   | \$24.51       | \$1,381,643         | 0.996       | 1.1528                      | 1.0400                              | \$3.64          |
| Transportation/Ambulance         | \$1,577,469           | 12,377          | 0.900                   | \$114.71      | \$1,419,722         | 0.996       | 1.1528                      | 1.0400                              | \$3.74          |
| <b>Total</b>                     | <b>\$162,167,980</b>  | <b>960,243</b>  |                         |               | <b>\$69,594,909</b> |             |                             |                                     | <b>\$192.05</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$213.39        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$164.15        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsurable<br>Ages 45 - 64      |                       |                  |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99*  | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 870,759               |                  |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                  |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0                | 1.000                   | \$0.00        | \$0                  | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$767,239             | 18,469           | 1.000                   | \$41.54       | \$767,239            | 1.000       | 1.0025                      | 1.0400                              | \$0.92          |
| Pharmacy                         | \$70,194,948          | 2,109,920        | 0.782                   | \$26.03       | \$54,912,987         | 1.000       | 1.2221                      | 1.1940                              | \$92.02         |
| Home Health Care                 | \$2,906,103           | 8,513            | 0.900                   | \$307.23      | \$2,615,493          | 1.000       | 1.1315                      | 1.0400                              | \$3.53          |
| IP - Maternity                   | \$369,092             | 125              | 0.350                   | \$1,030.78    | \$129,182            | 0.996       | 1.1509                      | 1.0000                              | \$0.17          |
| IP - Newborn                     | \$0                   | 0                | 0.350                   | \$0.00        | \$0                  | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$175,631,777         | 63,131           | 0.350                   | \$973.70      | \$61,471,122         | 0.996       | 1.1509                      | 1.0000                              | \$80.92         |
| OP - Emergency Room              | \$10,514,495          | 15,923           | 0.350                   | \$231.12      | \$3,680,073          | 0.996       | 1.2624                      | 1.0400                              | \$5.53          |
| OP - Other                       | \$102,353,942         | 116,978          | 0.350                   | \$306.25      | \$35,823,880         | 0.996       | 1.2624                      | 1.0400                              | \$53.80         |
| Prof - Anesthesia                | \$10,263,311          | 175,423          | 0.502                   | \$29.37       | \$5,152,182          | 0.996       | 1.1528                      | 1.0400                              | \$7.07          |
| Prof - Digestive System          | \$7,776,693           | 12,103           | 0.302                   | \$193.80      | \$2,345,591          | 0.996       | 1.1528                      | 1.0400                              | \$3.22          |
| Prof - Ears/Nose/Throat          | \$9,242,982           | 10,963           | 0.331                   | \$279.25      | \$3,061,376          | 0.996       | 1.1528                      | 1.0400                              | \$4.20          |
| Prof - Evaluation & Management   | \$64,757,107          | 1,005,871        | 0.512                   | \$32.96       | \$33,152,276         | 0.996       | 1.1528                      | 1.0400                              | \$45.46         |
| Prof - Female Genital            | \$1,887,039           | 2,629            | 0.373                   | \$267.58      | \$703,497            | 0.996       | 1.1528                      | 1.0400                              | \$0.96          |
| Prof - Integumentary System      | \$3,608,999           | 18,344           | 0.306                   | \$60.23       | \$1,104,900          | 0.996       | 1.1528                      | 1.0400                              | \$1.52          |
| Prof - Laparoscopy               | \$2,189,731           | 1,551            | 0.392                   | \$553.44      | \$858,252            | 0.996       | 1.1528                      | 1.0400                              | \$1.18          |
| Prof - Male Genital              | \$339,546             | 508              | 0.388                   | \$259.54      | \$131,894            | 0.996       | 1.1528                      | 1.0400                              | \$0.18          |
| Prof - Maternity                 | \$5,198               | 6                | 0.512                   | \$442.41      | \$2,661              | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$8,058,997           | 14,339           | 0.291                   | \$163.76      | \$2,348,256          | 0.996       | 1.1528                      | 1.0400                              | \$3.22          |
| Prof - Other                     | \$1,879,324           | 60,558           | 0.502                   | \$15.58       | \$943,421            | 0.996       | 1.1528                      | 1.0400                              | \$1.29          |
