



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

***Development of Per Capita
Costs for the TennCare Program
for State Fiscal Year 2002***

April, 2001

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 and TennCare Partners program for Fiscal Year 2002. This analysis is an update to our study of expected per capita costs for Fiscal 2001 based upon current encounter data; the report also adds discussion of costs under the TennCare Partners behavioral health program.

This report describes the methods, data and assumptions used to develop per capita costs for the TennCare programs. The per capita costs are developed using a combination of encounter data reported by health plans and assumed average payment levels per unit of service. We continue to structure 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 used to the extent appropriate in the calculations.
- Anticipated changes in program administration should be considered in the analysis.
- Health plan administrative costs should be reasonably funded.
- Recent TennCare financial information should inform the development of estimated costs.

TennCare health plans are currently funded through multiple sources including the following:

- Direct capitation payments made to health plans;
- Offsets to capitation payments resulting from expected collection of third party liability claims (TPL); and

- Cost sharing made by some 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. These calculations include costs that in prior years were covered by Adverse Selection Pool supplemental payments and by special TennCare payments to providers. Consequently, future supplemental payments to providers should be limited to only those serving a largely disproportionate share or high volume of TennCare enrollees; we would expect that any such supplemental payments would be reduced from prior levels and would be targeted at these providers to ensure their financial viability.

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. The expected cost per unit of service is approximately 85% of Medicare payments for professional services and a blend of commercial and Medicaid payment levels for hospital services.¹

The per capita costs are updated using inflation factors to reflect expected costs during Fiscal Year 2002. The following tables provide a summary of our results and a comparison to last year's per capita costs:

¹ The assumptions regarding the costs per unit of service are not intended to serve as an indication of the amount any individual provider may be paid. Negotiations regarding payment levels are a contract matter between the health plans and their providers.

Table ES-1		
Summary of Total Per Capita Cost – TennCare		
Eligibility Group	FY2002 Per Capita Cost	FY2001 Per Capita Cost
Medicaid (TANF & Related)	\$127.10	\$128.49
Uninsured	\$136.91	\$137.25
Uninsurable	\$327.12	\$324.64
Disabled	\$425.91	\$374.68
Duals (TennCare/Medicare)	\$162.40	\$124.38
All Eligibility Groups	\$184.82	\$173.29

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

Table ES-2		
Summary of Total Per Capita Cost by Demographic Category – TennCare		
Eligibility Groups	FY 2002 Per Capita Cost	Average Members Per Month
Medicaid (TANF & Related)		
Age Under 1	\$167.92	34,281
Age 1-13	\$64.29	255,715
Age 14-44 Female	\$221.23	153,385
Age 14-44 Male	\$94.74	44,510
Age 45-64	\$265.43	10,001
Age Over 65	\$208.15	3,444
Weighted Average	\$127.10	501,336
Uninsured		
Age Under 1	\$167.92	5,757
Age 1-13	\$60.20	126,894
Age 14-44 Female	\$155.75	108,108
Age 14-44 Male	\$98.76	72,993
Age 45-64	\$289.13	62,694
Age Over 65	\$221.34	8,993
Weighted Average	\$136.91	385,439
Uninsurable		
Age Under 1	\$167.92	24
Age 1-13	\$81.29	5,033
Age 14-44 Female	\$262.96	22,473
Age 14-44 Male	\$241.67	24,483
Age 45-64	\$420.73	49,003
Age Over 65	\$372.81	4,123
Weighted Average	\$327.12	105,139
Disabled	\$425.91	151,916
Duals (TennCare/Medicare)	\$162.40	186,483
All Eligibility Groups	\$184.82	1,330,313

The following table illustrates the per capita costs that are funded through direct capitation to health plans:

Table ES-3 Summary of Total Per Capita Cost Funded By Health Plans – TennCare		
Eligibility Group	FY2002 Per Capita Cost	Average Members Per Month
Medicaid (TANF & Related)	\$127.10	501,336
Uninsured	\$136.91	385,439
Uninsurable	\$327.12	105,139
Disabled	\$425.91	151,916
Duals (TennCare/Medicare)	\$17.30	186,483
All Eligibility Groups	\$164.48	1,330,313

The above per capita costs include prescription drug coverage for all eligibility groups except the TennCare/Medicare duals. The State finances prescription drug coverage for this population on a fee-for-service basis. In other words, this benefit is carved-out of the participating health plans per capita costs.

Third Party Liability and Participant Cost Sharing

We have estimated the effect of Third Party Liability and 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. Cost sharing is required only for those individuals who are in the Uninsured and Uninsurable eligibility categories (and have income above 100% of poverty); the calculations shown here reflect this requirement.

Table ES-4 Effect Of Estimated TPL and Member Cost Sharing				
Eligibility Group	Per Capita Cost	TPL Percent	Cost Sharing Percent	Adjusted Per Capita Cost
Medicaid (TNF & Related)	\$127.10	3.0%	0.0%	\$123.29
Uninsured*	\$136.91	0.0%	3.5%	\$132.12
Uninsurable*	\$327.12	0.0%	4.9%	\$311.09
Disabled	\$425.91	4.0%	0.0%	\$408.87
Duals (TennCare/Medicare)*	\$17.30	0.0%	0.0%	\$17.30
Total	\$164.48			\$158.44

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

These per capita costs will ultimately be converted to capitation rates. Health plan capitation rates are based upon the above statewide per capita costs modified for certain plan-specific features, primarily geographic location and diagnostic mix of the plans' enrollees. In addition, some changes in responsibility for certain services may result in a change in the per capita cost for TennCare MCOs.

Program Changes

Our analysis considered several specific changes in program design, including:

- Changing the contracting arrangements for dental services to provide for a different delivery system;
- Enhancing compliance with Early and Periodic Screening, Diagnosis, and Testing (EPSDT) protocols; and
- Clarifying the responsibility for covering services related to certain behavioral health conditions.

The potential cost effect of modifying the dental program is highly variable and is dependent on the specific implementation approach taken by the TennCare Bureau and the success of plans in meeting utilization targets. Should TennCare enter into a separate dental program, payment rates to current MCOs would be reduced to reflect the changed responsibility of plans. Any modified dental program would likely include an expected increase in

utilization rates, and consequently an increase in per capita expenditures for this service category.

The following table shows the per capita costs by eligibility category for the services that would continue to be the responsibility of MCOs following a dental carve out and before adjustments for Third Party Liability and copays.

Table ES-4 Summary of Total Per Capita Cost Funded By Health Plans without Dental – TennCare		
Eligibility Group	FY2002 Per Capita Cost	Average Members Per Month
Medicaid (TANF & Related)	\$120.09	501,336
Uninsured	\$130.75	385,439
Uninsurable	\$324.73	105,139
Disabled	\$422.30	151,916
Duals (TennCare/Medicare)	\$17.10	186,483
All Eligibility Groups	\$159.43	1,330,313

The State is considering options for enhancing EPSDT compliance. While the specific details of the program have not been finalized, the program is likely to include both positive and negative incentives. As the program is initially rolled out we expect that the costs of the incentives can be covered by the per capita costs displayed here. To the extent compliance increases dramatically some additional costs for incentive payments may materialize. We have not included these additional costs in the per capita cost calculations shown in this report.

The behavioral health changes are still being analyzed. Some change in the distribution of costs between the MCOs and BHOs may be required to match the contractual agreements regarding responsibility for certain services.

We have also considered the effect of other Consent Decrees on program costs and have considered whether the current funding level is sufficient to cover the expected cost of those requirements. The amounts reported above include our estimation of the cost of complying with the Grier Consent Decree.

TennCare Partners

In addition to reviewing the funding level for TennCare we reviewed current payment arrangements for TennCare Partners. Unexpectedly low utilization reported in the TennCare Partners encounter database caused us to conclude that that database is not reliable at this time. As a substitute we reviewed funding levels for comparable services in other states.

Per capita expenditures in TennCare Partners are lower than expenditures for a comparable mix of services in some other state Medicaid programs, although no other program is identical to TennCare. Although BHOs are not responsible for the cost of prescription drugs, we assessed the relative cost of BHO drugs in TennCare and in other state Medicaid programs.

Similar to the cost of non-drug services, expenditures for behavioral health drugs in TennCare are lower than costs in other states, indicating that overall *per capita* use of behavioral health services is lower for TennCare. One reason for this lower per capita utilization may be the large share of the state population that is enrolled in TennCare compared to the enrollment in other state Medicaid program or demonstration projects. Other states that we reviewed covered 10% to 15% of the state's population, while TennCare covers more than 25% of the population. We believe the utilization rates in TennCare are diluted to some extent by this higher penetration rate, since the percentage of the population requiring behavioral health services in each state is likely to be similar.

We also reviewed recent trend information on BHO utilization reported in financial reports to the TennCare Bureau and national trend rates for BHO services. Based on the program design and the current funding level, we recommend that BHO payment rates be increased by 8% for the current benefit package. Higher rates of increase should be matched to increases in the supply of providers and documentation of utilization rates. We also recommend that incentives be put into place to improve the quality of the BHO encounter data to allow that information to be used in the future for rate setting.

Given the very high penetration rate of TennCare into the total Tennessee population, we believe the 8% increase should be implemented at the budget level. In other words, to the extent the TennCare Partners population changes in a significant way, either up or down, the per capita payments should be adjusted accordingly.

The current TennCare Partners program pays separate rates for the SPMI/SED population and the non-SPMI population. We recommend a blended rate for the TennCare Partners program. The following table shows our recommended blended rate. These values are based on TennCare Partners enrollment from February 2001, with 1,379,000 enrollees.

Table ES-5 Summary of Total Per Capita Costs – TennCare Partners	
Blended Rate	
FY2002 Per Capita Costs	\$21.60
FY2001 Per Capita Costs	\$20.00
Percentage Change	8%

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 Mental Health and Developmental Disabilities, several TennCare health plans, Department of Commerce & Insurance, and behavioral health providers.

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 2002. The per capita costs shown in this report are calculated to assure an actuarially sound funding level for managed care plans. This report is an update to our prior analysis of per capita costs for Fiscal 2001 and is based upon current encounter data. The report also adds discussion of costs under the TennCare Partners behavioral health program.

The purpose of this report is to calculate the level of funding needed by TennCare and TennCare Partners for Fiscal Year 2002 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. These calculations include costs that were previously covered by Adverse Selection Pool supplemental payments and by special TennCare payments to providers. Consequently, future supplemental payments to providers should be limited to only those serving a largely disproportionate share or high volume of TennCare enrollees; we would expect that any such supplemental payments would be reduced from prior levels and would be targeted at these providers to ensure their financial viability.

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 and TennCare Partners enrollees in a manner that meets the state's overall policy goals. Because the State now covers the costs of prescription drugs for TennCare/Medicare Dual eligibles on a fee-for-service basis we have illustrated total per capita costs and health plan per capita costs in this report, excluding costs for behavioral health drugs.

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 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.

To calculate the expected per capita costs, we obtained 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 FY2002, and added an allocation for administrative costs. We also considered the dramatic increases in funding that have occurred in the past two years and health plan financial performance in the current year as a guideline for the adequacy of current payment rates. Changes in the TennCare program that may not be reflected in the detailed encounter data were also considered.

We have continued to structure 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.
- Recent TennCare financial information should inform the development of estimated costs.

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 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. Refinements to the rate setting methodology, combined with regular updates to the underlying data should ensure that the rates remain actuarially sound.

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.

II. OUR APPROACH

To develop the per capita funding level for TennCare for Fiscal Year 2002, 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 the cost per unit of service and an administrative cost. These amounts, when taken together, calculate the expected cost per person per month for services provided to TennCare enrollees in FY 2002. The capitation payments to health plans will be adjusted for the value of Third Party Liability and copayments.

TennCare costs are currently funded through multiple sources including the following:

- Direct capitation payments made to health plans;
- Offsets to capitation payments resulting from expected collection of third party liability claims (TPL); and
- Cost sharing made by some TennCare enrollees.

Demographic Groups

Per capita costs for the TennCare program vary based on eligibility category and demographic group and are calculated separately for the following 20 categories:

- **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. 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 but do not have Medicare coverage. 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.

Table 1		
Distribution of TennCare Enrollees by Demographic Category		
Eligibility Groups	Average Monthly Eligibles (1/1/99 – 9/30/00)	Percent of TennCare Population
Medicaid (TANF & Related)		
Age Under 1	34,281	2.6%
Age 1-13	255,715	19.2%
Age 14-44 Female	153,385	11.5%
Age 14-44 Male	44,510	3.3%
Age 45-64	10,001	0.8%
Age 65 and Over	3,444	0.3%
Total Medicaid (TANF & Related)	501,336	37.7%
Uninsured		
Age Under 1	5,757	0.4%
Age 1-13	126,894	9.5%
Age 14-44 Female	108,108	8.1%
Age 14-44 Male	72,993	5.6%
Age 45-64	62,694	4.7%
Age 65 & Over	8,993	0.7%
Total Uninsured	385,439	29.0%
Uninsurable		
Age Under 1	24	0.0%
Age 1-13	5,033	0.4%
Age 14-44 Female	22,473	1.7%
Age 14-44 Male	24,483	1.8%
Age 45-64	49,003	3.7%
Age 65 & Over	4,123	0.3%
Total Uninsurable	105,139	7.9%
Disabled	151,916	11.4%
Duals (TennCare/Medicare)	186,483	14.0%
All Eligibility Groups	1,330,313	100%

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 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

MCO Encounter Data

PwC obtained detailed health plan encounter data submitted to the TennCare Bureau for calendar years 1999 and 2000. This data is an update to our prior study of calendar years 1998 and 1999 encounter data. The 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. Based upon the results of the diagnostic testing, we made modest adjustments to the data including removing any duplicate claims and removing records for behavioral health drugs that were incorrectly included in the MCO encounter database.

Due to the limited runout of claims data in the last months of 2000 and the large adjustment that would be required to estimate the missing information for some service types, we restricted our 2000 data analysis to services incurred from January through September 2000. The claims data shown in all of the attached exhibits and calculations therefore represents all encounters with dates of service from January 1999 through September 2000, with runout of claims payment/adjudication through December 31, 2000.

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.

Table 2 Definition of Service Units	
Service Category	Units Counted
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

Detailed eligibility data for calendar years 1999 and 2000 was provided by the TennCare Bureau. PwC calculated member months of eligibility from this data segregated by eligibility category, demographic group, health plan, region and month. The 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 1999 and the first 9 months of 2000
- 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.

Adjustments to Data

Development of the Cost per Unit of Service

PricewaterhouseCoopers performed an extensive study of appropriate costs per unit of service in the development of per capita cost for Fiscal Year 2001. In our current analysis, we verified the appropriateness of those estimates through a review of current program financial indicators as well as an updated comparison to similar states' Medicaid program payment levels. The resulting costs per unit of service are approximately 85% of Medicare payments for professional services and a blend of commercial and Medicaid payment levels for hospital services.

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. The result is a cost per day of \$825 during the contract period, which represents a blended average of all hospital days, including high cost tertiary care, maternity services, and medical/surgical services and is considered to cover the entire cost of care; additional supplemental payments are not expected. 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 billed amount per unit of service by CPT4 code to payment amounts based upon 85% of the Medicare fee schedule. 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 utilized last year's conversion factors after comparisons to other available benchmarks.

The resulting conversion factors are shown in Exhibit 2a. Separate conversion factors are shown for Dual-eligibles and all others. Health plans are not responsible for Medicare cost sharing. Consequently, the cost to health plans of serving Dual-eligibles includes only those costs that are not part of the Medicare benefit package. (The state also covers the cost of prescription drugs for the TennCare/Medicare Dual-eligibles on a fee-for-service basis.)

IBNR and Trend

The claims data covers dates of service from January 1999 through September 2000, with runout through December 2000. 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 1999 and 2000, 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 2002.

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 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 2001 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, 1999) to the end of the data period (January 1, 2001).

An additional trend factor is calculated to move the per member per month costs to the midpoint of the contract period (January 1, 2002). This contract period trend was developed based upon the historical underlying trend rates in the experience data, which have moderated for the majority of the service categories since our last study. Where appropriate, modifications to the contract period were made when historic trend values appear to represent a correction of prior values or a transition to a new payment level. These historical and contract period annual trend factors are reported in Exhibit 2b.

Administrative Cost

The preliminary rates in our study use health plan encounter data as the base. Therefore, it is necessary to add an amount to cover health plan administration. Additionally, in Tennessee plans are required to pay a 2% tax on their premium revenues. 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, current analysis of the impact of the Grier consent decree indicates areas of administrative cost increases. However, recent financial reports show that health plan administrative costs before implementation of the consent decree are lower than 11%, indicating that the large increases in health plan payments that were implemented in July 2001 provide sufficient funding to cover the costs of compliance. We continue to monitor utilization for an impact due to Grier and will be able to analyze future experience data to more specifically assess these costs.

Calculation of Per Capita Costs

The per capita costs for Fiscal Year 2002 are calculated based on the historical data shown in Exhibit 1, adjusted to reflect the estimated cost and volume of services during the contract period, as described above. Resulting per capita costs are calculated in Exhibit 3 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 3 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 appropriate trend and IBNR adjustment factors to move the data from the midpoint of the historical data period (November 15, 1999) to the end of the historical period (January 1, 2001), and finally to the midpoint of the contract period (January 1, 2002).
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.

An administrative cost percentage is then added to this total PMPM cost to calculate the per capita costs for FY 2002.

Summary Results

Exhibit 4 displays the final per capita costs. Exhibit 5 displays the final per capita costs that are funded through direct capitation payments made to health plans. These per capita costs include pharmacy services for all eligibility categories except for the TennCare/Medicare dual eligibles. The State finances the cost of prescription drug coverage for this population on a fee-for-service basis.