| Prof - Respiratory/Cardiology    | \$11,270,259          | 86,458           | 0.312                   | \$40.71       | \$3,519,408          | 0.996       | 1.1528                      | 1.0400                              | \$4.83          |
| Prof - Urinary                   | \$2,262,284           | 4,570            | 0.260                   | \$128.80      | \$588,585            | 0.996       | 1.1528                      | 1.0400                              | \$0.81          |
| DME/Supplies                     | \$5,202,157           | 35,405           | 0.900                   | \$132.24      | \$4,681,941          | 0.996       | 1.1528                      | 1.0400                              | \$6.42          |
| Lab                              | \$10,884,617          | 392,074          | 0.333                   | \$9.24        | \$3,623,714          | 0.996       | 1.1528                      | 1.0400                              | \$4.97          |
| Radiology                        | \$22,045,982          | 193,762          | 0.269                   | \$30.56       | \$5,921,782          | 0.996       | 1.1528                      | 1.0400                              | \$8.12          |
| Transportation/Ambulance         | \$2,764,159           | 28,788           | 0.900                   | \$86.42       | \$2,487,743          | 0.996       | 1.1528                      | 1.0400                              | \$3.41          |
| <b>Total</b>                     | <b>\$527,175,979</b>  | <b>4,376,411</b> |                         |               | <b>\$230,027,453</b> |             |                             |                                     | <b>\$333.74</b> |
| Administrative Adjustment        |                       |                  |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                  |                         |               |                      |             |                             |                                     | \$370.83        |
| Per Capita Cost without Pharmacy |                       |                  |                         |               |                      |             |                             |                                     | \$268.58        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Uninsurable<br>Age Over 65       |                       |                 |                         |               |                     |             |                             |                                     |                 |
|----------------------------------|-----------------------|-----------------|-------------------------|---------------|---------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99* | Units<br>98/99* | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims     | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 72,726                |                 |                         |               |                     |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                 |                         |               |                     |             |                             |                                     |                 |
| Dental - Orthodontics            | \$0                   | 0               | 1.000                   | \$0.00        | \$0                 | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$41,198              | 956             | 1.000                   | \$43.09       | \$41,198            | 1.000       | 1.0025                      | 1.0400                              | \$0.59          |
| Pharmacy                         | \$9,360,483           | 301,452         | 0.782                   | \$24.29       | \$7,322,636         | 1.000       | 1.2221                      | 1.1940                              | \$146.92        |
| Home Health Care                 | \$243,796             | 535             | 0.900                   | \$409.99      | \$219,417           | 1.000       | 1.1315                      | 1.0400                              | \$3.55          |
| IP - Maternity                   | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Newborn                     | \$0                   | 0               | 0.350                   | \$0.00        | \$0                 | 0.996       | 1.1509                      | 1.0000                              | \$0.00          |
| IP - Other                       | \$8,839,517           | 3,475           | 0.350                   | \$890.32      | \$3,093,831         | 0.996       | 1.1509                      | 1.0000                              | \$48.76         |
| OP - Emergency Room              | \$399,961             | 547             | 0.350                   | \$255.80      | \$139,986           | 0.996       | 1.2624                      | 1.0400                              | \$2.52          |
| OP - Other                       | \$5,321,321           | 5,486           | 0.350                   | \$339.48      | \$1,862,462         | 0.996       | 1.2624                      | 1.0400                              | \$33.49         |
| Prof - Anesthesia                | \$481,076             | 6,913           | 0.502                   | \$34.94       | \$241,500           | 0.996       | 1.1528                      | 1.0400                              | \$3.97          |
| Prof - Digestive System          | \$388,507             | 600             | 0.302                   | \$195.19      | \$117,181           | 0.996       | 1.1528                      | 1.0400                              | \$1.92          |