Table 3 Summary of Total Per Capita Cost by Demographic Category – TennCare		
Eligibility Groups	Per Capita Cost	Average Members Per Month
Medicaid (TANF & Related)		
Age Under 1	\$167.92	34,281
Age 1-13	\$64.29	255,715
Age 14-44 Female	\$221.23	153,385
Age 14-44 Male	\$94.74	44,510
Age 45-64	\$265.43	10,001
Age Over 65	\$208.15	3,444
Weighted Average	\$127.10	501,336
Uninsured		
Age Under 1	\$167.92	5,757
Age 1-13	\$60.20	126,894
Age 14-44 Female	\$155.75	108,108
Age 14-44 Male	\$98.76	72,993
Age 45-64	\$289.13	62,694
Age Over 65	\$221.34	8,993
Weighted Average	\$136.91	385,439
Uninsurable		
Age Under 1	\$167.92	24
Age 1-13	\$81.29	5,033
Age 14-44 Female	\$262.96	22,473
Age 14-44 Male	\$241.67	24,483
Age 45-64	\$420.73	49,003
Age Over 65	\$372.81	4,123
Weighted Average	\$327.12	105,139
Disabled	\$425.91	151,916
Duals (TennCare/Medicare)	\$162.40	186,483
All Eligibility Groups	\$184.82	1,330,313

Table 4 Summary of Total Per Capita Cost Funded by Health Plans – TennCare		
Eligibility Groups	Per Capita Cost	Average Members Per Month
Medicaid (TANF & Related)		
Age Under 1	\$167.92	34,281
Age 1-13	\$64.29	255,715
Age 14-44 Female	\$221.23	153,385
Age 14-44 Male	\$94.74	44,510
Age 45-64	\$265.43	10,001
Age Over 65	\$208.15	3,444
Weighted Average	\$127.10	501,336
Uninsured		
Age Under 1	\$167.92	5,757
Age 1-13	\$60.20	126,894
Age 14-44 Female	\$155.75	108,108
Age 14-44 Male	\$98.76	72,993
Age 45-64	\$289.13	62,694
Age Over 65	\$221.34	8,993
Weighted Average	\$136.91	385,439
Uninsurable		
Age Under 1	\$167.92	24
Age 1-13	\$81.29	5,033
Age 14-44 Female	\$262.96	22,473
Age 14-44 Male	\$241.67	24,483
Age 45-64	\$420.73	49,003
Age Over 65	\$372.81	4,123
Weighted Average	\$327.12	105,139
Disabled	\$425.91	151,916
Duals (TennCare/Medicare)	\$17.30	186,483
All Eligibility Groups	\$164.48	1,330,313

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 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.

TennCare program rules require individuals in the Uninsured and Uninsurable categories to make copayments for services. TennCare enrollees in families with income up to 100% of the poverty level have no cost sharing requirements. We used an actuarial model to estimate the effect of the copayments on the cost of providing services to the Uninsured and Uninsurable populations. Approximately 3.5% of the costs of the uninsured population and 4.9% of the costs of the uninsurable population should be covered by these copays. Table 5 shows the effect of applying these contributions of TPL and cost sharing to the total per capita costs.

Table 5				
Effect of Estimated TPL and Member Cost Sharing				
Eligibility Group	Per Capita Cost	TPL Percent	Cost Sharing Percent	Adjusted Per Capita Cost
Medicaid (TANF & Related)	\$127.10	3.0%	0.0%	\$123.29
Uninsured*	\$136.91	0.0%	3.5%	\$132.12
Uninsurable*	\$327.12	0.0%	4.9%	\$311.09
Disabled	\$425.91	4.0%	0.0%	\$408.87
Duals (TennCare/Medicare)*	\$17.30	0.0%	0.0%	\$17.30
Total	\$164.48			\$158.44

*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 or limited health care policies.

Other offsets to costs, such as premium contributions have not been applied.

Program Changes

Our analysis considered several specific changes in program design, including:

- Changing the contracting arrangements for dental services to provide for a different delivery system;
- Enhancing compliance with Early and Periodic Screening, Diagnosis, and Testing (EPSDT) protocols; and
- Clarifying the responsibility for covering services related to certain behavioral health conditions.

Dental Carve-Out

TennCare is considering a modification to the method used to contract for dental services. Currently, dental services are included in the MCO contracts. Utilization of services has been lower than would be expected under this model, and there is a belief that utilization rates would increase by modifying the contracting method and focusing specific attention on this service area.

In our development of per capita costs described above we calculated the value of capitated services with and without dental care. Table 6 shows the

value of services that would remain the responsibility of the MCOs if dental services are separately contracted.

Table 6 Summary of Total Per Capita Cost Funded by Health Plans Excluding Dental Services – TennCare	
Eligibility Group	FY2002 Per Capita Costs
Medicaid (TNF & Related)	\$120.09
Uninsured	\$130.75
Uninsurable	\$324.73
Disabled	\$422.30
Duals (TennCare/Medicare)	\$17.10
Total	\$159.43

A modification to the methods used for dental contracting would likely result in changes in both the utilization of services and the cost per unit of service. Consequently, the costs of covering dental services can be expected to increase under a carve-out program. The costs shown here do not include an adjustment for this increased utilization; the actual cost of the program will depend on the contract negotiations for the new delivery system.

We have assumed that any new contract will include specific performance criteria to ensure that the enhanced funding level translates to additional services provided to TennCare members. The contracting change is currently scheduled to go into effect midway through the fiscal year, on January 1, 2002. Consequently, any change in funding must coincide with that contracting change.

Enhancing EPSDT Compliance

TennCare is currently considering options for improving compliance with Early and Periodic Screening, Diagnosis, and Testing (EPSDT) protocols. Health plans are contractually required to meet state-established guidelines for compliance with these protocols. Recent reports on compliance show rates that are substantially lower than expected.

Our analysis of current TennCare utilization levels for Evaluation & Management services for children indicate that children receive an average of 6 visits per person per year. This utilization level exceeds that of other state Medicaid programs with which we are familiar. Based on this utilization level, we believe there is currently sufficient funding in TennCare to cover the costs of enhanced compliance with EPSDT guidelines. It is possible that some of the EPSDT services are being provided during the Evaluation & Management visits that are already occurring, and that reporting of services does not meet the level expected by TennCare administrators.

The State is considering options for enhancing EPSDT compliance. While the specific details of the program have not been finalized, the program is likely to include both positive and negative incentives. As the program is initially rolled out we expect that the costs of the incentives can be covered by the per capita costs displayed here. To the extent compliance increases dramatically some additional incentive costs may materialize. We have not included these additional costs in the per capita cost calculations shown in this report.

Coverage of Behavioral Health Services

The TennCare Bureau is investigating the operational practices used by physical health and behavioral health plans related to coverage of specific diagnoses. These conditions may be appropriately treated by both behavioral health providers and physical health providers, and responsibility for coverage of the services has been contested. Under current program rules, the Behavioral Health Plans contracted under TennCare Partners are generally responsible for covering the costs of treatment of all behavioral health conditions. However, many physical health providers also provide needed services.

We are investigating the prevalence of treatment by physical health providers for these identified behavioral health conditions. Depending on the outcome of our analysis, it may be appropriate to transfer a portion of the funding for behavioral health care to the TennCare MCO capitation rates. This transfer is not expected to result in an overall change in costs, but a potential reallocation of costs.

TENNCARE PARTNERS

In addition to reviewing the funding level for TennCare we reviewed current payment arrangements for TennCare Partners. Unexpectedly low utilization reported in the TennCare Partners encounter database caused us to conclude that that database is not reliable for rate setting at this time. As a substitute we reviewed funding levels for comparable services in other states

Our review showed per capita expenditures in TennCare Partners that are lower than expenditures for a comparable mix of services in some other state Medicaid programs. It is important to note that no other program is identical to TennCare. To assess the comparability of the alternative data sources we also reviewed expenditures for behavioral health drugs, although BHOs are not responsible for the cost of those services. Since BHO drugs are paid on a fee-for-service basis, the quality of the encounter data should not affect the measurement of costs.

Similar to the cost of non-drug services, expenditures for behavioral health drugs in TennCare are lower than costs in other states, indicating that overall *per capita* use of behavioral health services is lower for TennCare. One reason for this lower per capita utilization may be the large share of the state population that is enrolled in TennCare compared to the enrollment in other state Medicaid program or demonstration projects. Other states that we reviewed covered 10% to 15% of the state's population, while TennCare covers more than 25% of the population. We believe the utilization rates in TennCare are diluted to some extent by this higher penetration rate, since the percentage of the population requiring behavioral health services in each state is likely to be similar.

As an additional data source we also reviewed recent trend information on BHO utilization reported in financial reports to the TennCare Bureau and national trend rates for BHO services. National trend rates for behavioral health services in are currently approximately 5%. Based on the program design and the current funding level, we recommend that BHO payment rates be increased by 8% for the current benefit package. Higher rates of increase should be matched to increases in the supply of providers and documentation of utilization rates. We also recommend that incentives be put into place to improve the quality of the BHO encounter data to allow that information to be used in the future for rate setting.

Given the very high penetration rate of TennCare into the total Tennessee population, we believe the 8% increase should be implemented at the budget level. In other words, to the extent the TennCare Partners population changes in a significant way, either up or down, the per capita payments should be adjusted accordingly.

The current TennCare Partners program pays separate rates for the SPMI/SED population and the non-SPMI population. We recommend a blended rate for the TennCare Partners program. The following table shows our recommended blended rate. These values are based on TennCare Partners enrollment from February 2001, with 1,379,000 enrollees.

Table ES-5 Summary of Total Per Capita Costs – TennCare Partners	
Blended Rate	
FY2002 Per Capita Costs	\$21.60
FY2001 Per Capita Costs	\$20.00
Percentage Change	8%

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

All Eligibility Categories All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	27,936,578				
Service Category					
Dental - Orthodontics	\$2,127,680	\$0.08	16,786	7	\$126.75
Dental - Other	\$112,839,057	\$4.04	2,537,024	1,090	\$44.48
Pharmacy	\$1,170,742,610	\$41.91	37,580,096	16,142	\$31.15
Home Health Care	\$75,463,667	\$2.70	297,490	128	\$253.67
IP - Maternity	\$293,423,899	\$10.50	153,215	66	\$1,915.11
IP - Newborn	\$224,842,196	\$8.05	168,562	72	\$1,333.88
IP - Other	\$1,717,029,802	\$61.46	640,118	275	\$2,682.36
OP - Emergency Room	\$235,128,059	\$8.42	516,898	222	\$454.88
OP - Other	\$1,373,872,832	\$49.18	2,089,193	897	\$657.61
Prof - Anesthesia	\$154,478,784	\$5.53	1,690,306	726	\$91.39
Prof - Digestive System	\$79,019,055	\$2.83	112,156	48	\$704.54
Prof - Ears/Nose/Throat	\$87,314,056	\$3.13	141,957	61	\$615.07
Prof - Evaluation & Management	\$1,000,061,282	\$35.80	16,370,967	7,032	\$61.09
Prof - Female Genital	\$38,089,782	\$1.36	75,001	32	\$507.85
Prof - Integumentary System	\$38,038,014	\$1.36	196,542	84	\$193.54
Prof - Laparoscopy	\$23,409,976	\$0.84	17,420	7	\$1,343.82
Prof - Male Genital	\$4,985,292	\$0.18	11,208	5	\$444.78
Prof - Maternity	\$143,456,142	\$5.14	206,702	89	\$694.02
Prof - Musculoskeletal System	\$99,584,473	\$3.56	174,033	75	\$572.22
Prof - Other	\$32,061,670	\$1.15	3,235,448	1,390	\$9.91
Prof - Respiratory/Cardiology	\$77,197,028	\$2.76	856,383	368	\$90.14
Prof - Urinary	\$19,638,372	\$0.70	38,569	17	\$509.17
DME/Supplies	\$106,646,277	\$3.82	635,103	273	\$167.92
Lab	\$160,702,489	\$5.75	6,106,160	2,623	\$26.32
Radiology	\$250,720,784	\$8.97	2,520,673	1,083	\$99.47
Transportation/Ambulance	\$98,945,602	\$3.54	1,483,552	637	\$66.70
Total	\$7,619,818,880	\$272.75	77,871,563		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	10,528,074				
Service Category					
Dental - Orthodontics	\$906,368	\$0.09	6,750	8	\$134.27
Dental - Other	\$58,132,704	\$5.52	1,361,771	1,552	\$42.69
Pharmacy	\$107,988,045	\$10.26	5,327,677	6,073	\$20.27
Home Health Care	\$6,297,305	\$0.60	24,255	28	\$259.63
IP - Maternity	\$234,342,275	\$22.26	123,093	140	\$1,903.78
IP - Newborn	\$177,934,972	\$16.90	135,053	154	\$1,317.52
IP - Other	\$298,194,621	\$28.32	121,949	139	\$2,445.24
OP - Emergency Room	\$93,377,279	\$8.87	249,315	284	\$374.54
OP - Other	\$373,913,757	\$35.52	714,744	815	\$523.14
Prof - Anesthesia	\$63,233,225	\$6.01	748,764	853	\$84.45
Prof - Digestive System	\$17,242,956	\$1.64	23,769	27	\$725.45
Prof - Ears/Nose/Throat	\$18,866,699	\$1.79	42,864	49	\$440.16
Prof - Evaluation & Management	\$348,923,852	\$33.14	5,830,929	6,646	\$59.84
Prof - Female Genital	\$16,447,801	\$1.56	39,002	44	\$421.72
Prof - Integumentary System	\$9,451,080	\$0.90	51,670	59	\$182.91
Prof - Laparoscopy	\$8,615,521	\$0.82	7,172	8	\$1,201.23
Prof - Male Genital	\$2,435,814	\$0.23	6,785	8	\$358.99
Prof - Maternity	\$115,388,667	\$10.96	166,869	190	\$691.49
Prof - Musculoskeletal System	\$21,761,148	\$2.07	39,481	45	\$551.18
Prof - Other	\$8,491,179	\$0.81	289,358	330	\$29.34
Prof - Respiratory/Cardiology	\$11,269,997	\$1.07	226,306	258	\$49.80
Prof - Urinary	\$3,782,862	\$0.36	8,354	10	\$452.80
DME/Supplies	\$11,241,193	\$1.07	83,635	95	\$134.41
Lab	\$55,903,691	\$5.31	2,187,672	2,494	\$25.55
Radiology	\$71,505,795	\$6.79	755,868	862	\$94.60
Transportation/Ambulance	\$18,033,708	\$1.71	161,223	184	\$111.86
Total	\$2,153,682,514	\$204.57	18,734,329		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Age Under 1					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	719,908				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$3,262	\$0.00	111	2	\$29.34
Pharmacy	\$1,220,256	\$1.70	121,378	2,023	\$10.05
Home Health Care	\$445,387	\$0.62	1,871	31	\$238.01
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$177,934,972	\$247.16	135,053	2,251	\$1,317.52
IP - Other	\$27,675,869	\$38.44	13,028	217	\$2,124.33
OP - Emergency Room	\$2,986,597	\$4.15	10,997	183	\$271.60
OP - Other	\$9,127,790	\$12.68	27,916	465	\$326.97
Prof - Anesthesia	\$1,063,659	\$1.48	9,532	159	\$111.59
Prof - Digestive System	\$1,079,461	\$1.50	950	16	\$1,136.27
Prof - Ears/Nose/Throat	\$671,987	\$0.93	1,761	29	\$381.68
Prof - Evaluation & Management	\$31,687,775	\$44.02	519,098	8,653	\$61.04
Prof - Female Genital	\$2,789	\$0.00	10	0	\$292.19
Prof - Integumentary System	\$93,475	\$0.13	713	12	\$131.18
Prof - Laparoscopy	\$19,125	\$0.03	21	0	\$924.27
Prof - Male Genital	\$811,461	\$1.13	4,559	76	\$177.98
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$233,485	\$0.32	437	7	\$533.71
Prof - Other	\$10,351	\$0.01	292	5	\$35.41
Prof - Respiratory/Cardiology	\$1,035,777	\$1.44	5,166	86	\$200.51
Prof - Urinary	\$123,552	\$0.17	589	10	\$209.80
DME/Supplies	\$1,214,285	\$1.69	8,477	141	\$143.25
Lab	\$597,772	\$0.83	23,724	395	\$25.20
Radiology	\$1,404,125	\$1.95	26,334	439	\$53.32
Transportation/Ambulance	\$707,521	\$0.98	4,216	70	\$167.81
Total	\$260,150,734	\$361.37	916,233		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Ages 1 - 13					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	5,370,020				
Service Category					
Dental - Orthodontics	\$449,721	\$0.08	2,881	6	\$156.09
Dental - Other	\$36,759,167	\$6.85	946,805	2,116	\$38.82
Pharmacy	\$31,984,543	\$5.96	1,776,578	3,970	\$18.00
Home Health Care	\$1,845,730	\$0.34	9,545	21	\$193.37
IP - Maternity	\$108,192	\$0.02	61	0	\$1,776.17
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$77,875,883	\$14.50	40,606	91	\$1,917.85
OP - Emergency Room	\$32,526,909	\$6.06	113,064	253	\$287.69
OP - Other	\$102,776,408	\$19.14	233,098	521	\$440.91
Prof - Anesthesia	\$11,371,547	\$2.12	115,502	258	\$98.45
Prof - Digestive System	\$5,495,097	\$1.02	9,151	20	\$600.51
Prof - Ears/Nose/Throat	\$8,062,078	\$1.50	21,630	48	\$372.73
Prof - Evaluation & Management	\$135,912,221	\$25.31	2,759,266	6,166	\$49.26
Prof - Female Genital	\$74,669	\$0.01	272	1	\$274.11
Prof - Integumentary System	\$3,250,182	\$0.61	21,108	47	\$153.98
Prof - Laparoscopy	\$160,382	\$0.03	153	0	\$1,047.97
Prof - Male Genital	\$1,383,585	\$0.26	1,912	4	\$723.49
Prof - Maternity	\$56,983	\$0.01	124	0	\$461.09
Prof - Musculoskeletal System	\$4,828,040	\$0.90	9,989	22	\$483.35
Prof - Other	\$4,408,674	\$0.82	151,875	339	\$29.03
Prof - Respiratory/Cardiology	\$2,458,193	\$0.46	60,484	135	\$40.64
Prof - Urinary	\$881,787	\$0.16	2,612	6	\$337.56
DME/Supplies	\$3,532,769	\$0.66	37,974	85	\$93.03
Lab	\$10,030,562	\$1.87	471,515	1,054	\$21.27
Radiology	\$10,332,305	\$1.92	184,257	412	\$56.08
Transportation/Ambulance	\$4,367,583	\$0.81	41,907	94	\$104.22
Total	\$490,933,210	\$91.42	7,012,370		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Ages 14 - 44 Female					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	3,221,086				
Service Category					
Dental - Orthodontics	\$289,479	\$0.09	2,467	9	\$117.33
Dental - Other	\$14,541,472	\$4.51	283,618	1,057	\$51.27
Pharmacy	\$51,396,828	\$15.96	2,571,949	9,582	\$19.98
Home Health Care	\$2,494,099	\$0.77	8,040	30	\$310.20
IP - Maternity	\$234,074,652	\$72.67	122,968	458	\$1,903.55
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$117,563,465	\$36.50	43,190	161	\$2,722.04
OP - Emergency Room	\$46,795,444	\$14.53	101,715	379	\$460.06
OP - Other	\$208,653,172	\$64.78	376,433	1,402	\$554.29
Prof - Anesthesia	\$46,308,649	\$14.38	578,102	2,154	\$80.10
Prof - Digestive System	\$7,774,604	\$2.41	9,832	37	\$790.78
Prof - Ears/Nose/Throat	\$6,444,884	\$2.00	14,819	55	\$434.89
Prof - Evaluation & Management	\$148,000,802	\$45.95	2,041,930	7,607	\$72.48
Prof - Female Genital	\$15,823,030	\$4.91	37,962	141	\$416.82
Prof - Integumentary System	\$4,131,542	\$1.28	20,186	75	\$204.67
Prof - Laparoscopy	\$7,967,847	\$2.47	6,686	25	\$1,191.76
Prof - Male Genital	\$0	\$0.00	0	0	\$0.00
Prof - Maternity	\$115,286,535	\$35.79	166,699	621	\$691.59
Prof - Musculoskeletal System	\$9,806,249	\$3.04	18,687	70	\$524.75
Prof - Other	\$2,774,948	\$0.86	93,928	350	\$29.54
Prof - Respiratory/Cardiology	\$5,035,992	\$1.56	134,713	502	\$37.38
Prof - Urinary	\$2,053,227	\$0.64	4,134	15	\$496.72
DME/Supplies	\$4,633,588	\$1.44	23,742	88	\$195.16
Lab	\$41,063,324	\$12.75	1,522,219	5,671	\$26.98
Radiology	\$50,096,031	\$15.55	433,436	1,615	\$115.58
Transportation/Ambulance	\$9,748,077	\$3.03	88,022	328	\$110.75
Total	\$1,152,757,939	\$357.88	8,705,476		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Ages 14 - 44 Male					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	934,703				
Service Category					
Dental - Orthodontics	\$167,168	\$0.18	1,402	18	\$119.24
Dental - Other	\$6,555,315	\$7.01	124,528	1,599	\$52.64
Pharmacy	\$8,170,944	\$8.74	326,030	4,186	\$25.06
Home Health Care	\$588,596	\$0.63	2,148	28	\$274.03
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$40,239,256	\$43.05	12,355	159	\$3,256.97
OP - Emergency Room	\$8,038,376	\$8.60	18,739	241	\$428.97
OP - Other	\$31,483,210	\$33.68	49,784	639	\$632.40
Prof - Anesthesia	\$2,642,222	\$2.83	26,423	339	\$100.00
Prof - Digestive System	\$1,441,871	\$1.54	1,838	24	\$784.32
Prof - Ears/Nose/Throat	\$1,853,833	\$1.98	2,619	34	\$707.92
Prof - Evaluation & Management	\$19,743,160	\$21.12	303,397	3,895	\$65.07
Prof - Female Genital	\$17,186	\$0.02	14	0	\$1,225.16
Prof - Integumentary System	\$1,422,648	\$1.52	7,275	93	\$195.57
Prof - Laparoscopy	\$172,763	\$0.18	108	1	\$1,596.48
Prof - Male Genital	\$191,346	\$0.20	254	3	\$753.72
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$5,065,793	\$5.42	7,151	92	\$708.45
Prof - Other	\$935,324	\$1.00	32,274	414	\$28.98
Prof - Respiratory/Cardiology	\$1,262,514	\$1.35	11,799	151	\$107.00
Prof - Urinary	\$398,648	\$0.43	385	5	\$1,034.43
DME/Supplies	\$863,716	\$0.92	5,982	77	\$144.39
Lab	\$1,969,376	\$2.11	83,407	1,071	\$23.61
Radiology	\$5,274,051	\$5.64	70,762	908	\$74.53
Transportation/Ambulance	\$2,163,085	\$2.31	14,515	186	\$149.02
Total	\$140,660,402	\$150.49	1,103,188		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Ages 45 - 64					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	210,030				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$249,946	\$1.19	6,112	349	\$40.90
Pharmacy	\$11,047,577	\$52.60	376,911	21,535	\$29.31
Home Health Care	\$350,439	\$1.67	1,300	74	\$269.59
IP - Maternity	\$159,431	\$0.76	65	4	\$2,460.80
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$25,860,708	\$123.13	9,081	519	\$2,847.88
OP - Emergency Room	\$2,752,571	\$13.11	4,487	256	\$613.49
OP - Other	\$19,008,700	\$90.50	23,910	1,366	\$795.01
Prof - Anesthesia	\$1,536,114	\$7.31	16,397	937	\$93.69
Prof - Digestive System	\$1,231,163	\$5.86	1,687	96	\$729.80
Prof - Ears/Nose/Throat	\$1,311,473	\$6.24	1,561	89	\$840.09
Prof - Evaluation & Management	\$11,579,113	\$55.13	178,342	10,190	\$64.93
Prof - Female Genital	\$507,426	\$2.42	713	41	\$711.37
Prof - Integumentary System	\$489,418	\$2.33	2,044	117	\$239.45
Prof - Laparoscopy	\$279,776	\$1.33	187	11	\$1,493.98
Prof - Male Genital	\$33,469	\$0.16	37	2	\$894.96
Prof - Maternity	\$45,149	\$0.21	46	3	\$973.34
Prof - Musculoskeletal System	\$1,563,228	\$7.44	2,952	169	\$529.48
Prof - Other	\$313,256	\$1.49	9,423	538	\$33.25
Prof - Respiratory/Cardiology	\$1,136,580	\$5.41	11,962	683	\$95.02
Prof - Urinary	\$292,898	\$1.39	569	33	\$514.87
DME/Supplies	\$774,833	\$3.69	5,885	336	\$131.65
Lab	\$1,955,255	\$9.31	75,439	4,310	\$25.92
Radiology	\$3,711,710	\$17.67	34,884	1,993	\$106.40
Transportation/Ambulance	\$727,160	\$3.46	8,572	490	\$84.83
Total	\$86,917,395	\$413.83	772,566		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Medicaid (TANF & Related)					
Age Over 65					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	72,328				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$23,542	\$0.33	597	99	\$39.45
Pharmacy	\$4,167,897	\$57.62	154,832	25,688	\$26.92
Home Health Care	\$573,053	\$7.92	1,350	224	\$424.44
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$8,979,440	\$124.15	3,690	612	\$2,433.42
OP - Emergency Room	\$277,382	\$3.84	313	52	\$886.54
OP - Other	\$2,864,477	\$39.60	3,602	598	\$795.25
Prof - Anesthesia	\$311,035	\$4.30	2,808	466	\$110.75
Prof - Digestive System	\$220,761	\$3.05	311	52	\$709.55
Prof - Ears/Nose/Throat	\$522,443	\$7.22	474	79	\$1,103.03
Prof - Evaluation & Management	\$2,000,781	\$27.66	28,895	4,794	\$69.24
Prof - Female Genital	\$22,702	\$0.31	31	5	\$726.74
Prof - Integumentary System	\$63,815	\$0.88	345	57	\$184.96
Prof - Laparoscopy	\$15,627	\$0.22	17	3	\$905.64
Prof - Male Genital	\$15,953	\$0.22	22	4	\$717.46
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$264,354	\$3.65	265	44	\$997.59
Prof - Other	\$48,626	\$0.67	1,566	260	\$31.04
Prof - Respiratory/Cardiology	\$340,941	\$4.71	2,183	362	\$156.19
Prof - Urinary	\$32,750	\$0.45	65	11	\$500.13
DME/Supplies	\$222,001	\$3.07	1,574	261	\$141.05
Lab	\$287,401	\$3.97	11,367	1,886	\$25.28
Radiology	\$687,572	\$9.51	6,196	1,028	\$110.97
Transportation/Ambulance	\$320,282	\$4.43	3,991	662	\$80.26
Total	\$22,262,834	\$307.80	224,495		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	8,094,217				
Service Category					
Dental - Orthodontics	\$1,079,267	\$0.13	8,881	13	\$121.53
Dental - Other	\$38,799,947	\$4.79	833,610	1,236	\$46.54
Pharmacy	\$195,830,632	\$24.19	6,845,137	10,148	\$28.61
Home Health Care	\$6,544,021	\$0.81	23,979	36	\$272.90
IP - Maternity	\$39,230,832	\$4.85	19,905	30	\$1,970.94
IP - Newborn	\$29,957,434	\$3.70	21,850	32	\$1,371.04
IP - Other	\$323,257,799	\$39.94	110,890	164	\$2,915.13
OP - Emergency Room	\$57,348,357	\$7.09	125,570	186	\$456.70
OP - Other	\$375,966,375	\$46.45	578,476	858	\$649.93
Prof - Anesthesia	\$36,921,985	\$4.56	380,434	564	\$97.05
Prof - Digestive System	\$22,273,199	\$2.75	31,905	47	\$698.12
Prof - Ears/Nose/Throat	\$22,340,994	\$2.76	37,598	56	\$594.21
Prof - Evaluation & Management	\$261,880,033	\$32.35	4,606,680	6,830	\$56.85
Prof - Female Genital	\$11,325,521	\$1.40	20,165	30	\$561.64
Prof - Integumentary System	\$11,010,119	\$1.36	62,285	92	\$176.77
Prof - Laparoscopy	\$7,554,313	\$0.93	5,361	8	\$1,409.02
Prof - Male Genital	\$1,385,390	\$0.17	2,346	3	\$590.62
Prof - Maternity	\$19,584,647	\$2.42	27,400	41	\$714.77
Prof - Musculoskeletal System	\$27,963,768	\$3.45	52,657	78	\$531.06
Prof - Other	\$7,496,221	\$0.93	269,222	399	\$27.84
Prof - Respiratory/Cardiology	\$18,066,107	\$2.23	240,667	357	\$75.07
Prof - Urinary	\$5,929,897	\$0.73	10,909	16	\$543.58
DME/Supplies	\$12,643,274	\$1.56	90,164	134	\$140.22
Lab	\$44,380,976	\$5.48	1,720,922	2,551	\$25.79
Radiology	\$66,154,276	\$8.17	678,520	1,006	\$97.50
Transportation/Ambulance	\$12,792,477	\$1.58	111,085	165	\$115.16
Total	\$1,657,717,860	\$204.80	16,916,619		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured Age Under 1					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	120,887				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$709	\$0.01	25	2	\$28.69
Pharmacy	\$208,769	\$1.73	18,705	1,857	\$11.16
Home Health Care	\$99,608	\$0.82	310	31	\$321.72
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$29,957,434	\$247.81	21,850	2,169	\$1,371.04
IP - Other	\$2,840,937	\$23.50	1,336	133	\$2,125.88
OP - Emergency Room	\$369,418	\$3.06	1,465	145	\$252.21
OP - Other	\$1,387,586	\$11.48	4,456	442	\$311.43
Prof - Anesthesia	\$171,958	\$1.42	2,119	210	\$81.15
Prof - Digestive System	\$146,274	\$1.21	116	12	\$1,256.89
Prof - Ears/Nose/Throat	\$105,362	\$0.87	306	30	\$344.65
Prof - Evaluation & Management	\$5,392,623	\$44.61	86,297	8,566	\$62.49
Prof - Female Genital	\$94	\$0.00	1	0	\$89.26
Prof - Integumentary System	\$9,838	\$0.08	123	12	\$79.88
Prof - Laparoscopy	\$14,385	\$0.12	17	2	\$832.86
Prof - Male Genital	\$145,981	\$1.21	650	64	\$224.71
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$79,455	\$0.66	82	8	\$969.61
Prof - Other	\$3,316	\$0.03	69	7	\$48.08
Prof - Respiratory/Cardiology	\$110,504	\$0.91	854	85	\$129.33
Prof - Urinary	\$21,603	\$0.18	129	13	\$168.09
DME/Supplies	\$239,513	\$1.98	1,527	152	\$156.89
Lab	\$92,994	\$0.77	3,909	388	\$23.79
Radiology	\$224,443	\$1.86	4,020	399	\$55.83
Transportation/Ambulance	\$69,141	\$0.57	367	36	\$188.46
Total	\$41,691,946	\$344.88	148,731		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured Ages 1 - 13					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	2,664,775				
Service Category					
Dental - Orthodontics	\$476,489	\$0.18	3,287	15	\$144.96
Dental - Other	\$19,436,697	\$7.29	478,891	2,157	\$40.59
Pharmacy	\$16,614,637	\$6.23	777,327	3,500	\$21.37
Home Health Care	\$996,759	\$0.37	5,053	23	\$197.27
IP - Maternity	\$27,843	\$0.01	14	0	\$1,977.45
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$25,215,516	\$9.46	12,171	55	\$2,071.80
OP - Emergency Room	\$10,490,854	\$3.94	35,833	161	\$292.77
OP - Other	\$51,439,086	\$19.30	109,741	494	\$468.73
Prof - Anesthesia	\$5,981,498	\$2.24	59,819	269	\$99.99
Prof - Digestive System	\$2,822,979	\$1.06	4,532	20	\$622.86
Prof - Ears/Nose/Throat	\$4,137,295	\$1.55	10,228	46	\$404.51
Prof - Evaluation & Management	\$61,063,902	\$22.92	1,334,949	6,012	\$45.74
Prof - Female Genital	\$39,675	\$0.01	109	0	\$364.90
Prof - Integumentary System	\$1,671,116	\$0.63	11,986	54	\$139.42
Prof - Laparoscopy	\$88,689	\$0.03	77	0	\$1,155.93
Prof - Male Genital	\$635,493	\$0.24	724	3	\$878.27
Prof - Maternity	\$22,233	\$0.01	15	0	\$1,476.40
Prof - Musculoskeletal System	\$2,568,886	\$0.96	5,709	26	\$449.99
Prof - Other	\$2,297,170	\$0.86	81,001	365	\$28.36
Prof - Respiratory/Cardiology	\$1,209,560	\$0.45	28,670	129	\$42.19
Prof - Urinary	\$558,894	\$0.21	1,426	6	\$391.92
DME/Supplies	\$1,431,576	\$0.54	15,023	68	\$95.29
Lab	\$4,982,189	\$1.87	230,915	1,040	\$21.58
Radiology	\$4,960,750	\$1.86	84,890	382	\$58.44
Transportation/Ambulance	\$1,277,453	\$0.48	8,051	36	\$158.66
Total	\$220,447,238	\$82.73	3,300,442		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured					
Ages 14 - 44 Female					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	2,270,271				
Service Category					
Dental - Orthodontics	\$347,269	\$0.15	3,232	17	\$107.45
Dental - Other	\$11,379,529	\$5.01	204,124	1,079	\$55.75
Pharmacy	\$46,145,580	\$20.33	1,925,796	10,179	\$23.96
Home Health Care	\$1,116,290	\$0.49	4,197	22	\$265.96
IP - Maternity	\$39,003,360	\$17.18	19,819	105	\$1,967.94
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$71,251,769	\$31.38	24,880	132	\$2,863.81
OP - Emergency Room	\$21,451,209	\$9.45	45,665	241	\$469.76
OP - Other	\$134,098,666	\$59.07	214,322	1,133	\$625.69
Prof - Anesthesia	\$15,786,286	\$6.95	170,692	902	\$92.48
Prof - Digestive System	\$6,423,097	\$2.83	8,629	46	\$744.34
Prof - Ears/Nose/Throat	\$4,782,265	\$2.11	8,149	43	\$586.87
Prof - Evaluation & Management	\$84,291,703	\$37.13	1,422,408	7,518	\$59.26
Prof - Female Genital	\$8,669,852	\$3.82	16,315	86	\$531.40
Prof - Integumentary System	\$3,377,070	\$1.49	18,112	96	\$186.46
Prof - Laparoscopy	\$5,407,866	\$2.38	3,998	21	\$1,352.79
Prof - Male Genital	\$0	\$0.00	0	0	\$0.00
Prof - Maternity	\$19,533,123	\$8.60	27,345	145	\$714.33
Prof - Musculoskeletal System	\$8,298,045	\$3.66	16,544	87	\$501.58
Prof - Other	\$1,980,143	\$0.87	67,455	357	\$29.36
Prof - Respiratory/Cardiology	\$3,505,711	\$1.54	84,456	446	\$41.51
Prof - Urinary	\$2,060,423	\$0.91	3,815	20	\$540.09
DME/Supplies	\$2,493,256	\$1.10	18,088	96	\$137.84
Lab	\$20,862,872	\$9.19	775,258	4,098	\$26.91
Radiology	\$25,555,870	\$11.26	240,374	1,271	\$106.32
Transportation/Ambulance	\$3,918,944	\$1.73	32,255	170	\$121.50
Total	\$541,740,200	\$238.62	5,355,926		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured					
Ages 14 - 44 Male					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	1,532,852				
Service Category					
Dental - Orthodontics	\$255,383	\$0.17	2,360	18	\$108.21
Dental - Other	\$6,798,823	\$4.44	122,029	955	\$55.71
Pharmacy	\$22,705,442	\$14.81	675,565	5,289	\$33.61
Home Health Care	\$1,034,333	\$0.67	3,844	30	\$269.09
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$55,571,193	\$36.25	16,740	131	\$3,319.62
OP - Emergency Room	\$11,691,616	\$7.63	24,395	191	\$479.26
OP - Other	\$57,645,230	\$37.61	86,623	678	\$665.48
Prof - Anesthesia	\$4,238,926	\$2.77	43,899	344	\$96.56
Prof - Digestive System	\$2,970,860	\$1.94	4,206	33	\$706.36
Prof - Ears/Nose/Throat	\$3,443,224	\$2.25	4,715	37	\$730.25
Prof - Evaluation & Management	\$32,983,458	\$21.52	511,050	4,001	\$64.54
Prof - Female Genital	\$28,279	\$0.02	22	0	\$1,282.89
Prof - Integumentary System	\$2,041,970	\$1.33	12,269	96	\$166.43
Prof - Laparoscopy	\$399,849	\$0.26	239	2	\$1,674.22
Prof - Male Genital	\$306,775	\$0.20	504	4	\$608.33
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$7,340,785	\$4.79	11,494	90	\$638.68
Prof - Other	\$909,651	\$0.59	29,570	231	\$30.76
Prof - Respiratory/Cardiology	\$2,527,811	\$1.65	24,859	195	\$101.69
Prof - Urinary	\$884,793	\$0.58	1,022	8	\$865.89
DME/Supplies	\$1,938,685	\$1.26	11,973	94	\$161.93
Lab	\$3,762,946	\$2.45	149,376	1,169	\$25.19
Radiology	\$9,281,945	\$6.06	113,563	889	\$81.73
Transportation/Ambulance	\$3,345,497	\$2.18	22,260	174	\$150.29
Total	\$232,107,474	\$151.42	1,872,577		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsured Ages 45 - 64					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	1,316,584				
Service Category					
Dental - Orthodontics	\$125	\$0.00	2	0	\$62.52
Dental - Other	\$1,100,412	\$0.84	26,220	239	\$41.97
Pharmacy	\$92,130,121	\$69.98	2,854,446	26,017	\$32.28
Home Health Care	\$2,995,559	\$2.28	9,264	84	\$323.37
IP - Maternity	\$199,629	\$0.15	71	1	\$2,804.07
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$157,276,259	\$119.46	51,489	469	\$3,054.54
OP - Emergency Room	\$12,711,036	\$9.65	17,444	159	\$728.66
OP - Other	\$124,140,697	\$94.29	154,479	1,408	\$803.61
Prof - Anesthesia	\$10,048,694	\$7.63	97,808	891	\$102.74
Prof - Digestive System	\$9,259,645	\$7.03	13,526	123	\$684.57
Prof - Ears/Nose/Throat	\$8,900,406	\$6.76	12,664	115	\$702.84
Prof - Evaluation & Management	\$72,609,208	\$55.15	1,165,148	10,620	\$62.32
Prof - Female Genital	\$2,435,371	\$1.85	3,539	32	\$688.09
Prof - Integumentary System	\$3,641,908	\$2.77	18,219	166	\$199.89
Prof - Laparoscopy	\$1,579,086	\$1.20	985	9	\$1,602.50
Prof - Male Genital	\$266,522	\$0.20	412	4	\$647.31
Prof - Maternity	\$29,291	\$0.02	40	0	\$724.16
Prof - Musculoskeletal System	\$9,188,411	\$6.98	17,902	163	\$513.27
Prof - Other	\$2,115,847	\$1.61	85,034	775	\$24.88
Prof - Respiratory/Cardiology	\$9,832,334	\$7.47	94,950	865	\$103.55
Prof - Urinary	\$2,225,783	\$1.69	4,119	38	\$540.34
DME/Supplies	\$5,732,406	\$4.35	38,550	351	\$148.70
Lab	\$13,722,518	\$10.42	526,165	4,796	\$26.08
Radiology	\$24,215,063	\$18.39	219,276	1,999	\$110.43
Transportation/Ambulance	\$3,682,838	\$2.80	39,261	358	\$93.80
Total	\$570,039,170	\$432.97	5,451,013		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
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Exhibit 1