| Prof - Ears/Nose/Throat          | \$595,612             | 678             | 0.331                   | \$290.75      | \$197,273           | 0.996       | 1.1528                      | 1.0400                              | \$3.24          |
| Prof - Evaluation & Management   | \$3,538,880           | 53,095          | 0.512                   | \$34.12       | \$1,811,723         | 0.996       | 1.1528                      | 1.0400                              | \$29.75         |
| Prof - Female Genital            | \$72,023              | 116             | 0.373                   | \$230.93      | \$26,851            | 0.996       | 1.1528                      | 1.0400                              | \$0.44          |
| Prof - Integumentary System      | \$207,016             | 1,332           | 0.306                   | \$47.58       | \$63,378            | 0.996       | 1.1528                      | 1.0400                              | \$1.04          |
| Prof - Laparoscopy               | \$87,601              | 68              | 0.392                   | \$503.66      | \$34,335            | 0.996       | 1.1528                      | 1.0400                              | \$0.56          |
| Prof - Male Genital              | \$15,551              | 43              | 0.388                   | \$140.16      | \$6,041             | 0.996       | 1.1528                      | 1.0400                              | \$0.10          |
| Prof - Maternity                 | \$0                   | 0               | 0.512                   | \$0.00        | \$0                 | 0.996       | 1.1528                      | 1.0400                              | \$0.00          |
| Prof - Musculoskeletal System    | \$319,676             | 532             | 0.291                   | \$175.04      | \$93,148            | 0.996       | 1.1528                      | 1.0400                              | \$1.53          |
| Prof - Other                     | \$146,209             | 25,011          | 0.502                   | \$2.93        | \$73,397            | 0.996       | 1.1528                      | 1.0400                              | \$1.21          |
| Prof - Respiratory/Cardiology    | \$691,596             | 4,813           | 0.312                   | \$44.88       | \$215,967           | 0.996       | 1.1528                      | 1.0400                              | \$3.55          |
| Prof - Urinary                   | \$103,686             | 227             | 0.260                   | \$119.09      | \$26,976            | 0.996       | 1.1528                      | 1.0400                              | \$0.44          |
| DME/Supplies                     | \$375,499             | 2,712           | 0.900                   | \$124.62      | \$337,949           | 0.996       | 1.1528                      | 1.0400                              | \$5.55          |
| Lab                              | \$546,735             | 20,926          | 0.333                   | \$8.70        | \$182,019           | 0.996       | 1.1528                      | 1.0400                              | \$2.99          |
| Radiology                        | \$1,200,596           | 10,066          | 0.269                   | \$32.04       | \$322,493           | 0.996       | 1.1528                      | 1.0400                              | \$5.29          |
| Transportation/Ambulance         | \$406,968             | 6,942           | 0.900                   | \$52.76       | \$366,271           | 0.996       | 1.1528                      | 1.0400                              | \$6.01          |
| <b>Total</b>                     | <b>\$33,383,508</b>   | <b>446,526</b>  |                         |               | <b>\$16,796,033</b> |             |                             |                                     | <b>\$303.42</b> |
| Administrative Adjustment        |                       |                 |                         |               |                     |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                 |                         |               |                     |             |                             |                                     | \$337.14        |
| Per Capita Cost without Pharmacy |                       |                 |                         |               |                     |             |                             |                                     | \$173.89        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Disabled<br>All Age Groups       |                        |                   |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|------------------------|-------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
|                                  | Raw Charges<br>98/99*  | Units<br>98/99*   | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 3,190,075              |                   |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                        |                   |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$41,513               | 186               | 1.000                   | \$222.64      | \$41,513             | 1.000       | 1.0025                      | 1.0400                              | \$0.01          |
| Dental - Other                   | \$8,050,649            | 187,902           | 1.000                   | \$42.85       | \$8,050,649          | 1.000       | 1.0025                      | 1.0400                              | \$2.63          |
| Pharmacy                         | \$200,018,222          | 5,874,803         | 0.782                   | \$26.63       | \$156,472,771        | 1.000       | 1.1407                      | 1.1230                              | \$62.83         |