Uninsured Age Over 65					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	188,848				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$83,776	\$0.44	2,321	147	\$36.10
Pharmacy	\$18,026,083	\$95.45	593,298	37,700	\$30.38
Home Health Care	\$301,471	\$1.60	1,312	83	\$229.79
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$11,102,125	\$58.79	4,273	272	\$2,598.28
OP - Emergency Room	\$634,224	\$3.36	769	49	\$825.17
OP - Other	\$7,255,112	\$38.42	8,856	563	\$819.23
Prof - Anesthesia	\$694,623	\$3.68	6,098	387	\$113.92
Prof - Digestive System	\$650,343	\$3.44	895	57	\$726.97
Prof - Ears/Nose/Throat	\$972,442	\$5.15	1,537	98	\$632.89
Prof - Evaluation & Management	\$5,539,139	\$29.33	86,830	5,517	\$63.79
Prof - Female Genital	\$152,251	\$0.81	179	11	\$852.03
Prof - Integumentary System	\$268,216	\$1.42	1,576	100	\$170.24
Prof - Laparoscopy	\$64,438	\$0.34	46	3	\$1,412.94
Prof - Male Genital	\$30,619	\$0.16	56	4	\$542.83
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$488,186	\$2.59	927	59	\$526.80
Prof - Other	\$190,093	\$1.01	6,093	387	\$31.20
Prof - Respiratory/Cardiology	\$880,186	\$4.66	6,877	437	\$127.98
Prof - Urinary	\$178,402	\$0.94	398	25	\$447.79
DME/Supplies	\$807,838	\$4.28	5,003	318	\$161.46
Lab	\$957,457	\$5.07	35,299	2,243	\$27.12
Radiology	\$1,916,205	\$10.15	16,397	1,042	\$116.86
Transportation/Ambulance	\$498,603	\$2.64	8,891	565	\$56.08
Total	\$51,691,832	\$273.72	787,929		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	2,207,917				
Service Category					
Dental - Orthodontics	\$53,690	\$0.02	427	2	\$125.77
Dental - Other	\$4,185,413	\$1.90	86,160	468	\$48.58
Pharmacy	\$152,810,386	\$69.21	4,046,369	21,992	\$37.76
Home Health Care	\$7,296,908	\$3.30	22,811	124	\$319.88
IP - Maternity	\$6,517,527	\$2.95	3,383	18	\$1,926.78
IP - Newborn	\$3,273,323	\$1.48	2,365	13	\$1,384.22
IP - Other	\$330,619,702	\$149.74	107,911	586	\$3,063.83
OP - Emergency Room	\$29,834,600	\$13.51	48,124	262	\$619.96
OP - Other	\$239,105,883	\$108.29	284,267	1,545	\$841.13
Prof - Anesthesia	\$22,082,156	\$10.00	239,616	1,302	\$92.16
Prof - Digestive System	\$16,229,610	\$7.35	22,233	121	\$729.98
Prof - Ears/Nose/Throat	\$18,200,378	\$8.24	21,539	117	\$845.00
Prof - Evaluation & Management	\$133,671,972	\$60.54	2,105,202	11,442	\$63.50
Prof - Female Genital	\$5,468,201	\$2.48	7,494	41	\$729.70
Prof - Integumentary System	\$7,194,353	\$3.26	34,231	186	\$210.17
Prof - Laparoscopy	\$3,647,623	\$1.65	2,385	13	\$1,529.34
Prof - Male Genital	\$486,253	\$0.22	840	5	\$578.66
Prof - Maternity	\$2,897,047	\$1.31	4,103	22	\$706.09
Prof - Musculoskeletal System	\$21,222,110	\$9.61	32,665	178	\$649.69
Prof - Other	\$3,925,022	\$1.78	136,440	742	\$28.77
Prof - Respiratory/Cardiology	\$17,841,680	\$8.08	159,786	868	\$111.66
Prof - Urinary	\$4,350,829	\$1.97	7,300	40	\$595.99
DME/Supplies	\$11,337,453	\$5.13	71,615	389	\$158.31
Lab	\$24,668,212	\$11.17	896,871	4,874	\$27.50
Radiology	\$44,408,678	\$20.11	394,425	2,144	\$112.59
Transportation/Ambulance	\$7,859,970	\$3.56	76,883	418	\$102.23
Total	\$1,119,188,977	\$506.90	8,815,443		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable Age Under 1					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	509				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$0	\$0.00	0	0	\$0.00
Pharmacy	\$1,030	\$2.02	71	1,677	\$14.48
Home Health Care	\$0	\$0.00	0	0	\$0.00
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$3,273,323	\$6,431.72	2,365	55,758	\$1,384.22
IP - Other	\$4,740	\$9.31	4	103	\$1,090.04
OP - Emergency Room	\$735	\$1.44	5	112	\$155.34
OP - Other	\$4,402	\$8.65	6	139	\$744.06
Prof - Anesthesia	\$590	\$1.16	4	99	\$140.58
Prof - Digestive System	\$0	\$0.00	0	0	\$0.00
Prof - Ears/Nose/Throat	\$0	\$0.00	0	0	\$0.00
Prof - Evaluation & Management	\$7,217	\$14.18	138	3,265	\$52.12
Prof - Female Genital	\$0	\$0.00	0	0	\$0.00
Prof - Integumentary System	\$0	\$0.00	0	0	\$0.00
Prof - Laparoscopy	\$0	\$0.00	0	0	\$0.00
Prof - Male Genital	\$0	\$0.00	0	0	\$0.00
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$0	\$0.00	0	0	\$0.00
Prof - Other	\$0	\$0.00	0	0	\$0.00
Prof - Respiratory/Cardiology	\$32	\$0.06	3	77	\$9.70
Prof - Urinary	\$0	\$0.00	0	0	\$0.00
DME/Supplies	\$182	\$0.36	1	28	\$153.80
Lab	\$202	\$0.40	12	280	\$17.06
Radiology	\$1,190	\$2.34	13	304	\$92.15
Transportation/Ambulance	\$0	\$0.00	0	0	\$0.00
Total	\$3,293,642	\$6,471.64	2,623		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
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Exhibit 1

Uninsurable Ages 1 - 13					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	105,700				
Service Category					
Dental - Orthodontics	\$22,572	\$0.21	125	14	\$180.20
Dental - Other	\$770,582	\$7.29	19,295	2,191	\$39.94
Pharmacy	\$1,448,031	\$13.70	33,994	3,859	\$42.60
Home Health Care	\$419,439	\$3.97	1,000	114	\$419.30
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$1,784,004	\$16.88	693	79	\$2,575.36
OP - Emergency Room	\$399,267	\$3.78	1,304	148	\$306.08
OP - Other	\$2,473,339	\$23.40	4,946	562	\$500.08
Prof - Anesthesia	\$311,140	\$2.94	3,130	355	\$99.41
Prof - Digestive System	\$167,312	\$1.58	194	22	\$864.14
Prof - Ears/Nose/Throat	\$164,757	\$1.56	287	33	\$573.17
Prof - Evaluation & Management	\$2,317,330	\$21.92	52,453	5,955	\$44.18
Prof - Female Genital	\$376	\$0.00	2	0	\$186.07
Prof - Integumentary System	\$67,201	\$0.64	460	52	\$145.97
Prof - Laparoscopy	\$7,660	\$0.07	11	1	\$693.15
Prof - Male Genital	\$11,517	\$0.11	15	2	\$762.57
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$201,550	\$1.91	269	31	\$748.19
Prof - Other	\$102,473	\$0.97	3,421	388	\$29.95
Prof - Respiratory/Cardiology	\$82,971	\$0.78	1,257	143	\$66.01
Prof - Urinary	\$33,082	\$0.31	48	5	\$683.66
DME/Supplies	\$196,906	\$1.86	1,075	122	\$183.22
Lab	\$211,260	\$2.00	9,995	1,135	\$21.14
Radiology	\$222,023	\$2.10	3,817	433	\$58.16
Transportation/Ambulance	\$42,940	\$0.41	426	48	\$100.72
Total	\$11,457,732	\$108.40	138,220		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable					
Ages 14 - 44 Female					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	471,931				
Service Category					
Dental - Orthodontics	\$22,472	\$0.05	204	5	\$109.91
Dental - Other	\$1,391,465	\$2.95	25,341	644	\$54.91
Pharmacy	\$19,024,262	\$40.31	611,073	15,538	\$31.13
Home Health Care	\$1,047,885	\$2.22	3,551	90	\$295.08
IP - Maternity	\$6,393,919	\$13.55	3,354	85	\$1,906.47
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$42,687,190	\$90.45	14,579	371	\$2,928.01
OP - Emergency Room	\$7,547,546	\$15.99	14,177	360	\$532.38
OP - Other	\$48,433,883	\$102.63	65,729	1,671	\$736.88
Prof - Anesthesia	\$5,138,315	\$10.89	61,355	1,560	\$83.75
Prof - Digestive System	\$2,739,072	\$5.80	3,723	95	\$735.66
Prof - Ears/Nose/Throat	\$2,510,997	\$5.32	3,345	85	\$750.57
Prof - Evaluation & Management	\$25,778,080	\$54.62	431,737	10,978	\$59.71
Prof - Female Genital	\$2,944,583	\$6.24	4,219	107	\$697.99
Prof - Integumentary System	\$1,348,279	\$2.86	5,955	151	\$226.41
Prof - Laparoscopy	\$1,752,275	\$3.71	1,271	32	\$1,378.69
Prof - Male Genital	\$0	\$0.00	0	0	\$0.00
Prof - Maternity	\$2,883,895	\$6.11	4,089	104	\$705.31
Prof - Musculoskeletal System	\$3,525,528	\$7.47	6,471	165	\$544.80
Prof - Other	\$450,918	\$0.96	14,999	381	\$30.06
Prof - Respiratory/Cardiology	\$1,685,549	\$3.57	27,357	696	\$61.61
Prof - Urinary	\$743,069	\$1.57	1,454	37	\$510.99
DME/Supplies	\$1,600,994	\$3.39	9,659	246	\$165.76
Lab	\$6,078,726	\$12.88	211,389	5,375	\$28.76
Radiology	\$8,689,674	\$18.41	78,919	2,007	\$110.11
Transportation/Ambulance	\$1,413,369	\$2.99	12,955	329	\$109.10
Total	\$195,831,945	\$414.96	1,616,905		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable					
Ages 14 - 44 Male					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	514,144				
Service Category					
Dental - Orthodontics	\$8,563	\$0.02	95	2	\$89.96
Dental - Other	\$1,115,320	\$2.17	21,009	490	\$53.09
Pharmacy	\$22,423,418	\$43.61	432,825	10,102	\$51.81
Home Health Care	\$1,519,185	\$2.95	4,236	99	\$358.67
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$70,686,754	\$137.48	22,509	525	\$3,140.33
OP - Emergency Room	\$8,408,796	\$16.35	15,376	359	\$546.89
OP - Other	\$41,008,700	\$79.76	49,410	1,153	\$829.97
Prof - Anesthesia	\$3,682,377	\$7.16	41,716	974	\$88.27
Prof - Digestive System	\$2,553,203	\$4.97	3,413	80	\$748.13
Prof - Ears/Nose/Throat	\$3,495,962	\$6.80	3,594	84	\$972.74
Prof - Evaluation & Management	\$21,063,598	\$40.97	301,263	7,031	\$69.92
Prof - Female Genital	\$5,803	\$0.01	45	1	\$128.71
Prof - Integumentary System	\$1,401,833	\$2.73	5,789	135	\$242.14
Prof - Laparoscopy	\$310,819	\$0.60	166	4	\$1,872.49
Prof - Male Genital	\$136,276	\$0.27	286	7	\$477.27
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$5,832,776	\$11.34	7,332	171	\$795.50
Prof - Other	\$396,214	\$0.77	12,752	298	\$31.07
Prof - Respiratory/Cardiology	\$2,323,136	\$4.52	19,967	466	\$116.35
Prof - Urinary	\$830,265	\$1.61	869	20	\$955.53
DME/Supplies	\$1,944,777	\$3.78	10,562	247	\$184.13
Lab	\$3,439,366	\$6.69	118,940	2,776	\$28.92
Radiology	\$6,544,209	\$12.73	68,636	1,602	\$95.35
Transportation/Ambulance	\$2,201,070	\$4.28	17,132	400	\$128.48
Total	\$201,332,420	\$391.59	1,157,921		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable Ages 45 - 64					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	1,029,053				
Service Category					
Dental - Orthodontics	\$83	\$0.00	2	0	\$41.52
Dental - Other	\$867,959	\$0.84	19,554	228	\$44.39
Pharmacy	\$97,083,801	\$94.34	2,595,506	30,267	\$37.40
Home Health Care	\$4,061,575	\$3.95	12,994	152	\$312.58
IP - Maternity	\$123,609	\$0.12	29	0	\$4,292.16
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$205,018,908	\$199.23	66,385	774	\$3,088.32
OP - Emergency Room	\$12,993,823	\$12.63	16,709	195	\$777.66
OP - Other	\$141,178,840	\$137.19	157,216	1,833	\$897.99
Prof - Anesthesia	\$12,349,610	\$12.00	126,741	1,478	\$97.44
Prof - Digestive System	\$10,266,331	\$9.98	14,201	166	\$722.92
Prof - Ears/Nose/Throat	\$11,239,895	\$10.92	13,379	156	\$840.10
Prof - Evaluation & Management	\$80,182,730	\$77.92	1,252,410	14,605	\$64.02
Prof - Female Genital	\$2,445,136	\$2.38	3,108	36	\$786.71
Prof - Integumentary System	\$4,113,349	\$4.00	20,501	239	\$200.64
Prof - Laparoscopy	\$1,537,847	\$1.49	915	11	\$1,681.10
Prof - Male Genital	\$305,499	\$0.30	479	6	\$637.48
Prof - Maternity	\$13,152	\$0.01	14	0	\$935.66
Prof - Musculoskeletal System	\$11,147,420	\$10.83	17,851	208	\$624.47
Prof - Other	\$2,814,380	\$2.73	98,174	1,145	\$28.67
Prof - Respiratory/Cardiology	\$12,886,094	\$12.52	105,247	1,227	\$122.44
Prof - Urinary	\$2,625,437	\$2.55	4,653	54	\$564.30
DME/Supplies	\$7,048,734	\$6.85	46,630	544	\$151.16
Lab	\$14,205,551	\$13.80	528,602	6,164	\$26.87
Radiology	\$27,386,081	\$26.61	230,516	2,688	\$118.80
Transportation/Ambulance	\$3,686,256	\$3.58	38,018	443	\$96.96
Total	\$665,582,099	\$646.79	5,369,834		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Uninsurable Age Over 65					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	86,580				
Service Category					
Dental - Orthodontics	\$0	\$0.00	0	0	\$0.00
Dental - Other	\$40,086	\$0.46	961	133	\$41.71
Pharmacy	\$12,829,844	\$148.19	372,901	51,684	\$34.41
Home Health Care	\$248,823	\$2.87	1,030	143	\$241.52
IP - Maternity	\$0	\$0.00	0	0	\$0.00
IP - Newborn	\$0	\$0.00	0	0	\$0.00
IP - Other	\$10,438,105	\$120.56	3,740	518	\$2,790.94
OP - Emergency Room	\$484,433	\$5.60	553	77	\$875.62
OP - Other	\$6,006,719	\$69.38	6,961	965	\$862.92
Prof - Anesthesia	\$600,125	\$6.93	6,669	924	\$89.99
Prof - Digestive System	\$503,693	\$5.82	702	97	\$717.37
Prof - Ears/Nose/Throat	\$788,766	\$9.11	933	129	\$845.58
Prof - Evaluation & Management	\$4,323,018	\$49.93	67,200	9,314	\$64.33
Prof - Female Genital	\$72,304	\$0.84	120	17	\$602.52
Prof - Integumentary System	\$263,692	\$3.05	1,524	211	\$173.00
Prof - Laparoscopy	\$39,022	\$0.45	22	3	\$1,749.15
Prof - Male Genital	\$32,961	\$0.38	60	8	\$545.32
Prof - Maternity	\$0	\$0.00	0	0	\$0.00
Prof - Musculoskeletal System	\$514,836	\$5.95	741	103	\$694.64
Prof - Other	\$161,038	\$1.86	7,093	983	\$22.70
Prof - Respiratory/Cardiology	\$863,898	\$9.98	5,955	825	\$145.08
Prof - Urinary	\$118,975	\$1.37	276	38	\$430.82
DME/Supplies	\$545,860	\$6.30	3,688	511	\$148.01
Lab	\$733,108	\$8.47	27,933	3,872	\$26.24
Radiology	\$1,565,501	\$18.08	12,525	1,736	\$124.99
Transportation/Ambulance	\$516,334	\$5.96	8,352	1,158	\$61.82
Total	\$41,691,139	\$481.54	529,941		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Disabled All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	3,190,234				
Service Category					
Dental - Orthodontics	\$87,747	\$0.03	720	3	\$121.93
Dental - Other	\$9,154,780	\$2.87	198,436	746	\$46.13
Pharmacy	\$232,200,741	\$72.78	6,321,597	23,779	\$36.73
Home Health Care	\$46,764,546	\$14.66	197,517	743	\$236.76
IP - Maternity	\$13,000,148	\$4.07	6,642	25	\$1,957.20
IP - Newborn	\$13,183,600	\$4.13	8,871	33	\$1,486.19
IP - Other	\$718,363,550	\$225.18	279,534	1,051	\$2,569.86
OP - Emergency Room	\$52,071,615	\$16.32	90,397	340	\$576.03
OP - Other	\$356,666,386	\$111.80	482,742	1,816	\$738.83
Prof - Anesthesia	\$29,223,552	\$9.16	294,900	1,109	\$99.10
Prof - Digestive System	\$20,305,924	\$6.37	29,988	113	\$677.13
Prof - Ears/Nose/Throat	\$23,264,471	\$7.29	33,322	125	\$698.18
Prof - Evaluation & Management	\$229,180,915	\$71.84	3,390,748	12,754	\$67.59
Prof - Female Genital	\$4,113,739	\$1.29	7,271	27	\$565.78
Prof - Integumentary System	\$8,486,989	\$2.66	37,796	142	\$224.55
Prof - Laparoscopy	\$3,207,034	\$1.01	2,243	8	\$1,429.88
Prof - Male Genital	\$573,962	\$0.18	1,035	4	\$554.32
Prof - Maternity	\$5,296,322	\$1.66	7,948	30	\$666.41
Prof - Musculoskeletal System	\$24,820,926	\$7.78	42,759	161	\$580.49
Prof - Other	\$10,402,310	\$3.26	2,351,953	8,847	\$4.42
Prof - Respiratory/Cardiology	\$25,585,688	\$8.02	213,888	805	\$119.62
Prof - Urinary	\$4,594,048	\$1.44	9,392	35	\$489.13
DME/Supplies	\$61,943,287	\$19.42	332,695	1,251	\$186.19
Lab	\$31,145,399	\$9.76	1,202,456	4,523	\$25.90
Radiology	\$60,462,054	\$18.95	621,892	2,339	\$97.22
Transportation/Ambulance	\$30,212,309	\$9.47	385,328	1,449	\$78.41
Total	\$2,014,312,041	\$631.40	16,552,069		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Historical Encounter Data