| Home Health Care                 | \$43,213,900           | 100,916           | 0.900                   | \$385.40      | \$38,892,510         | 1.000       | 1.1315                      | 1.0400                              | \$14.35         |
| IP - Maternity                   | \$12,340,993           | 6,651             | 0.350                   | \$649.45      | \$4,319,347          | 0.996       | 0.9803                      | 1.0000                              | \$1.32          |
| IP - Newborn                     | \$15,147,683           | 10,024            | 0.350                   | \$528.89      | \$5,301,689          | 0.996       | 0.9803                      | 1.0000                              | \$1.62          |
| IP - Other                       | \$665,117,188          | 317,588           | 0.350                   | \$733.00      | \$232,791,016        | 0.996       | 0.9803                      | 1.0000                              | \$71.25         |
| OP - Emergency Room              | \$56,693,685           | 113,119           | 0.350                   | \$175.41      | \$19,842,790         | 0.996       | 1.2143                      | 1.0400                              | \$7.82          |
| OP - Other                       | \$283,551,711          | 404,949           | 0.350                   | \$245.08      | \$99,243,099         | 0.996       | 1.2143                      | 1.0400                              | \$39.13         |
| Prof - Anesthesia                | \$28,199,387           | 451,126           | 0.502                   | \$31.38       | \$14,156,092         | 0.996       | 1.1046                      | 1.0400                              | \$5.08          |
| Prof - Digestive System          | \$18,091,333           | 29,760            | 0.302                   | \$183.36      | \$5,456,672          | 0.996       | 1.1046                      | 1.0400                              | \$1.96          |
| Prof - Ears/Nose/Throat          | \$21,716,487           | 31,005            | 0.331                   | \$231.99      | \$7,192,737          | 0.996       | 1.1046                      | 1.0400                              | \$2.58          |
| Prof - Evaluation & Management   | \$208,243,563          | 3,170,699         | 0.512                   | \$33.62       | \$106,609,890        | 0.996       | 1.1046                      | 1.0400                              | \$38.24         |
| Prof - Female Genital            | \$3,881,256            | 7,439             | 0.373                   | \$194.52      | \$1,446,951          | 0.996       | 1.1046                      | 1.0400                              | \$0.52          |
| Prof - Integumentary System      | \$8,109,638            | 37,913            | 0.306                   | \$65.49       | \$2,482,776          | 0.996       | 1.1046                      | 1.0400                              | \$0.89          |
| Prof - Laparoscopy               | \$5,279,544            | 4,040             | 0.392                   | \$512.23      | \$2,069,285          | 0.996       | 1.1046                      | 1.0400                              | \$0.74          |
| Prof - Male Genital              | \$556,842              | 979               | 0.388                   | \$220.87      | \$216,300            | 0.996       | 1.1046                      | 1.0400                              | \$0.08          |
| Prof - Maternity                 | \$5,017,497            | 9,546             | 0.512                   | \$269.08      | \$2,568,698          | 0.996       | 1.1046                      | 1.0400                              | \$0.92          |
| Prof - Musculoskeletal System    | \$22,019,209           | 38,049            | 0.291                   | \$168.62      | \$6,416,026          | 0.996       | 1.1046                      | 1.0400                              | \$2.30          |
| Prof - Other                     | \$10,158,943           | 1,718,293         | 0.502                   | \$2.97        | \$5,099,789          | 0.996       | 1.1046                      | 1.0400                              | \$1.83          |
| Prof - Respiratory/Cardiology    | \$24,427,823           | 195,874           | 0.312                   | \$38.94       | \$7,628,172          | 0.996       | 1.1046                      | 1.0400                              | \$2.74          |
| Prof - Urinary                   | \$4,443,353            | 10,114            | 0.260                   | \$114.30      | \$1,156,041          | 0.996       | 1.1046                      | 1.0400                              | \$0.41          |
| DME/Supplies                     | \$51,869,450           | 292,046           | 0.900                   | \$159.85      | \$46,682,505         | 0.996       | 1.1046                      | 1.0400                              | \$16.74         |
| Lab                              | \$28,095,040           | 1,053,045         | 0.333                   | \$8.88        | \$9,353,421          | 0.996       | 1.1046                      | 1.0400                              | \$3.35          |
| Radiology                        | \$55,610,276           | 595,366           | 0.269                   | \$25.09       | \$14,937,502         | 0.996       | 1.1046                      | 1.0400                              | \$5.36          |
| Transportation/Ambulance         | \$26,757,998           | 352,836           | 0.900                   | \$68.25       | \$24,082,199         | 0.996       | 1.1046                      | 1.0400                              | \$8.64          |