Exhibit 1

Duals (TennCare & Medicare)					
All Age Groups					
	Raw Charges 1999 - 2000*	Unadjusted PMPM 1999 - 2000	Units 1999 - 2000*	Units / 1000 1999 - 2000	Charges / Unit
Member Months	3,916,136				
Service Category					
Dental - Orthodontics	\$609	\$0.00	8	0	\$76.03
Dental - Other	\$2,566,214	\$0.66	57,046	175	\$44.98
Pharmacy	\$481,912,806	\$123.06	15,039,316	46,084	\$32.04
Home Health Care	\$8,560,887	\$2.19	28,928	89	\$295.94
IP - Maternity	\$333,118	\$0.09	192	1	\$1,730.75
IP - Newborn	\$492,867	\$0.13	424	1	\$1,163.77
IP - Other	\$46,594,130	\$11.90	19,835	61	\$2,349.05
OP - Emergency Room	\$2,496,208	\$0.64	3,492	11	\$714.90
OP - Other	\$28,220,431	\$7.21	28,965	89	\$974.30
Prof - Anesthesia	\$3,017,865	\$0.77	26,592	81	\$113.49
Prof - Digestive System	\$2,967,366	\$0.76	4,261	13	\$696.32
Prof - Ears/Nose/Throat	\$4,641,515	\$1.19	6,636	20	\$699.48
Prof - Evaluation & Management	\$26,404,510	\$6.74	437,408	1,340	\$60.37
Prof - Female Genital	\$734,521	\$0.19	1,070	3	\$686.77
Prof - Integumentary System	\$1,895,473	\$0.48	10,561	32	\$179.48
Prof - Laparoscopy	\$385,485	\$0.10	259	1	\$1,489.29
Prof - Male Genital	\$103,873	\$0.03	202	1	\$514.33
Prof - Maternity	\$289,459	\$0.07	383	1	\$755.55
Prof - Musculoskeletal System	\$3,816,522	\$0.97	6,471	20	\$589.79
Prof - Other	\$1,746,937	\$0.45	188,475	578	\$9.27
Prof - Respiratory/Cardiology	\$4,433,557	\$1.13	15,737	48	\$281.74
Prof - Urinary	\$980,736	\$0.25	2,613	8	\$375.27
DME/Supplies	\$9,481,071	\$2.42	56,993	175	\$166.35
Lab	\$4,604,210	\$1.18	98,238	301	\$46.87
Radiology	\$8,189,980	\$2.09	69,968	214	\$117.05
Transportation/Ambulance	\$30,047,137	\$7.67	749,032	2,295	\$40.11
Total	\$674,917,488	\$172.34	16,853,104		

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Conversion Factors

	Conversion Factors	
	TennCare Only Members	Dual TennCare/Medicare Members
Service Category		
Dental - Orthodontics	1.000	0.252
Dental - Other	1.000	0.252
Pharmacy	0.782	0.782
Home Health Care	0.900	0.085
IP - Maternity	0.344	0.070
IP - Newborn	0.344	0.070
IP - Other	0.344	0.070
OP - Emergency Room	0.344	0.058
OP - Other	0.344	0.058
Prof - Anesthesia	0.601	0.235
Prof - Digestive System	0.437	0.236
Prof - Ears/Nose/Throat	0.476	0.231
Prof - Evaluation & Management	0.661	0.254
Prof - Female Genital	0.399	0.227
Prof - Integumentary System	0.552	0.270
Prof - Laparoscopy	0.390	0.200
Prof - Male Genital	0.850	0.313
Prof - Maternity	0.661	0.254
Prof - Musculoskeletal System	0.418	0.220
Prof - Other	0.641	0.251
Prof - Respiratory/Cardiology	0.428	0.191
Prof - Urinary	0.546	0.244
DME/Supplies	0.900	0.252
Lab	0.441	0.265
Radiology	0.816	0.608
Transportation/Ambulance	0.900	0.900

TennCare
FY 2002 Per Capita Cost Development
Annual Trend Factors

Historical Annual Trend Factors					
	Medicaid (TANF & Related)	Uninsured	Uninsurable	Disabled	Duals (TennCare & Medicare)
Dental	1.0478	1.0478	1.0478	1.0478	1.0478
Pharmacy	1.1700	1.1700	1.1700	1.1729	1.1476
Home Health Care	1.1100	1.1100	1.1100	1.1100	1.1100
Inpatient	0.9700	0.9700	0.9700	0.9700	0.9700
Outpatient	1.0866	1.0866	1.0866	1.0871	1.0368
Professional	1.0395	1.0395	1.0395	1.0942	1.0368

Contract Period Trend Factors					
	Medicaid (TANF & Related)	Uninsured	Uninsurable	Disabled	Duals (TennCare & Medicare)
Dental	1.0478	1.0478	1.0478	1.0478	1.0478
Pharmacy	1.1700	1.1700	1.1700	1.1729	1.1476
Home Health Care	1.0500	1.0500	1.0500	1.0500	1.0500
Inpatient	1.0000	1.0000	1.0000	1.0000	1.0000
Outpatient	1.0866	1.0866	1.0866	1.0871	1.0368
Professional	1.0395	1.0395	1.0395	1.0942	1.0368

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, 1999) 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, 2001) to the midpoint of the contract period (January 1, 2002).

TennCare
FY 2002 Per Capita Cost Development
IBNR and Trend Adjustment Factors

	Combined IBNR and Trend Factor - Data Period				
	Medicaid (TANF & Related)	Uninsured	Uninsurable	Disabled	Duals (TennCare & Medicare)
Dental	1.0618	1.0618	1.0618	1.0618	1.0618
Pharmacy	1.1935	1.1935	1.1935	1.1969	1.1689
Home Health Care	1.2558	1.2558	1.2558	1.2558	1.2558
Inpatient	1.0002	1.0002	1.0002	0.9915	1.0187
Outpatient	1.1136	1.1136	1.1136	1.1163	1.0851
Professional	1.0583	1.0583	1.0583	1.1240	1.0726

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, 1999) to the end of the data period (January 1, 2001), 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 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid, Uninsured, and Uninsurable Under Age 1									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	841,305								
Service Category									
Dental - Orthodontics	\$0	0	1.000	\$0.00	\$0	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$3,971	136	1.000	\$29.22	\$3,971	1.054	1.0075	1.0478	\$0.01
Pharmacy	\$1,430,055	140,154	0.782	\$7.98	\$1,118,721	1.193	1.0003	1.1700	\$1.86
Home Health Care	\$544,995	2,181	0.900	\$224.90	\$490,496	1.125	1.1166	1.0500	\$0.77
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$211,165,729	159,268	0.344	\$456.41	\$72,691,838	0.966	1.0351	1.0000	\$86.42
IP - Other	\$30,521,546	14,369	0.344	\$731.22	\$10,506,758	0.966	1.0351	1.0000	\$12.49
OP - Emergency Room	\$3,356,750	12,466	0.344	\$92.69	\$1,155,530	1.098	1.0142	1.0866	\$1.66
OP - Other	\$10,519,777	32,378	0.344	\$111.85	\$3,621,336	1.098	1.0142	1.0866	\$5.21
Prof - Anesthesia	\$1,236,207	11,655	0.601	\$63.74	\$742,849	1.045	1.0132	1.0395	\$0.97
Prof - Digestive System	\$1,225,735	1,066	0.437	\$501.98	\$535,298	1.045	1.0132	1.0395	\$0.70
Prof - Ears/Nose/Throat	\$777,349	2,066	0.476	\$179.15	\$370,179	1.045	1.0132	1.0395	\$0.48
Prof - Evaluation & Management	\$37,087,615	605,533	0.661	\$40.47	\$24,504,784	1.045	1.0132	1.0395	\$32.04
Prof - Female Genital	\$2,883	11	0.399	\$108.46	\$1,149	1.045	1.0132	1.0395	\$0.00
Prof - Integumentary System	\$103,313	836	0.552	\$68.29	\$57,074	1.045	1.0132	1.0395	\$0.07
Prof - Laparoscopy	\$33,510	38	0.390	\$344.24	\$13,069	1.045	1.0132	1.0395	\$0.02
Prof - Male Genital	\$957,442	5,209	0.850	\$156.24	\$813,826	1.045	1.0132	1.0395	\$1.06
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$312,939	519	0.418	\$252.09	\$130,943	1.045	1.0132	1.0395	\$0.17
Prof - Other	\$13,668	361	0.641	\$24.24	\$8,759	1.045	1.0132	1.0395	\$0.01
Prof - Respiratory/Cardiology	\$1,146,313	6,023	0.428	\$81.52	\$491,049	1.045	1.0132	1.0395	\$0.64
Prof - Urinary	\$145,155	717	0.546	\$110.44	\$79,234	1.045	1.0132	1.0395	\$0.10
DME/Supplies	\$1,453,980	10,005	0.900	\$130.80	\$1,308,582	1.045	1.0132	1.0395	\$1.71
Lab	\$690,969	27,645	0.441	\$11.01	\$304,412	1.045	1.0132	1.0395	\$0.40
Radiology	\$1,629,758	30,366	0.816	\$43.80	\$1,329,960	1.045	1.0132	1.0395	\$1.74
Transportation/Ambulance	\$776,662	4,583	0.900	\$152.51	\$698,996	1.045	1.0132	1.0395	\$0.91
Total	\$305,136,322	1,067,587		\$0.00	\$120,978,813				\$149.46
Administrative Adjustment									1.1236
Per Capita Cost									\$167.92
Per Capita Cost without Pharmacy									\$165.84

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid (TANF & Related)									
Ages 1 - 13									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	5,370,020								
Service Category									
Dental - Orthodontics	\$449,721	2,881	1.000	\$156.09	\$449,721	1.054	1.0075	1.0478	\$0.09
Dental - Other	\$36,759,167	946,805	1.000	\$38.82	\$36,759,167	1.054	1.0075	1.0478	\$7.62
Pharmacy	\$31,984,543	1,776,578	0.782	\$14.08	\$25,021,271	1.193	1.0003	1.1700	\$6.51
Home Health Care	\$1,845,730	9,545	0.900	\$174.03	\$1,661,157	1.125	1.1166	1.0500	\$0.41
IP - Maternity	\$108,192	61	0.344	\$611.43	\$37,244	0.966	1.0351	1.0000	\$0.01
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$77,875,883	40,606	0.344	\$660.20	\$26,808,048	0.966	1.0351	1.0000	\$4.99
OP - Emergency Room	\$32,526,909	113,064	0.344	\$99.03	\$11,197,086	1.098	1.0142	1.0866	\$2.52
OP - Other	\$102,776,408	233,098	0.344	\$151.78	\$35,379,822	1.098	1.0142	1.0866	\$7.97
Prof - Anesthesia	\$11,371,547	115,502	0.601	\$59.16	\$6,833,275	1.045	1.0132	1.0395	\$1.40
Prof - Digestive System	\$5,495,097	9,151	0.437	\$262.25	\$2,399,796	1.045	1.0132	1.0395	\$0.49
Prof - Ears/Nose/Throat	\$8,062,078	21,630	0.476	\$177.49	\$3,839,220	1.045	1.0132	1.0395	\$0.79
Prof - Evaluation & Management	\$135,912,221	2,759,266	0.661	\$32.55	\$89,800,857	1.045	1.0132	1.0395	\$18.40
Prof - Female Genital	\$74,669	272	0.399	\$109.25	\$29,762	1.045	1.0132	1.0395	\$0.01
Prof - Integumentary System	\$3,250,182	21,108	0.552	\$85.06	\$1,795,539	1.045	1.0132	1.0395	\$0.37
Prof - Laparoscopy	\$160,382	153	0.390	\$408.71	\$62,549	1.045	1.0132	1.0395	\$0.01
Prof - Male Genital	\$1,383,585	1,912	0.850	\$614.97	\$1,176,047	1.045	1.0132	1.0395	\$0.24
Prof - Maternity	\$56,983	124	0.661	\$304.65	\$37,650	1.045	1.0132	1.0395	\$0.01
Prof - Musculoskeletal System	\$4,828,040	9,989	0.418	\$202.25	\$2,020,187	1.045	1.0132	1.0395	\$0.41
Prof - Other	\$4,408,674	151,875	0.641	\$18.60	\$2,825,182	1.045	1.0132	1.0395	\$0.58
Prof - Respiratory/Cardiology	\$2,458,193	60,484	0.428	\$17.41	\$1,053,023	1.045	1.0132	1.0395	\$0.22
Prof - Urinary	\$881,787	2,612	0.546	\$184.26	\$481,328	1.045	1.0132	1.0395	\$0.10
DME/Supplies	\$3,532,769	37,974	0.900	\$83.73	\$3,179,492	1.045	1.0132	1.0395	\$0.65
Lab	\$10,030,562	471,515	0.441	\$9.37	\$4,419,043	1.045	1.0132	1.0395	\$0.91
Radiology	\$10,332,305	184,257	0.816	\$45.76	\$8,431,653	1.045	1.0132	1.0395	\$1.73
Transportation/Ambulance	\$4,367,583	41,907	0.900	\$93.80	\$3,930,825	1.045	1.0132	1.0395	\$0.81
Total	\$490,933,210	7,012,370		\$0.00	\$269,628,947				\$57.22
Administrative Adjustment									1.1236
Per Capita Cost									\$64.29
Per Capita Cost without Pharmacy									\$56.99

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid (TANF & Related) Ages 14 - 44 Female									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	3,221,086								
Service Category									
Dental - Orthodontics	\$289,479	2,467	1.000	\$117.33	\$289,479	1.054	1.0075	1.0478	\$0.10
Dental - Other	\$14,541,472	283,618	1.000	\$51.27	\$14,541,472	1.054	1.0075	1.0478	\$5.02
Pharmacy	\$51,396,828	2,571,949	0.782	\$15.63	\$40,207,357	1.193	1.0003	1.1700	\$17.43
Home Health Care	\$2,494,099	8,040	0.900	\$279.18	\$2,244,689	1.125	1.1166	1.0500	\$0.92
IP - Maternity	\$234,074,652	122,968	0.344	\$655.28	\$80,578,022	0.966	1.0351	1.0000	\$25.02
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$117,563,465	43,190	0.344	\$937.04	\$40,470,129	0.966	1.0351	1.0000	\$12.57
OP - Emergency Room	\$46,795,444	101,715	0.344	\$158.37	\$16,108,896	1.098	1.0142	1.0866	\$6.05
OP - Other	\$208,653,172	376,433	0.344	\$190.81	\$71,826,914	1.098	1.0142	1.0866	\$26.98
Prof - Anesthesia	\$46,308,649	578,102	0.601	\$48.14	\$27,827,325	1.045	1.0132	1.0395	\$9.50
Prof - Digestive System	\$7,774,604	9,832	0.437	\$345.35	\$3,395,293	1.045	1.0132	1.0395	\$1.16
Prof - Ears/Nose/Throat	\$6,444,884	14,819	0.476	\$207.10	\$3,069,100	1.045	1.0132	1.0395	\$1.05
Prof - Evaluation & Management	\$148,000,802	2,041,930	0.661	\$47.89	\$97,788,107	1.045	1.0132	1.0395	\$33.40
Prof - Female Genital	\$15,823,030	37,962	0.399	\$166.14	\$6,306,777	1.045	1.0132	1.0395	\$2.15
Prof - Integumentary System	\$4,131,542	20,186	0.552	\$113.07	\$2,282,440	1.045	1.0132	1.0395	\$0.78
Prof - Laparoscopy	\$7,967,847	6,686	0.390	\$464.79	\$3,107,460	1.045	1.0132	1.0395	\$1.06
Prof - Male Genital	\$0	0	0.850	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Maternity	\$115,286,535	166,699	0.661	\$456.95	\$76,172,911	1.045	1.0132	1.0395	\$26.01
Prof - Musculoskeletal System	\$9,806,249	18,687	0.418	\$219.57	\$4,103,210	1.045	1.0132	1.0395	\$1.40
Prof - Other	\$2,774,948	93,928	0.641	\$18.93	\$1,778,252	1.045	1.0132	1.0395	\$0.61
Prof - Respiratory/Cardiology	\$5,035,992	134,713	0.428	\$16.01	\$2,157,282	1.045	1.0132	1.0395	\$0.74
Prof - Urinary	\$2,053,227	4,134	0.546	\$271.14	\$1,120,766	1.045	1.0132	1.0395	\$0.38
DME/Supplies	\$4,633,588	23,742	0.900	\$175.65	\$4,170,229	1.045	1.0132	1.0395	\$1.42
Lab	\$41,063,324	1,522,219	0.441	\$11.88	\$18,090,770	1.045	1.0132	1.0395	\$6.18
Radiology	\$50,096,031	433,436	0.816	\$94.32	\$40,880,747	1.045	1.0132	1.0395	\$13.96
Transportation/Ambulance	\$9,748,077	88,022	0.900	\$99.67	\$8,773,269	1.045	1.0132	1.0395	\$3.00
Total	\$1,152,757,939	8,705,476		\$0.00	\$567,290,898				\$196.90
Administrative Adjustment									1.1236
Per Capita Cost									\$221.23
Per Capita Cost without Pharmacy									\$201.65

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid (TANF & Related)									
Ages 14 - 44 Male									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	934,703								
Service Category									
Dental - Orthodontics	\$167,168	1,402	1.000	\$119.24	\$167,168	1.054	1.0075	1.0478	\$0.20
Dental - Other	\$6,555,315	124,528	1.000	\$52.64	\$6,555,315	1.054	1.0075	1.0478	\$7.80
Pharmacy	\$8,170,944	326,030	0.782	\$19.61	\$6,392,069	1.193	1.0003	1.1700	\$9.55
Home Health Care	\$588,596	2,148	0.900	\$246.63	\$529,737	1.125	1.1166	1.0500	\$0.75
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$40,239,256	12,355	0.344	\$1,121.18	\$13,851,989	0.966	1.0351	1.0000	\$14.82
OP - Emergency Room	\$8,038,376	18,739	0.344	\$147.67	\$2,767,136	1.098	1.0142	1.0866	\$3.58
OP - Other	\$31,483,210	49,784	0.344	\$217.70	\$10,837,802	1.098	1.0142	1.0866	\$14.03
Prof - Anesthesia	\$2,642,222	26,423	0.601	\$60.09	\$1,587,737	1.045	1.0132	1.0395	\$1.87
Prof - Digestive System	\$1,441,871	1,838	0.437	\$342.52	\$629,688	1.045	1.0132	1.0395	\$0.74
Prof - Ears/Nose/Throat	\$1,853,833	2,619	0.476	\$337.12	\$882,809	1.045	1.0132	1.0395	\$1.04
Prof - Evaluation & Management	\$19,743,160	303,397	0.661	\$43.00	\$13,044,836	1.045	1.0132	1.0395	\$15.35
Prof - Female Genital	\$17,186	14	0.399	\$488.33	\$6,850	1.045	1.0132	1.0395	\$0.01
Prof - Integumentary System	\$1,422,648	7,275	0.552	\$108.04	\$785,931	1.045	1.0132	1.0395	\$0.92
Prof - Laparoscopy	\$172,763	108	0.390	\$622.63	\$67,378	1.045	1.0132	1.0395	\$0.08
Prof - Male Genital	\$191,346	254	0.850	\$640.67	\$162,644	1.045	1.0132	1.0395	\$0.19
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$5,065,793	7,151	0.418	\$296.44	\$2,119,670	1.045	1.0132	1.0395	\$2.49
Prof - Other	\$935,324	32,274	0.641	\$18.57	\$599,378	1.045	1.0132	1.0395	\$0.71
Prof - Respiratory/Cardiology	\$1,262,514	11,799	0.428	\$45.84	\$540,827	1.045	1.0132	1.0395	\$0.64
Prof - Urinary	\$398,648	385	0.546	\$564.65	\$217,605	1.045	1.0132	1.0395	\$0.26
DME/Supplies	\$863,716	5,982	0.900	\$129.95	\$777,344	1.045	1.0132	1.0395	\$0.91
Lab	\$1,969,376	83,407	0.441	\$10.40	\$867,624	1.045	1.0132	1.0395	\$1.02
Radiology	\$5,274,051	70,762	0.816	\$60.82	\$4,303,877	1.045	1.0132	1.0395	\$5.07
Transportation/Ambulance	\$2,163,085	14,515	0.900	\$134.12	\$1,946,777	1.045	1.0132	1.0395	\$2.29
Total	\$140,660,402	1,103,188		\$0.00	\$69,642,191				\$84.32
Administrative Adjustment									1.1236
Per Capita Cost									\$94.74
Per Capita Cost without Pharmacy									\$84.02

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid (TANF & Related)									
Ages 45 - 64									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	210,030								
Service Category									
Dental - Orthodontics	\$0	0	1.000	\$0.00	\$0	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$249,946	6,112	1.000	\$40.90	\$249,946	1.054	1.0075	1.0478	\$1.32
Pharmacy	\$11,047,577	376,911	0.782	\$22.93	\$8,642,438	1.193	1.0003	1.1700	\$57.46
Home Health Care	\$350,439	1,300	0.900	\$242.63	\$315,395	1.125	1.1166	1.0500	\$1.98
IP - Maternity	\$159,431	65	0.344	\$847.11	\$54,883	0.966	1.0351	1.0000	\$0.26
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$25,860,708	9,081	0.344	\$980.36	\$8,902,308	0.966	1.0351	1.0000	\$42.39
OP - Emergency Room	\$2,752,571	4,487	0.344	\$211.19	\$947,547	1.098	1.0142	1.0866	\$5.46
OP - Other	\$19,008,700	23,910	0.344	\$273.67	\$6,543,568	1.098	1.0142	1.0866	\$37.70
Prof - Anesthesia	\$1,536,114	16,397	0.601	\$56.30	\$923,066	1.045	1.0132	1.0395	\$4.83
Prof - Digestive System	\$1,231,163	1,687	0.437	\$318.71	\$537,669	1.045	1.0132	1.0395	\$2.82
Prof - Ears/Nose/Throat	\$1,311,473	1,561	0.476	\$400.05	\$624,533	1.045	1.0132	1.0395	\$3.27
Prof - Evaluation & Management	\$11,579,113	178,342	0.661	\$42.90	\$7,650,631	1.045	1.0132	1.0395	\$40.07
Prof - Female Genital	\$507,426	713	0.399	\$283.54	\$202,251	1.045	1.0132	1.0395	\$1.06
Prof - Integumentary System	\$489,418	2,044	0.552	\$132.28	\$270,375	1.045	1.0132	1.0395	\$1.42
Prof - Laparoscopy	\$279,776	187	0.390	\$582.65	\$109,113	1.045	1.0132	1.0395	\$0.57
Prof - Male Genital	\$33,469	37	0.850	\$760.71	\$28,449	1.045	1.0132	1.0395	\$0.15
Prof - Maternity	\$45,149	46	0.661	\$643.11	\$29,831	1.045	1.0132	1.0395	\$0.16
Prof - Musculoskeletal System	\$1,563,228	2,952	0.418	\$221.55	\$654,098	1.045	1.0132	1.0395	\$3.43
Prof - Other	\$313,256	9,423	0.641	\$21.30	\$200,742	1.045	1.0132	1.0395	\$1.05
Prof - Respiratory/Cardiology	\$1,136,580	11,962	0.428	\$40.70	\$486,880	1.045	1.0132	1.0395	\$2.55
Prof - Urinary	\$292,898	569	0.546	\$281.05	\$159,880	1.045	1.0132	1.0395	\$0.84
DME/Supplies	\$774,833	5,885	0.900	\$118.49	\$697,350	1.045	1.0132	1.0395	\$3.65
Lab	\$1,955,255	75,439	0.441	\$11.42	\$861,403	1.045	1.0132	1.0395	\$4.51
Radiology	\$3,711,710	34,884	0.816	\$86.83	\$3,028,932	1.045	1.0132	1.0395	\$15.86
Transportation/Ambulance	\$727,160	8,572	0.900	\$76.35	\$654,444	1.045	1.0132	1.0395	\$3.43
Total	\$86,917,395	772,566		\$0.00	\$42,775,732				\$236.24
Administrative Adjustment									1.1236
Per Capita Cost									\$265.43
Per Capita Cost without Pharmacy									\$200.88

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Medicaid (TANF & Related) Age Over 65									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	72,328								
Service Category									
Dental - Orthodontics	\$0	0	1.000	\$0.00	\$0	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$23,542	597	1.000	\$39.45	\$23,542	1.054	1.0075	1.0478	\$0.36
Pharmacy	\$4,167,897	154,832	0.782	\$21.06	\$3,260,515	1.193	1.0003	1.1700	\$62.95
Home Health Care	\$573,053	1,350	0.900	\$382.00	\$515,747	1.125	1.1166	1.0500	\$9.40
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$8,979,440	3,690	0.344	\$837.68	\$3,091,089	0.966	1.0351	1.0000	\$42.75
OP - Emergency Room	\$277,382	313	0.344	\$305.18	\$95,486	1.098	1.0142	1.0866	\$1.60
OP - Other	\$2,864,477	3,602	0.344	\$273.76	\$986,070	1.098	1.0142	1.0866	\$16.50
Prof - Anesthesia	\$311,035	2,808	0.601	\$66.55	\$186,904	1.045	1.0132	1.0395	\$2.84
Prof - Digestive System	\$220,761	311	0.437	\$309.87	\$96,410	1.045	1.0132	1.0395	\$1.47
Prof - Ears/Nose/Throat	\$522,443	474	0.476	\$525.27	\$248,791	1.045	1.0132	1.0395	\$3.78
Prof - Evaluation & Management	\$2,000,781	28,895	0.661	\$45.75	\$1,321,970	1.045	1.0132	1.0395	\$20.11
Prof - Female Genital	\$22,702	31	0.399	\$289.67	\$9,049	1.045	1.0132	1.0395	\$0.14
Prof - Integumentary System	\$63,815	345	0.552	\$102.18	\$35,254	1.045	1.0132	1.0395	\$0.54
Prof - Laparoscopy	\$15,627	17	0.390	\$353.20	\$6,094	1.045	1.0132	1.0395	\$0.09
Prof - Male Genital	\$15,953	22	0.850	\$609.84	\$13,560	1.045	1.0132	1.0395	\$0.21
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$264,354	265	0.418	\$417.42	\$110,613	1.045	1.0132	1.0395	\$1.68
Prof - Other	\$48,626	1,566	0.641	\$19.89	\$31,161	1.045	1.0132	1.0395	\$0.47
Prof - Respiratory/Cardiology	\$340,941	2,183	0.428	\$66.91	\$146,050	1.045	1.0132	1.0395	\$2.22
Prof - Urinary	\$32,750	65	0.546	\$273.00	\$17,877	1.045	1.0132	1.0395	\$0.27
DME/Supplies	\$222,001	1,574	0.900	\$126.94	\$199,801	1.045	1.0132	1.0395	\$3.04
Lab	\$287,401	11,367	0.441	\$11.14	\$126,617	1.045	1.0132	1.0395	\$1.93
Radiology	\$687,572	6,196	0.816	\$90.56	\$561,092	1.045	1.0132	1.0395	\$8.53
Transportation/Ambulance	\$320,282	3,991	0.900	\$72.23	\$288,254	1.045	1.0132	1.0395	\$4.38
Total	\$22,262,834	224,495		\$0.00	\$11,371,944				\$185.26
Administrative Adjustment									1.1236
Per Capita Cost									\$208.15
Per Capita Cost without Pharmacy									\$137.42

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsured Ages 1 - 13									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	2,664,775								
Service Category									
Dental - Orthodontics	\$476,489	3,287	1.000	\$144.96	\$476,489	1.054	1.0075	1.0478	\$0.20
Dental - Other	\$19,436,697	478,891	1.000	\$40.59	\$19,436,697	1.054	1.0075	1.0478	\$8.11
Pharmacy	\$16,614,637	777,327	0.782	\$16.72	\$12,997,507	1.193	1.0003	1.1700	\$6.81
Home Health Care	\$996,759	5,053	0.900	\$177.54	\$897,083	1.125	1.1166	1.0500	\$0.44
IP - Maternity	\$27,843	14	0.344	\$680.72	\$9,585	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$25,215,516	12,171	0.344	\$713.20	\$8,680,207	0.966	1.0351	1.0000	\$3.26
OP - Emergency Room	\$10,490,854	35,833	0.344	\$100.78	\$3,611,379	1.098	1.0142	1.0866	\$1.64
OP - Other	\$51,439,086	109,741	0.344	\$161.36	\$17,707,427	1.098	1.0142	1.0866	\$8.04
Prof - Anesthesia	\$5,981,498	59,819	0.601	\$60.09	\$3,594,341	1.045	1.0132	1.0395	\$1.48
Prof - Digestive System	\$2,822,979	4,532	0.437	\$272.01	\$1,232,840	1.045	1.0132	1.0395	\$0.51
Prof - Ears/Nose/Throat	\$4,137,295	10,228	0.476	\$192.63	\$1,970,210	1.045	1.0132	1.0395	\$0.81
Prof - Evaluation & Management	\$61,063,902	1,334,949	0.661	\$30.22	\$40,346,561	1.045	1.0132	1.0395	\$16.66
Prof - Female Genital	\$39,675	109	0.399	\$145.44	\$15,814	1.045	1.0132	1.0395	\$0.01
Prof - Integumentary System	\$1,671,116	11,986	0.552	\$77.02	\$923,196	1.045	1.0132	1.0395	\$0.38
Prof - Laparoscopy	\$88,689	77	0.390	\$450.81	\$34,589	1.045	1.0132	1.0395	\$0.01
Prof - Male Genital	\$635,493	724	0.850	\$746.53	\$540,169	1.045	1.0132	1.0395	\$0.22
Prof - Maternity	\$22,233	15	0.661	\$975.50	\$14,690	1.045	1.0132	1.0395	\$0.01
Prof - Musculoskeletal System	\$2,568,886	5,709	0.418	\$188.29	\$1,074,894	1.045	1.0132	1.0395	\$0.44
Prof - Other	\$2,297,170	81,001	0.641	\$18.17	\$1,472,081	1.045	1.0132	1.0395	\$0.61
Prof - Respiratory/Cardiology	\$1,209,560	28,670	0.428	\$18.07	\$518,143	1.045	1.0132	1.0395	\$0.21
Prof - Urinary	\$558,894	1,426	0.546	\$213.93	\$305,076	1.045	1.0132	1.0395	\$0.13
DME/Supplies	\$1,431,576	15,023	0.900	\$85.76	\$1,288,419	1.045	1.0132	1.0395	\$0.53
Lab	\$4,982,189	230,915	0.441	\$9.51	\$2,194,942	1.045	1.0132	1.0395	\$0.91
Radiology	\$4,960,750	84,890	0.816	\$47.69	\$4,048,208	1.045	1.0132	1.0395	\$1.67
Transportation/Ambulance	\$1,277,453	8,051	0.900	\$142.80	\$1,149,708	1.045	1.0132	1.0395	\$0.47
Total	\$220,447,238	3,300,442		\$0.00	\$124,540,253				\$53.58
Administrative Adjustment									1.1236
Per Capita Cost									\$60.20
Per Capita Cost without Pharmacy									\$52.55

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsured Ages 14 - 44 Female									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	2,270,271								
Service Category									
Dental - Orthodontics	\$347,269	3,232	1.000	\$107.45	\$347,269	1.054	1.0075	1.0478	\$0.17
Dental - Other	\$11,379,529	204,124	1.000	\$55.75	\$11,379,529	1.054	1.0075	1.0478	\$5.58
Pharmacy	\$46,145,580	1,925,796	0.782	\$18.75	\$36,099,345	1.193	1.0003	1.1700	\$22.20
Home Health Care	\$1,116,290	4,197	0.900	\$239.36	\$1,004,661	1.125	1.1166	1.0500	\$0.58
IP - Maternity	\$39,003,360	19,819	0.344	\$677.45	\$13,426,544	0.966	1.0351	1.0000	\$5.92
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$71,251,769	24,880	0.344	\$985.84	\$24,527,759	0.966	1.0351	1.0000	\$10.81
OP - Emergency Room	\$21,451,209	45,665	0.344	\$161.71	\$7,384,379	1.098	1.0142	1.0866	\$3.94
OP - Other	\$134,098,666	214,322	0.344	\$215.39	\$46,162,218	1.098	1.0142	1.0866	\$24.60
Prof - Anesthesia	\$15,786,286	170,692	0.601	\$55.57	\$9,486,136	1.045	1.0132	1.0395	\$4.60
Prof - Digestive System	\$6,423,097	8,629	0.437	\$325.06	\$2,805,069	1.045	1.0132	1.0395	\$1.36
Prof - Ears/Nose/Throat	\$4,782,265	8,149	0.476	\$279.47	\$2,277,349	1.045	1.0132	1.0395	\$1.10
Prof - Evaluation & Management	\$84,291,703	1,422,408	0.661	\$39.15	\$55,693,793	1.045	1.0132	1.0395	\$26.99
Prof - Female Genital	\$8,669,852	16,315	0.399	\$211.81	\$3,455,648	1.045	1.0132	1.0395	\$1.67
Prof - Integumentary System	\$3,377,070	18,112	0.552	\$103.01	\$1,865,638	1.045	1.0132	1.0395	\$0.90
Prof - Laparoscopy	\$5,407,866	3,998	0.390	\$527.59	\$2,109,068	1.045	1.0132	1.0395	\$1.02
Prof - Male Genital	\$0	0	0.850	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Maternity	\$19,533,123	27,345	0.661	\$471.98	\$12,906,059	1.045	1.0132	1.0395	\$6.25
Prof - Musculoskeletal System	\$8,298,045	16,544	0.418	\$209.88	\$3,472,135	1.045	1.0132	1.0395	\$1.68
Prof - Other	\$1,980,143	67,455	0.641	\$18.81	\$1,268,922	1.045	1.0132	1.0395	\$0.61
Prof - Respiratory/Cardiology	\$3,505,711	84,456	0.428	\$17.78	\$1,501,751	1.045	1.0132	1.0395	\$0.73
Prof - Urinary	\$2,060,423	3,815	0.546	\$294.81	\$1,124,694	1.045	1.0132	1.0395	\$0.54
DME/Supplies	\$2,493,256	18,088	0.900	\$124.06	\$2,243,931	1.045	1.0132	1.0395	\$1.09
Lab	\$20,862,872	775,258	0.441	\$11.86	\$9,191,302	1.045	1.0132	1.0395	\$4.45
Radiology	\$25,555,870	240,374	0.816	\$86.76	\$20,854,807	1.045	1.0132	1.0395	\$10.11
Transportation/Ambulance	\$3,918,944	32,255	0.900	\$109.35	\$3,527,050	1.045	1.0132	1.0395	\$1.71
Total	\$541,740,200	5,355,926		\$0.00	\$274,115,056				\$138.62
Administrative Adjustment									1.1236
Per Capita Cost									\$155.75
Per Capita Cost without Pharmacy									\$130.80