| <b>Total</b>                     | <b>\$1,806,653,182</b> | <b>15,014,269</b> |                         |               | <b>\$822,510,440</b> |             |                             |                                     | <b>\$293.35</b> |
| Administrative Adjustment        |                        |                   |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                        |                   |                         |               |                      |             |                             |                                     | \$325.94        |
| Per Capita Cost without Pharmacy |                        |                   |                         |               |                      |             |                             |                                     | \$256.13        |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Development of Per Capita Costs, Scenario 2**

**Exhibit 4b**

| Duals (TennCare & Medicare)      |                       |                   |                         |               |                      |             |                             |                                     |                 |
|----------------------------------|-----------------------|-------------------|-------------------------|---------------|----------------------|-------------|-----------------------------|-------------------------------------|-----------------|
| All Age Groups                   |                       |                   |                         |               |                      |             |                             |                                     |                 |
|                                  | Raw Charges<br>98/99* | Units<br>98/99*   | Cost to Charge<br>Ratio | Cost per Unit | Adjusted Claims      | Seasonality | Trend / IBNR<br>Data Period | Additional Trend<br>Contract Period | PMPM            |
| <b>Member Months</b>             | 3,784,227             |                   |                         |               |                      |             |                             |                                     |                 |
| <b>Service Category</b>          |                       |                   |                         |               |                      |             |                             |                                     |                 |
| Dental - Orthodontics            | \$2,332               | 6                 | 0.252                   | \$97.62       | \$587                | 1.000       | 1.0025                      | 1.0400                              | \$0.00          |
| Dental - Other                   | \$2,146,126           | 51,424            | 0.252                   | \$10.51       | \$540,514            | 1.000       | 1.0025                      | 1.0400                              | \$0.15          |
| Pharmacy                         | \$357,926,662         | 13,136,301        | 0.782                   | \$21.32       | \$280,003,371        | 1.000       | 1.1612                      | 1.1410                              | \$98.04         |
| Home Health Care                 | \$6,512,275           | 17,932            | 0.085                   | \$30.95       | \$554,978            | 1.000       | 1.1315                      | 1.0400                              | \$0.17          |
| IP - Maternity                   | \$278,892             | 152               | 0.070                   | \$128.35      | \$19,555             | 0.996       | 1.0810                      | 1.0000                              | \$0.01          |
| IP - Newborn                     | \$368,225             | 311               | 0.070                   | \$83.09       | \$25,819             | 0.996       | 1.0810                      | 1.0000                              | \$0.01          |
| IP - Other                       | \$46,596,587          | 21,758            | 0.070                   | \$150.16      | \$3,267,199          | 0.996       | 1.0810                      | 1.0000                              | \$0.93          |
| OP - Emergency Room              | \$2,818,445           | 4,684             | 0.058                   | \$34.63       | \$162,198            | 0.996       | 1.0616                      | 1.0400                              | \$0.05          |
| OP - Other                       | \$22,603,016          | 24,194            | 0.058                   | \$53.76       | \$1,300,775          | 0.996       | 1.0616                      | 1.0400                              | \$0.38          |
| Prof - Anesthesia                | \$2,188,678           | 28,051            | 0.252                   | \$19.65       | \$551,231            | 0.996       | 1.0374                      | 1.0400                              | \$0.16          |
| Prof - Digestive System          | \$2,151,350           | 3,411             | 0.252                   | \$158.85      | \$541,829            | 0.996       | 1.0374                      | 1.0400                              | \$0.15          |
| Prof - Ears/Nose/Throat          | \$3,316,920           | 4,673             | 0.252                   | \$178.75      | \$835,385            | 0.996       | 1.0374                      | 1.0400                              | \$0.24          |
| Prof - Evaluation & Management   | \$20,022,566          | 335,048           | 0.252                   | \$15.05       | \$5,042,794          | 0.996       | 1.0374                      | 1.0400                              | \$1.43          |
| Prof - Female Genital            | \$492,885             | 889               | 0.252                   | \$139.62      | \$124,136            | 0.996       | 1.0374                      | 1.0400                              | \$0.04          |
| Prof - Integumentary System      | \$1,347,847           | 7,025             | 0.252                   | \$48.32       | \$339,463            | 0.996       | 1.0374                      | 1.0400                              | \$0.10          |
| Prof - Laparoscopy               | \$463,956             | 367               | 0.252                   | \$318.50      | \$116,850            | 0.996       | 1.0374                      | 1.0400                              | \$0.03          |
| Prof - Male Genital              | \$102,109             | 181               | 0.252                   | \$141.75      | \$25,717             | 0.996       | 1.0374                      | 1.0400                              | \$0.01          |
| Prof - Maternity                 | \$191,637             | 296               | 0.252                   | \$163.20      | \$48,265             | 0.996       | 1.0374                      | 1.0400                              | \$0.01          |
| Prof - Musculoskeletal System    | \$2,939,133           | 4,663             | 0.252                   | \$158.75      | \$740,237            | 0.996       | 1.0374                      | 1.0400                              | \$0.21          |
| Prof - Other                     | \$1,705,194           | 172,365           | 0.252                   | \$2.49        | \$429,462            | 0.996       | 1.0374                      | 1.0400                              | \$0.12          |
| Prof - Respiratory/Cardiology    | \$3,253,413           | 13,271            | 0.252                   | \$61.74       | \$819,390            | 0.996       | 1.0374                      | 1.0400                              | \$0.23          |
| Prof - Urinary                   | \$769,797             | 1,512             | 0.252                   | \$128.19      | \$193,878            | 0.996       | 1.0374                      | 1.0400                              | \$0.06          |
| DME/Supplies                     | \$7,020,194           | 42,739            | 0.252                   | \$41.37       | \$1,768,075          | 0.996       | 1.0374                      | 1.0400                              | \$0.50          |
| Lab                              | \$3,073,631           | 82,437            | 0.252                   | \$9.39        | \$774,111            | 0.996       | 1.0374                      | 1.0400                              | \$0.22          |
| Radiology                        | \$5,448,861           | 48,277            | 0.252                   | \$28.43       | \$1,372,326          | 0.996       | 1.0374                      | 1.0400                              | \$0.39          |
| Transportation/Ambulance         | \$27,674,760          | 702,610           | 0.900                   | \$35.45       | \$24,907,284         | 0.996       | 1.0374                      | 1.0400                              | \$7.07          |
| <b>Total</b>                     | <b>\$521,415,490</b>  | <b>14,704,579</b> |                         |               | <b>\$324,505,426</b> |             |                             |                                     | <b>\$110.70</b> |
| Administrative Adjustment        |                       |                   |                         |               |                      |             |                             |                                     | 1.1111          |
| Per Capita Cost                  |                       |                   |                         |               |                      |             |                             |                                     | \$123.00        |
| Per Capita Cost without Pharmacy |                       |                   |                         |               |                      |             |                             |                                     | \$14.07         |

\* 1999 information includes data from January through September.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Summary of Total Per Capita Costs, Scenario 1**

| Eligibility Group           | Participant Age Categories |             |                     |                   |              |             |          | Weighted Average |
|-----------------------------|----------------------------|-------------|---------------------|-------------------|--------------|-------------|----------|------------------|
|                             | Age Under 1                | Ages 1 - 13 | Ages 14 - 44 Female | Ages 14 - 44 Male | Ages 45 - 64 | Age Over 65 | All Ages |                  |
| Medicaid (TANF & Related)   | \$198.03                   | \$62.81     | \$221.55            | \$92.21           | \$295.79     | \$206.54    |          | \$128.49         |
| Uninsured                   | \$198.03                   | \$60.23     | \$149.66            | \$95.09           | \$283.03     | \$222.06    |          | \$137.25         |
| Uninsurable                 | \$198.03                   | \$80.85     | \$255.48            | \$249.12          | \$432.54     | \$377.21    |          | \$324.64         |
| Disabled                    |                            |             |                     |                   |              |             | \$374.68 | \$374.68         |
| Duals (TennCare & Medicare) |                            |             |                     |                   |              |             | \$124.38 | \$124.38         |
| <b>Weighted Average</b>     | \$198.03                   | \$62.42     | \$198.98            | \$117.60          | \$339.85     | \$254.77    | \$238.87 | \$173.29         |