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsured Ages 14 - 44 Male									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	1,532,852								
Service Category									
Dental - Orthodontics	\$255,383	2,360	1.000	\$108.21	\$255,383	1.054	1.0075	1.0478	\$0.19
Dental - Other	\$6,798,823	122,029	1.000	\$55.71	\$6,798,823	1.054	1.0075	1.0478	\$4.93
Pharmacy	\$22,705,442	675,565	0.782	\$26.29	\$17,762,298	1.193	1.0003	1.1700	\$16.18
Home Health Care	\$1,034,333	3,844	0.900	\$242.18	\$930,900	1.125	1.1166	1.0500	\$0.80
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$55,571,193	16,740	0.344	\$1,142.75	\$19,129,866	0.966	1.0351	1.0000	\$12.48
OP - Emergency Room	\$11,691,616	24,395	0.344	\$164.98	\$4,024,730	1.098	1.0142	1.0866	\$3.18
OP - Other	\$57,645,230	86,623	0.344	\$229.08	\$19,843,834	1.098	1.0142	1.0866	\$15.66
Prof - Anesthesia	\$4,238,926	43,899	0.601	\$58.02	\$2,547,212	1.045	1.0132	1.0395	\$1.83
Prof - Digestive System	\$2,970,860	4,206	0.437	\$308.48	\$1,297,422	1.045	1.0132	1.0395	\$0.93
Prof - Ears/Nose/Throat	\$3,443,224	4,715	0.476	\$347.75	\$1,639,688	1.045	1.0132	1.0395	\$1.18
Prof - Evaluation & Management	\$32,983,458	511,050	0.661	\$42.64	\$21,793,057	1.045	1.0132	1.0395	\$15.64
Prof - Female Genital	\$28,279	22	0.399	\$511.34	\$11,271	1.045	1.0132	1.0395	\$0.01
Prof - Integumentary System	\$2,041,970	12,269	0.552	\$91.94	\$1,128,071	1.045	1.0132	1.0395	\$0.81
Prof - Laparoscopy	\$399,849	239	0.390	\$652.94	\$155,941	1.045	1.0132	1.0395	\$0.11
Prof - Male Genital	\$306,775	504	0.850	\$517.08	\$260,759	1.045	1.0132	1.0395	\$0.19
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$7,340,785	11,494	0.418	\$267.24	\$3,071,591	1.045	1.0132	1.0395	\$2.20
Prof - Other	\$909,651	29,570	0.641	\$19.71	\$582,926	1.045	1.0132	1.0395	\$0.42
Prof - Respiratory/Cardiology	\$2,527,811	24,859	0.428	\$43.56	\$1,082,845	1.045	1.0132	1.0395	\$0.78
Prof - Urinary	\$884,793	1,022	0.546	\$472.65	\$482,969	1.045	1.0132	1.0395	\$0.35
DME/Supplies	\$1,938,685	11,973	0.900	\$145.73	\$1,744,816	1.045	1.0132	1.0395	\$1.25
Lab	\$3,762,946	149,376	0.441	\$11.10	\$1,657,796	1.045	1.0132	1.0395	\$1.19
Radiology	\$9,281,945	113,563	0.816	\$66.70	\$7,574,509	1.045	1.0132	1.0395	\$5.44
Transportation/Ambulance	\$3,345,497	22,260	0.900	\$135.26	\$3,010,948	1.045	1.0132	1.0395	\$2.16
Total	\$232,107,474	1,872,577		\$0.00	\$116,787,657				\$87.90
Administrative Adjustment									1.1236
Per Capita Cost									\$98.76
Per Capita Cost without Pharmacy									\$80.59

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsured Ages 45 - 64									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	1,316,584								
Service Category									
Dental - Orthodontics	\$125	2	1.000	\$62.52	\$125	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$1,100,412	26,220	1.000	\$41.97	\$1,100,412	1.054	1.0075	1.0478	\$0.93
Pharmacy	\$92,130,121	2,854,446	0.782	\$25.25	\$72,072,710	1.193	1.0003	1.1700	\$76.44
Home Health Care	\$2,995,559	9,264	0.900	\$291.03	\$2,696,003	1.125	1.1166	1.0500	\$2.70
IP - Maternity	\$199,629	71	0.344	\$965.28	\$68,721	0.966	1.0351	1.0000	\$0.05
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$157,276,259	51,489	0.344	\$1,051.50	\$54,140,889	0.966	1.0351	1.0000	\$41.13
OP - Emergency Room	\$12,711,036	17,444	0.344	\$250.83	\$4,375,656	1.098	1.0142	1.0866	\$4.02
OP - Other	\$124,140,697	154,479	0.344	\$276.64	\$42,734,280	1.098	1.0142	1.0866	\$39.28
Prof - Anesthesia	\$10,048,694	97,808	0.601	\$61.74	\$6,038,360	1.045	1.0132	1.0395	\$5.05
Prof - Digestive System	\$9,259,645	13,526	0.437	\$298.96	\$4,043,835	1.045	1.0132	1.0395	\$3.38
Prof - Ears/Nose/Throat	\$8,900,406	12,664	0.476	\$334.70	\$4,238,437	1.045	1.0132	1.0395	\$3.54
Prof - Evaluation & Management	\$72,609,208	1,165,148	0.661	\$41.17	\$47,974,855	1.045	1.0132	1.0395	\$40.09
Prof - Female Genital	\$2,435,371	3,539	0.399	\$274.26	\$970,695	1.045	1.0132	1.0395	\$0.81
Prof - Integumentary System	\$3,641,908	18,219	0.552	\$110.43	\$2,011,946	1.045	1.0132	1.0395	\$1.68
Prof - Laparoscopy	\$1,579,086	985	0.390	\$624.98	\$615,844	1.045	1.0132	1.0395	\$0.51
Prof - Male Genital	\$266,522	412	0.850	\$550.21	\$226,544	1.045	1.0132	1.0395	\$0.19
Prof - Maternity	\$29,291	40	0.661	\$478.47	\$19,353	1.045	1.0132	1.0395	\$0.02
Prof - Musculoskeletal System	\$9,188,411	17,902	0.418	\$214.77	\$3,844,690	1.045	1.0132	1.0395	\$3.21
Prof - Other	\$2,115,847	85,034	0.641	\$15.95	\$1,355,884	1.045	1.0132	1.0395	\$1.13
Prof - Respiratory/Cardiology	\$9,832,334	94,950	0.428	\$44.36	\$4,211,904	1.045	1.0132	1.0395	\$3.52
Prof - Urinary	\$2,225,783	4,119	0.546	\$294.95	\$1,214,957	1.045	1.0132	1.0395	\$1.02
DME/Supplies	\$5,732,406	38,550	0.900	\$133.83	\$5,159,165	1.045	1.0132	1.0395	\$4.31
Lab	\$13,722,518	526,165	0.441	\$11.49	\$6,045,563	1.045	1.0132	1.0395	\$5.05
Radiology	\$24,215,063	219,276	0.816	\$90.12	\$19,760,644	1.045	1.0132	1.0395	\$16.51
Transportation/Ambulance	\$3,682,838	39,261	0.900	\$84.42	\$3,314,555	1.045	1.0132	1.0395	\$2.77
Total	\$570,039,170	5,451,013		\$0.00	\$288,236,026				\$257.34
Administrative Adjustment									1.1236
Per Capita Cost									\$289.13
Per Capita Cost without Pharmacy									\$203.25

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsured Age Over 65									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	188,848								
Service Category									
Dental - Orthodontics	\$0	0	1.000	\$0.00	\$0	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$83,776	2,321	1.000	\$36.10	\$83,776	1.054	1.0075	1.0478	\$0.49
Pharmacy	\$18,026,083	593,298	0.782	\$23.77	\$14,101,671	1.193	1.0003	1.1700	\$104.27
Home Health Care	\$301,471	1,312	0.900	\$206.81	\$271,324	1.125	1.1166	1.0500	\$1.89
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$11,102,125	4,273	0.344	\$894.43	\$3,821,803	0.966	1.0351	1.0000	\$20.24
OP - Emergency Room	\$634,224	769	0.344	\$284.06	\$218,326	1.098	1.0142	1.0866	\$1.40
OP - Other	\$7,255,112	8,856	0.344	\$282.01	\$2,497,505	1.098	1.0142	1.0866	\$16.00
Prof - Anesthesia	\$694,623	6,098	0.601	\$68.45	\$417,406	1.045	1.0132	1.0395	\$2.43
Prof - Digestive System	\$650,343	895	0.437	\$317.48	\$284,015	1.045	1.0132	1.0395	\$1.65
Prof - Ears/Nose/Throat	\$972,442	1,537	0.476	\$301.39	\$463,084	1.045	1.0132	1.0395	\$2.70
Prof - Evaluation & Management	\$5,539,139	86,830	0.661	\$42.15	\$3,659,858	1.045	1.0132	1.0395	\$21.32
Prof - Female Genital	\$152,251	179	0.399	\$339.60	\$60,684	1.045	1.0132	1.0395	\$0.35
Prof - Integumentary System	\$268,216	1,576	0.552	\$94.05	\$148,174	1.045	1.0132	1.0395	\$0.86
Prof - Laparoscopy	\$64,438	46	0.390	\$551.05	\$25,131	1.045	1.0132	1.0395	\$0.15
Prof - Male Genital	\$30,619	56	0.850	\$461.41	\$26,026	1.045	1.0132	1.0395	\$0.15
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$488,186	927	0.418	\$220.43	\$204,271	1.045	1.0132	1.0395	\$1.19
Prof - Other	\$190,093	6,093	0.641	\$19.99	\$121,816	1.045	1.0132	1.0395	\$0.71
Prof - Respiratory/Cardiology	\$880,186	6,877	0.428	\$54.83	\$377,048	1.045	1.0132	1.0395	\$2.20
Prof - Urinary	\$178,402	398	0.546	\$244.43	\$97,382	1.045	1.0132	1.0395	\$0.57
DME/Supplies	\$807,838	5,003	0.900	\$145.32	\$727,054	1.045	1.0132	1.0395	\$4.24
Lab	\$957,457	35,299	0.441	\$11.95	\$421,815	1.045	1.0132	1.0395	\$2.46
Radiology	\$1,916,205	16,397	0.816	\$95.37	\$1,563,715	1.045	1.0132	1.0395	\$9.11
Transportation/Ambulance	\$498,603	8,891	0.900	\$50.47	\$448,743	1.045	1.0132	1.0395	\$2.61
Total	\$51,691,832	787,929		\$0.00	\$30,040,626				\$197.00
Administrative Adjustment									1.1236
Per Capita Cost									\$221.34
Per Capita Cost without Pharmacy									\$104.19

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsurable Ages 1 - 13									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	105,700								
Service Category									
Dental - Orthodontics	\$22,572	125	1.000	\$180.20	\$22,572	1.054	1.0075	1.0478	\$0.24
Dental - Other	\$770,582	19,295	1.000	\$39.94	\$770,582	1.054	1.0075	1.0478	\$8.11
Pharmacy	\$1,448,031	33,994	0.782	\$33.32	\$1,132,784	1.193	1.0003	1.1700	\$14.97
Home Health Care	\$419,439	1,000	0.900	\$377.37	\$377,495	1.125	1.1166	1.0500	\$4.71
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$1,784,004	693	0.344	\$886.54	\$614,127	0.966	1.0351	1.0000	\$5.81
OP - Emergency Room	\$399,267	1,304	0.344	\$105.36	\$137,444	1.098	1.0142	1.0866	\$1.57
OP - Other	\$2,473,339	4,946	0.344	\$172.15	\$851,424	1.098	1.0142	1.0866	\$9.75
Prof - Anesthesia	\$311,140	3,130	0.601	\$59.74	\$186,967	1.045	1.0132	1.0395	\$1.95
Prof - Digestive System	\$167,312	194	0.437	\$377.38	\$73,068	1.045	1.0132	1.0395	\$0.76
Prof - Ears/Nose/Throat	\$164,757	287	0.476	\$272.95	\$78,459	1.045	1.0132	1.0395	\$0.82
Prof - Evaluation & Management	\$2,317,330	52,453	0.661	\$29.19	\$1,531,123	1.045	1.0132	1.0395	\$15.94
Prof - Female Genital	\$376	2	0.399	\$74.16	\$150	1.045	1.0132	1.0395	\$0.00
Prof - Integumentary System	\$67,201	460	0.552	\$80.64	\$37,125	1.045	1.0132	1.0395	\$0.39
Prof - Laparoscopy	\$7,660	11	0.390	\$270.33	\$2,987	1.045	1.0132	1.0395	\$0.03
Prof - Male Genital	\$11,517	15	0.850	\$648.19	\$9,790	1.045	1.0132	1.0395	\$0.10
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$201,550	269	0.418	\$313.06	\$84,334	1.045	1.0132	1.0395	\$0.88
Prof - Other	\$102,473	3,421	0.641	\$19.19	\$65,667	1.045	1.0132	1.0395	\$0.68
Prof - Respiratory/Cardiology	\$82,971	1,257	0.428	\$28.28	\$35,543	1.045	1.0132	1.0395	\$0.37
Prof - Urinary	\$33,082	48	0.546	\$373.18	\$18,058	1.045	1.0132	1.0395	\$0.19
DME/Supplies	\$196,906	1,075	0.900	\$164.89	\$177,215	1.045	1.0132	1.0395	\$1.84
Lab	\$211,260	9,995	0.441	\$9.31	\$93,072	1.045	1.0132	1.0395	\$0.97
Radiology	\$222,023	3,817	0.816	\$47.46	\$181,181	1.045	1.0132	1.0395	\$1.89
Transportation/Ambulance	\$42,940	426	0.900	\$90.65	\$38,646	1.045	1.0132	1.0395	\$0.40
Total	\$11,457,732	138,220		\$0.00	\$6,519,812				\$72.35
Administrative Adjustment									1.1236
Per Capita Cost									\$81.29
Per Capita Cost without Pharmacy									\$64.48

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsurable Ages 14 - 44 Female									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	471,931								
Service Category									
Dental - Orthodontics	\$22,472	204	1.000	\$109.91	\$22,472	1.054	1.0075	1.0478	\$0.05
Dental - Other	\$1,391,465	25,341	1.000	\$54.91	\$1,391,465	1.054	1.0075	1.0478	\$3.28
Pharmacy	\$19,024,262	611,073	0.782	\$24.35	\$14,882,539	1.193	1.0003	1.1700	\$44.04
Home Health Care	\$1,047,885	3,551	0.900	\$265.57	\$943,097	1.125	1.1166	1.0500	\$2.63
IP - Maternity	\$6,393,919	3,354	0.344	\$656.28	\$2,201,047	0.966	1.0351	1.0000	\$4.66
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$42,687,190	14,579	0.344	\$1,007.94	\$14,694,668	0.966	1.0351	1.0000	\$31.14
OP - Emergency Room	\$7,547,546	14,177	0.344	\$183.27	\$2,598,173	1.098	1.0142	1.0866	\$6.66
OP - Other	\$48,433,883	65,729	0.344	\$253.66	\$16,672,914	1.098	1.0142	1.0866	\$42.75
Prof - Anesthesia	\$5,138,315	61,355	0.601	\$50.32	\$3,087,664	1.045	1.0132	1.0395	\$7.20
Prof - Digestive System	\$2,739,072	3,723	0.437	\$321.28	\$1,196,196	1.045	1.0132	1.0395	\$2.79
Prof - Ears/Nose/Throat	\$2,510,997	3,345	0.476	\$357.43	\$1,195,755	1.045	1.0132	1.0395	\$2.79
Prof - Evaluation & Management	\$25,778,080	431,737	0.661	\$39.45	\$17,032,270	1.045	1.0132	1.0395	\$39.70
Prof - Female Genital	\$2,944,583	4,219	0.399	\$278.21	\$1,173,658	1.045	1.0132	1.0395	\$2.74
Prof - Integumentary System	\$1,348,279	5,955	0.552	\$125.08	\$744,847	1.045	1.0132	1.0395	\$1.74
Prof - Laparoscopy	\$1,752,275	1,271	0.390	\$537.69	\$683,387	1.045	1.0132	1.0395	\$1.59
Prof - Male Genital	\$0	0	0.850	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Maternity	\$2,883,895	4,089	0.661	\$466.01	\$1,905,467	1.045	1.0132	1.0395	\$4.44
Prof - Musculoskeletal System	\$3,525,528	6,471	0.418	\$227.96	\$1,475,180	1.045	1.0132	1.0395	\$3.44
Prof - Other	\$450,918	14,999	0.641	\$19.27	\$288,959	1.045	1.0132	1.0395	\$0.67
Prof - Respiratory/Cardiology	\$1,685,549	27,357	0.428	\$26.39	\$722,043	1.045	1.0132	1.0395	\$1.68
Prof - Urinary	\$743,069	1,454	0.546	\$278.93	\$405,609	1.045	1.0132	1.0395	\$0.95
DME/Supplies	\$1,600,994	9,659	0.900	\$149.18	\$1,440,895	1.045	1.0132	1.0395	\$3.36
Lab	\$6,078,726	211,389	0.441	\$12.67	\$2,678,030	1.045	1.0132	1.0395	\$6.24
Radiology	\$8,689,674	78,919	0.816	\$89.85	\$7,091,188	1.045	1.0132	1.0395	\$16.53
Transportation/Ambulance	\$1,413,369	12,955	0.900	\$98.19	\$1,272,032	1.045	1.0132	1.0395	\$2.97
Total	\$195,831,945	1,616,905		\$0.00	\$95,799,555				\$234.04
Administrative Adjustment									1.1236
Per Capita Cost									\$262.96
Per Capita Cost without Pharmacy									\$213.49

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsurable Ages 14 - 44 Male									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	514,144								
Service Category									
Dental - Orthodontics	\$8,563	95	1.000	\$89.96	\$8,563	1.054	1.0075	1.0478	\$0.02
Dental - Other	\$1,115,320	21,009	1.000	\$53.09	\$1,115,320	1.054	1.0075	1.0478	\$2.41
Pharmacy	\$22,423,418	432,825	0.782	\$40.53	\$17,541,673	1.193	1.0003	1.1700	\$47.64
Home Health Care	\$1,519,185	4,236	0.900	\$322.81	\$1,367,266	1.125	1.1166	1.0500	\$3.51
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$70,686,754	22,509	0.344	\$1,081.03	\$24,333,258	0.966	1.0351	1.0000	\$47.34
OP - Emergency Room	\$8,408,796	15,376	0.344	\$188.26	\$2,894,650	1.098	1.0142	1.0866	\$6.81
OP - Other	\$41,008,700	49,410	0.344	\$285.71	\$14,116,864	1.098	1.0142	1.0866	\$33.22
Prof - Anesthesia	\$3,682,377	41,716	0.601	\$53.04	\$2,212,777	1.045	1.0132	1.0395	\$4.73
Prof - Digestive System	\$2,553,203	3,413	0.437	\$326.72	\$1,115,024	1.045	1.0132	1.0395	\$2.39
Prof - Ears/Nose/Throat	\$3,495,962	3,594	0.476	\$463.23	\$1,664,802	1.045	1.0132	1.0395	\$3.56
Prof - Evaluation & Management	\$21,063,598	301,263	0.661	\$46.20	\$13,917,285	1.045	1.0132	1.0395	\$29.78
Prof - Female Genital	\$5,803	45	0.399	\$51.30	\$2,313	1.045	1.0132	1.0395	\$0.00
Prof - Integumentary System	\$1,401,833	5,789	0.552	\$133.77	\$774,432	1.045	1.0132	1.0395	\$1.66
Prof - Laparoscopy	\$310,819	166	0.390	\$730.27	\$121,219	1.045	1.0132	1.0395	\$0.26
Prof - Male Genital	\$136,276	286	0.850	\$405.68	\$115,835	1.045	1.0132	1.0395	\$0.25
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$5,832,776	7,332	0.418	\$332.86	\$2,440,598	1.045	1.0132	1.0395	\$5.22
Prof - Other	\$396,214	12,752	0.641	\$19.91	\$253,903	1.045	1.0132	1.0395	\$0.54
Prof - Respiratory/Cardiology	\$2,323,136	19,967	0.428	\$49.84	\$995,168	1.045	1.0132	1.0395	\$2.13
Prof - Urinary	\$830,265	869	0.546	\$521.58	\$453,205	1.045	1.0132	1.0395	\$0.97
DME/Supplies	\$1,944,777	10,562	0.900	\$165.72	\$1,750,299	1.045	1.0132	1.0395	\$3.74
Lab	\$3,439,366	118,940	0.441	\$12.74	\$1,515,240	1.045	1.0132	1.0395	\$3.24
Radiology	\$6,544,209	68,636	0.816	\$77.81	\$5,340,386	1.045	1.0132	1.0395	\$11.43
Transportation/Ambulance	\$2,201,070	17,132	0.900	\$115.63	\$1,980,963	1.045	1.0132	1.0395	\$4.24
Total	\$201,332,420	1,157,921		\$0.00	\$96,031,044				\$215.10
Administrative Adjustment									1.1236
Per Capita Cost									\$241.67
Per Capita Cost without Pharmacy									\$188.15