Note: Weighted averages calculated using total CY1998 and nine months of 1999 member months as weights.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Summary of Pharmacy Per Capita Costs, Scenario 1**

| Eligibility Group           | Participant Age Categories |             |                     |                   |              |             |          | All Ages | Weighted Average |
|-----------------------------|----------------------------|-------------|---------------------|-------------------|--------------|-------------|----------|----------|------------------|
|                             | Age Under 1                | Ages 1 - 13 | Ages 14 - 44 Female | Ages 14 - 44 Male | Ages 45 - 64 | Age Over 65 |          |          |                  |
| Medicaid (TANF & Related)   | \$1.94                     | \$7.20      | \$18.51             | \$9.63            | \$65.19      | \$67.97     |          | \$12.00  |                  |
| Uninsured                   | \$1.94                     | \$7.34      | \$22.72             | \$16.31           | \$74.64      | \$104.31    |          | \$27.42  |                  |
| Uninsurable                 | \$1.94                     | \$14.57     | \$43.17             | \$49.79           | \$103.39     | \$165.08    |          | \$73.74  |                  |
| Disabled                    |                            |             |                     |                   |              |             | \$70.60  | \$70.60  |                  |
| Duals (TennCare & Medicare) |                            |             |                     |                   |              |             | \$110.16 | \$110.16 |                  |
| <b>Weighted Average</b>     | \$1.94                     | \$7.36      | \$21.84             | \$19.21           | \$84.55      | \$110.19    | \$92.06  | \$41.08  |                  |

Note: Weighted averages calculated using total CY1998 and nine months of 1999 member months as weights.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Summary of Total Per Capita Costs, Scenario 2**

| Eligibility Group           | Participant Age Categories |             |                     |                   |              |             |          | Weighted Average |          |
|-----------------------------|----------------------------|-------------|---------------------|-------------------|--------------|-------------|----------|------------------|----------|
|                             | Age Under 1                | Ages 1 - 13 | Ages 14 - 44 Female | Ages 14 - 44 Male | Ages 45 - 64 | Age Over 65 | All Ages |                  |          |
| Medicaid (TANF & Related)   | \$167.47                   | \$53.36     | \$184.95            | \$78.34           | \$253.17     | \$182.21    |          | \$108.17         |          |
| Uninsured                   | \$167.47                   | \$51.22     | \$126.54            | \$81.11           | \$243.72     | \$199.44    |          | \$117.32         |          |
| Uninsurable                 | \$167.47                   | \$70.25     | \$216.80            | \$213.39          | \$370.83     | \$337.14    |          | \$278.34         |          |
| Disabled                    |                            |             |                     |                   |              |             |          | \$325.94         | \$325.94 |
| Duals (TennCare & Medicare) |                            |             |                     |                   |              |             |          | \$123.00         | \$123.00 |
| <b>Weighted Average</b>     | \$167.47                   | \$53.06     | \$166.94            | \$100.34          | \$291.90     | \$227.69    | \$215.83 | \$150.50         |          |

Note: Weighted averages calculated using total CY1998 and nine months of 1999 member months as weights.

**TennCare**  
**FY 2001 Per Capita Cost Development**  
**Summary of Pharmacy Per Capita Costs, Scenario 2**

| Eligibility Group           | Participant Age Categories |             |                     |                   |              |             |          | All Ages | Weighted Average |
|-----------------------------|----------------------------|-------------|---------------------|-------------------|--------------|-------------|----------|----------|------------------|
|                             | Age Under 1                | Ages 1 - 13 | Ages 14 - 44 Female | Ages 14 - 44 Male | Ages 45 - 64 | Age Over 65 |          |          |                  |
| Medicaid (TANF & Related)   | \$1.94                     | \$7.12      | \$18.30             | \$9.52            | \$64.46      | \$67.21     |          | \$11.87  |                  |
| Uninsured                   | \$1.94                     | \$7.25      | \$22.47             | \$16.13           | \$73.81      | \$103.15    |          | \$27.12  |                  |
| Uninsurable                 | \$1.94                     | \$14.41     | \$42.69             | \$49.24           | \$102.25     | \$163.25    |          | \$72.92  |                  |
| Disabled                    |                            |             |                     |                   |              |             | \$69.81  | \$69.81  |                  |
| Duals (TennCare & Medicare) |                            |             |                     |                   |              |             | \$108.93 | \$108.93 |                  |
| <b>Weighted Average</b>     | \$1.94                     | \$7.28      | \$21.60             | \$18.99           | \$83.61      | \$108.96    | \$91.04  | \$40.62  |                  |

Note: Weighted averages calculated using total CY1998 and nine months of 1999 member months as weights.