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsurable Ages 45 - 64									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	1,029,053								
Service Category									
Dental - Orthodontics	\$83	2	1.000	\$41.52	\$83	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$867,959	19,554	1.000	\$44.39	\$867,959	1.054	1.0075	1.0478	\$0.94
Pharmacy	\$97,083,801	2,595,506	0.782	\$29.26	\$75,947,937	1.193	1.0003	1.1700	\$103.06
Home Health Care	\$4,061,575	12,994	0.900	\$281.32	\$3,655,418	1.125	1.1166	1.0500	\$4.68
IP - Maternity	\$123,609	29	0.344	\$1,477.54	\$42,551	0.966	1.0351	1.0000	\$0.04
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$205,018,908	66,385	0.344	\$1,063.13	\$70,575,852	0.966	1.0351	1.0000	\$68.60
OP - Emergency Room	\$12,993,823	16,709	0.344	\$267.70	\$4,473,003	1.098	1.0142	1.0866	\$5.26
OP - Other	\$141,178,840	157,216	0.344	\$309.13	\$48,599,503	1.098	1.0142	1.0866	\$57.15
Prof - Anesthesia	\$12,349,610	126,741	0.601	\$58.55	\$7,421,003	1.045	1.0132	1.0395	\$7.93
Prof - Digestive System	\$10,266,331	14,201	0.437	\$315.71	\$4,483,470	1.045	1.0132	1.0395	\$4.79
Prof - Ears/Nose/Throat	\$11,239,895	13,379	0.476	\$400.06	\$5,352,519	1.045	1.0132	1.0395	\$5.72
Prof - Evaluation & Management	\$80,182,730	1,252,410	0.661	\$42.30	\$52,978,885	1.045	1.0132	1.0395	\$56.64
Prof - Female Genital	\$2,445,136	3,108	0.399	\$313.57	\$974,587	1.045	1.0132	1.0395	\$1.04
Prof - Integumentary System	\$4,113,349	20,501	0.552	\$110.84	\$2,272,390	1.045	1.0132	1.0395	\$2.43
Prof - Laparoscopy	\$1,537,847	915	0.390	\$655.63	\$599,760	1.045	1.0132	1.0395	\$0.64
Prof - Male Genital	\$305,499	479	0.850	\$541.86	\$259,674	1.045	1.0132	1.0395	\$0.28
Prof - Maternity	\$13,152	14	0.661	\$618.21	\$8,690	1.045	1.0132	1.0395	\$0.01
Prof - Musculoskeletal System	\$11,147,420	17,851	0.418	\$261.29	\$4,664,394	1.045	1.0132	1.0395	\$4.99
Prof - Other	\$2,814,380	98,174	0.641	\$18.37	\$1,803,521	1.045	1.0132	1.0395	\$1.93
Prof - Respiratory/Cardiology	\$12,886,094	105,247	0.428	\$52.45	\$5,520,051	1.045	1.0132	1.0395	\$5.90
Prof - Urinary	\$2,625,437	4,653	0.546	\$308.03	\$1,433,110	1.045	1.0132	1.0395	\$1.53
DME/Supplies	\$7,048,734	46,630	0.900	\$136.05	\$6,343,860	1.045	1.0132	1.0395	\$6.78
Lab	\$14,205,551	528,602	0.441	\$11.84	\$6,258,367	1.045	1.0132	1.0395	\$6.69
Radiology	\$27,386,081	230,516	0.816	\$96.95	\$22,348,346	1.045	1.0132	1.0395	\$23.89
Transportation/Ambulance	\$3,686,256	38,018	0.900	\$87.26	\$3,317,630	1.045	1.0132	1.0395	\$3.55
Total	\$665,582,099	5,369,834		\$0.00	\$330,202,563				\$374.46
Administrative Adjustment									1.1236
Per Capita Cost									\$420.73
Per Capita Cost without Pharmacy									\$304.95

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Uninsurable Age Over 65									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	86,580								
Service Category									
Dental - Orthodontics	\$0	0	1.000	\$0.00	\$0	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$40,086	961	1.000	\$41.71	\$40,086	1.054	1.0075	1.0478	\$0.52
Pharmacy	\$12,829,844	372,901	0.782	\$26.92	\$10,036,692	1.193	1.0003	1.1700	\$161.87
Home Health Care	\$248,823	1,030	0.900	\$217.36	\$223,941	1.125	1.1166	1.0500	\$3.41
IP - Maternity	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Newborn	\$0	0	0.344	\$0.00	\$0	0.966	1.0351	1.0000	\$0.00
IP - Other	\$10,438,105	3,740	0.344	\$960.75	\$3,593,220	0.966	1.0351	1.0000	\$41.51
OP - Emergency Room	\$484,433	553	0.344	\$301.42	\$166,762	1.098	1.0142	1.0866	\$2.33
OP - Other	\$6,006,719	6,961	0.344	\$297.05	\$2,067,757	1.098	1.0142	1.0866	\$28.90
Prof - Anesthesia	\$600,125	6,669	0.601	\$54.08	\$360,621	1.045	1.0132	1.0395	\$4.58
Prof - Digestive System	\$503,693	702	0.437	\$313.29	\$219,971	1.045	1.0132	1.0395	\$2.79
Prof - Ears/Nose/Throat	\$788,766	933	0.476	\$402.67	\$375,616	1.045	1.0132	1.0395	\$4.77
Prof - Evaluation & Management	\$4,323,018	67,200	0.661	\$42.50	\$2,856,334	1.045	1.0132	1.0395	\$36.29
Prof - Female Genital	\$72,304	120	0.399	\$240.15	\$28,819	1.045	1.0132	1.0395	\$0.37
Prof - Integumentary System	\$263,692	1,524	0.552	\$95.57	\$145,675	1.045	1.0132	1.0395	\$1.85
Prof - Laparoscopy	\$39,022	22	0.390	\$682.17	\$15,219	1.045	1.0132	1.0395	\$0.19
Prof - Male Genital	\$32,961	60	0.850	\$463.52	\$28,016	1.045	1.0132	1.0395	\$0.36
Prof - Maternity	\$0	0	0.661	\$0.00	\$0	1.045	1.0132	1.0395	\$0.00
Prof - Musculoskeletal System	\$514,836	741	0.418	\$290.66	\$215,422	1.045	1.0132	1.0395	\$2.74
Prof - Other	\$161,038	7,093	0.641	\$14.55	\$103,197	1.045	1.0132	1.0395	\$1.31
Prof - Respiratory/Cardiology	\$863,898	5,955	0.428	\$62.15	\$370,070	1.045	1.0132	1.0395	\$4.70
Prof - Urinary	\$118,975	276	0.546	\$235.16	\$64,943	1.045	1.0132	1.0395	\$0.83
DME/Supplies	\$545,860	3,688	0.900	\$133.21	\$491,274	1.045	1.0132	1.0395	\$6.24
Lab	\$733,108	27,933	0.441	\$11.56	\$322,976	1.045	1.0132	1.0395	\$4.10
Radiology	\$1,565,501	12,525	0.816	\$102.00	\$1,277,524	1.045	1.0132	1.0395	\$16.23
Transportation/Ambulance	\$516,334	8,352	0.900	\$55.64	\$464,701	1.045	1.0132	1.0395	\$5.90
Total	\$41,691,139	529,941		\$0.00	\$23,468,835				\$331.81
Administrative Adjustment									1.1236
Per Capita Cost									\$372.81
Per Capita Cost without Pharmacy									\$190.93

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Disabled All Age Groups									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	3,190,234								
Service Category									
Dental - Orthodontics	\$87,747	720	1.000	\$121.93	\$87,747	1.054	1.0075	1.0478	\$0.03
Dental - Other	\$9,154,780	198,436	1.000	\$46.13	\$9,154,780	1.054	1.0075	1.0478	\$3.19
Pharmacy	\$232,200,741	6,321,597	0.782	\$28.73	\$181,648,916	1.197	1.0004	1.1729	\$79.94
Home Health Care	\$46,764,546	197,517	0.900	\$213.09	\$42,088,091	1.125	1.1166	1.0500	\$17.40
IP - Maternity	\$13,000,148	6,642	0.344	\$673.75	\$4,475,180	0.966	1.0261	1.0000	\$1.39
IP - Newborn	\$13,183,600	8,871	0.344	\$511.61	\$4,538,332	0.966	1.0261	1.0000	\$1.41
IP - Other	\$718,363,550	279,534	0.344	\$884.65	\$247,289,971	0.966	1.0261	1.0000	\$76.86
OP - Emergency Room	\$52,071,615	90,397	0.344	\$198.29	\$17,925,169	1.098	1.0162	1.0871	\$6.82
OP - Other	\$356,666,386	482,742	0.344	\$254.34	\$122,779,086	1.098	1.0162	1.0871	\$46.70
Prof - Anesthesia	\$29,223,552	294,900	0.601	\$59.55	\$17,560,722	1.107	1.0158	1.0942	\$6.77
Prof - Digestive System	\$20,305,924	29,988	0.437	\$295.71	\$8,867,920	1.107	1.0158	1.0942	\$3.42
Prof - Ears/Nose/Throat	\$23,264,471	33,322	0.476	\$332.48	\$11,078,708	1.107	1.0158	1.0942	\$4.27
Prof - Evaluation & Management	\$229,180,915	3,390,748	0.661	\$44.66	\$151,425,989	1.107	1.0158	1.0942	\$58.37
Prof - Female Genital	\$4,113,739	7,271	0.399	\$225.51	\$1,639,663	1.107	1.0158	1.0942	\$0.63
Prof - Integumentary System	\$8,486,989	37,796	0.552	\$124.05	\$4,688,575	1.107	1.0158	1.0942	\$1.81
Prof - Laparoscopy	\$3,207,034	2,243	0.390	\$557.65	\$1,250,743	1.107	1.0158	1.0942	\$0.48
Prof - Male Genital	\$573,962	1,035	0.850	\$471.17	\$487,867	1.107	1.0158	1.0942	\$0.19
Prof - Maternity	\$5,296,322	7,948	0.661	\$440.31	\$3,499,422	1.107	1.0158	1.0942	\$1.35
Prof - Musculoskeletal System	\$24,820,926	42,759	0.418	\$242.89	\$10,385,773	1.107	1.0158	1.0942	\$4.00
Prof - Other	\$10,402,310	2,351,953	0.641	\$2.83	\$6,666,046	1.107	1.0158	1.0942	\$2.57
Prof - Respiratory/Cardiology	\$25,585,688	213,888	0.428	\$51.24	\$10,960,211	1.107	1.0158	1.0942	\$4.23
Prof - Urinary	\$4,594,048	9,392	0.546	\$267.00	\$2,507,688	1.107	1.0158	1.0942	\$0.97
DME/Supplies	\$61,943,287	332,695	0.900	\$167.57	\$55,748,958	1.107	1.0158	1.0942	\$21.49
Lab	\$31,145,399	1,202,456	0.441	\$11.41	\$13,721,350	1.107	1.0158	1.0942	\$5.29
Radiology	\$60,462,054	621,892	0.816	\$79.34	\$49,339,915	1.107	1.0158	1.0942	\$19.02
Transportation/Ambulance	\$30,212,309	385,328	0.900	\$70.57	\$27,191,079	1.107	1.0158	1.0942	\$10.48
Total	\$2,014,312,041	16,552,069		\$0.00	\$1,007,007,901				\$379.07
Administrative Adjustment									1.1236
Per Capita Cost									\$425.91
Per Capita Cost without Pharmacy									\$336.11

* Claims incurred from 1/1/99 - 9/30/00

TennCare
FY 2002 Per Capita Cost Development
Development of Per Capita Costs

Exhibit 3

Duals (TennCare & Medicare) All Age Groups									
	Raw Charges 1999 - 2000*	Units 1999 - 2000*	Cost to Charge Ratio	Cost per Unit	Adjusted Claims	Trend Data Period	IBNR Data Period	Additional Trend Contract Period	PMPM
Member Months	3,916,136								
Service Category									
Dental - Orthodontics	\$609	8	0.252	\$19.15	\$153	1.054	1.0075	1.0478	\$0.00
Dental - Other	\$2,566,214	57,046	0.252	\$11.33	\$646,315	1.054	1.0075	1.0478	\$0.18
Pharmacy	\$481,912,806	15,039,316	0.782	\$25.07	\$376,996,811	1.168	1.0011	1.1476	\$129.14
Home Health Care	\$8,560,887	28,928	0.085	\$25.22	\$729,561	1.125	1.1166	1.0500	\$0.25
IP - Maternity	\$333,118	192	0.070	\$121.35	\$23,357	0.966	1.0543	1.0000	\$0.01
IP - Newborn	\$492,867	424	0.070	\$81.60	\$34,558	0.966	1.0543	1.0000	\$0.01
IP - Other	\$46,594,130	19,835	0.070	\$164.71	\$3,267,027	0.966	1.0543	1.0000	\$0.85
OP - Emergency Room	\$2,496,208	3,492	0.058	\$41.14	\$143,654	1.042	1.0419	1.0368	\$0.04
OP - Other	\$28,220,431	28,965	0.058	\$56.07	\$1,624,050	1.042	1.0419	1.0368	\$0.47
Prof - Anesthesia	\$3,017,865	26,592	0.235	\$26.69	\$709,617	1.042	1.0299	1.0368	\$0.20
Prof - Digestive System	\$2,967,366	4,261	0.236	\$164.02	\$698,967	1.042	1.0299	1.0368	\$0.20
Prof - Ears/Nose/Throat	\$4,641,515	6,636	0.231	\$161.92	\$1,074,454	1.042	1.0299	1.0368	\$0.31
Prof - Evaluation & Management	\$26,404,510	437,408	0.254	\$15.35	\$6,712,647	1.042	1.0299	1.0368	\$1.90
Prof - Female Genital	\$734,521	1,070	0.227	\$155.60	\$166,414	1.042	1.0299	1.0368	\$0.05
Prof - Integumentary System	\$1,895,473	10,561	0.270	\$48.44	\$511,534	1.042	1.0299	1.0368	\$0.15
Prof - Laparoscopy	\$385,485	259	0.200	\$297.84	\$77,091	1.042	1.0299	1.0368	\$0.02
Prof - Male Genital	\$103,873	202	0.313	\$161.17	\$32,549	1.042	1.0299	1.0368	\$0.01
Prof - Maternity	\$289,459	383	0.254	\$192.08	\$73,587	1.042	1.0299	1.0368	\$0.02
Prof - Musculoskeletal System	\$3,816,522	6,471	0.220	\$130.01	\$841,290	1.042	1.0299	1.0368	\$0.24
Prof - Other	\$1,746,937	188,475	0.251	\$2.32	\$438,057	1.042	1.0299	1.0368	\$0.12
Prof - Respiratory/Cardiology	\$4,433,557	15,737	0.191	\$53.83	\$847,154	1.042	1.0299	1.0368	\$0.24
Prof - Urinary	\$980,736	2,613	0.244	\$91.57	\$239,325	1.042	1.0299	1.0368	\$0.07
DME/Supplies	\$9,481,071	56,993	0.252	\$41.92	\$2,389,230	1.042	1.0299	1.0368	\$0.68
Lab	\$4,604,210	98,238	0.265	\$12.42	\$1,220,142	1.042	1.0299	1.0368	\$0.35
Radiology	\$8,189,980	69,968	0.608	\$71.17	\$4,979,935	1.042	1.0299	1.0368	\$1.40
Transportation/Ambulance	\$30,047,137	749,032	0.900	\$36.10	\$27,042,423	1.042	1.0299	1.0368	\$7.65
Total	\$674,917,488	16,853,104		\$0.00	\$431,519,902				\$144.53
Administrative Adjustment									1.1236
Per Capita Cost									\$162.40
Per Capita Cost without Pharmacy									\$17.30

* Claims incurred from 1/1/99 - 9/30/00

**TennCare
 FY 2002 Per Capita Cost Development
 Summary of Per Capita Costs**

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)	\$167.92	\$64.29	\$221.23	\$94.74	\$265.43	\$208.15		\$127.10
Uninsured	\$167.92	\$60.20	\$155.75	\$98.76	\$289.13	\$221.34		\$136.91
Uninsurable	\$167.92	\$81.29	\$262.96	\$241.67	\$420.73	\$372.81		\$327.13
Disabled							\$425.91	\$425.91
Duals (TennCare & Medicaid)							\$162.40	\$162.40
Weighted Average	\$167.92	\$63.17	\$199.61	\$122.14	\$340.17	\$256.31	\$280.70	\$184.82

Note: Weighted averages calculated using total CY1999 and nine months of 2000 member months as weights.

TennCare
FY 2002 Per Capita Cost Development
Summary of Per Capita Costs Funded Through Direct Capitation to Health Plans

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)	\$167.92	\$64.29	\$221.23	\$94.74	\$265.43	\$208.15		\$127.10
Uninsured	\$167.92	\$60.20	\$155.75	\$98.76	\$289.13	\$221.34		\$136.91
Uninsurable	\$167.92	\$81.29	\$262.96	\$241.67	\$420.73	\$372.81		\$327.12
Disabled							\$425.91	\$425.91
Duals (TennCare & Medicaid)							\$17.30	\$17.30
Weighted Average	\$167.92	\$63.17	\$199.60	\$122.14	\$340.17	\$256.31	\$200.74	\$164.48

Note: Weighted averages calculated using total CY1999 and nine months of 2000 member months as weights.